

PRESS RELEASE

Amersfoort, 14 March 2013

## **VolkerWessels reports positive operating profit in difficult market conditions**

*Net loss due to one-off write-down of land and real estate positions*

- Operating profit (EBITDA) before impairments: € 138 million (2011: € 192 million)
- One-off write-down of land and real estate positions: € 196 million
- Net result: € 123 million loss (2011: € 81 million profit)
- Turnover: € 4.9 billion (2011: € 4.7 billion)
- Order book in 2012: € 5.5 billion (2011: € 5.5 billion).

We report a net loss of € 123 million for 2012. The negative result is attributable to a one-off write-down of € 196 million on our land and real estate positions.

Our focus on growth markets and our good activity spread yielded a positive operating profit of € 138 million and a 4% increase in turnover in 2012.

We achieved strong growth in the Energy & Telecom sector and in Canada/United States, while we maintained our stable position in the UK by continuing to diversify. The Building & Property Development and Infrastructure sectors in the Netherlands are contending with a 6% decline in turnover on markets that continued to deteriorate. Almost 50% of VolkerWessels' turnover now stems from the Energy & Telecom sector and from our local markets in Canada/US and UK.

Operating profit before one-off write-downs is lower than last year, due to difficult market conditions in the Netherlands, insolvency problems affecting some clients in the Building & Property Development sector, reorganisations and start-up costs in the energy market.

The order book remained stable during 2012 and its quality was further improved by the award of a number of substantial, long-term management and maintenance contracts.

Jan van Rooijen, CFO, comments: "Despite difficult conditions in the Netherlands, our focus on growth markets such as Energy & Telecom and Canada has delivered a positive operating profit and modest growth in turnover. Needless to say, the economic crisis in the Dutch market is also taking a toll on our business and we have been forced to bring the valuation of our land and real estate positions in line with the new reality, with no short-term prospect of a recovery. The breadth of our portfolio reduces our vulnerability and, thanks to our strong geographical market positions and our solid financial position, we are confident about the future."

## Key figures

(in millions of euros)	2012	2011	2010
Turnover	4.892	4.713	4.185
EBITDA operating*1	138	192	193
EBITDA margin	2.8%	4.1%	4.6%
Net result	-123	81	88
Order book	5.462	5.484	5.128
Solvency	20%	26%	27%

\*1 EBITDA operating = EBITDA before one-off write-downs

### Dutch market

The Dutch construction and infrastructure market is still faced with lower volumes; overcapacity and price pressure and we do not anticipate any improvement in the short term. The persistent uncertainty surrounding government policy is undermining confidence among clients in the residential construction sector. National budgets for investments in infrastructure are also being squeezed and local authorities are cutting back on spending in a bid to get their finances in order. This is having a knock-on effect on VolkerWessels and forcing us to make changes to our organisation in the Netherlands. Reorganisations are essential for the company to remain competitive and healthy.

### The Netherlands - Building & Property Development

In the short term, we take a negative view of the market in the Building & Property Development Netherlands sector. We had hoped for government measures that would stem the market decline. Sadly, no such measures have been forthcoming. Persistent uncertainty surrounding policies on issues such as mortgage interest deductibility and housing corporations are dampening market demand at a critical time. Turnover has declined by approximately 5% compared with the previous year, due to projects being postponed.

However, the loss for 2012 is due primarily to a one-off write-down of our land and real estate positions, totalling € 191 million in the Netherlands. This write-down reflects our view that a new reality has emerged in the building and property development sector. Developments are being repeatedly postponed, resulting in fewer homes at lower prices.

Our construction projects are progressing in line with expectations, although in a number of projects we have been contending with client insolvency, with clients who were consequently unable to meet their commitments. We have therefore included a number of real estate projects on our own balance sheet and included appropriate provisions. The ongoing difficult market conditions and prospects are compelling us to adjust our workforce and the associated reorganisation costs have also had a negative impact on the 2012 result.

	2012	2011
New homes delivered *1	3,822	3,535
Homes sold (own developments)	1,567	825
Unsold homes under construction	483	320
Homes delivered but unsold at year-end	204	150

\*1 Third party and own developments

A relatively large number of homes were sold in the final quarter of 2012.

The total number of unsold homes at year-end 2012 was 687. Of that number, 204 were delivered (2011: 150) and 483 were still under construction (2011: 320).

At the end of 2012, our order book stood at € 2.2 billion (2011: € 2.6 billion).

This decline is due primarily to the postponement of projects that had already been commissioned.

*Highlights in 2012:*

We worked on numerous interesting projects in 2012 and the preparation for future activities is going well. This includes the construction of the new premises for the International Criminal Court (ICC) and planning for the development of Dierenpark Emmen. This will be more of an "Experience Park" than a Zoo, allowing visitors to get right in amidst nature and the animals - a feat which calls for technical creativity. These projects express our innovative flair.

Another high-profile project we are involved in is the HagaZiekenhuis hospital in The Hague.

**The Netherlands – Infrastructure**

Government authorities at all levels - central, provincial and municipal - are having to economise, and this is squeezing the budget for infrastructural projects. The private market for infrastructural projects is also developing unfavourably, all of which has caused turnover to fall across all segments compared with 2011. The situation is compounded by price pressure in the market. We are maintaining our solid profit by focussing on projects that give free rein to our distinctive approach and we expect this strategy to continue yielding sufficient returns in future.

At the end of 2012, our order book stood at € 1.0 billion (2011: € 1.1 billion).

*Highlights in 2012:*

We won two major new projects in 2012: the diversion of the A9 at Badhoevedorp in order to enhance spatial quality and the living environment, and the DBFM contract for the Schiphol-Amsterdam-Almere road expansion. Both projects are being carried out as part of a consortium with other parties. The Schiphol-Amsterdam-Almere road expansion (A1/A6 Diemen – Almere Havendreef) has a nominal value of over € 1 billion euro's and VolkerWessels companies are expected to have a share of € 350 million in that total. This contract had not yet been included in the order book at the 2012 year-end.

Another highlight is the commissioning of a new type of recycling drum for reusing old asphalt: the HERA system (Highly Efficient Recycling Asphalt). This sustainable innovation enables asphalt to be recycled up to 100%.

**The Netherlands – Energy & Telecom**

We achieved a substantial increase in turnover (26%) in these sectors in 2012, most notably on the offshore wind and Telecom markets. Returns in the energy market are being squeezed by start-up losses, while results in the Telecom market are solid.

At the end of 2012, our order book stood at € 0.7 billion (2011: € 0.8 billion).

*Highlights in 2012:*

In 2012 we successfully completed the London Array wind turbine project. The work included installing four export cables of more than 50 kilometres in length and 187 cables that run between the wind turbines.

In 2012 we signed the contract for the design, laying and maintenance of the Nieuwe Warmteweg pipe network (DNWW) in Rotterdam. Many different disciplines from Visser & Smit Hanab and other VolkerWessels companies are working closely together to deliver the 26 km-long double pipeline network. The heating network transports waste heat from the AVR Rozenburg waste processing facility to the city centre and the Rotterdam port area.

One notable event in 2012 was the reconstruction of the Hoogersmilde transmitter mast. After it was hit by a fire in 2011, VolkerWessels Telecom built a new structure on the mast, using a Swiss hoisting helicopter.

## **VolkerWessels UK**

Market conditions in the UK are similar to those on the construction and infrastructure market in the Netherlands. Thanks to a high level of diversification coupled with strategic decisions made in the past, we succeeded in increasing our turnover and order book and in maintaining our margin at an acceptable level. The quality of our order book improved due to the good spread in both our activity mix and the size of our projects.

The British government is stepping up investments in infrastructure in a bid to stimulate the economy. Given the spread of activities within our company, this presents us with opportunities in the area of transportation (highways, ports and rail). We are also involved in energy generation and distribution.

At the end of 2012, our order book stood at € 1.0 billion (2011: € 0.8 billion).

### *Highlights in 2012:*

Two successful projects that stood out in 2012 were the renovation of the runway at London Gatwick Airport and the development of a new munitions loading platform for the Ministry of Defence in Portsmouth Harbour. We scored another major success in 2012 when we were awarded in joint venture, an eight-year maintenance contract for the Central London road network.

## **VolkerWessels Canada/United States**

Our businesses in Canada and the United States, which operate mainly in infrastructure and area development, are developing favourably, and the outlook is also good. There is a good volume of work on offer in Canada, generated primarily by energy-related projects in the province of Alberta. In this sphere, we are a major partner of the Canadian government, which is increasingly handing over infrastructure maintenance and management tasks to private parties.

We increased our turnover by 16% in 2012 compared with 2011.

At the end of 2012, our order book stood at € 0.7 billion (2011: € 0.5 billion).

### *Highlights in 2012:*

One project that is making a major contribution to the growth of our order book in Canada is the Anthony Henday Drive new construction project in Edmonton. This contract has a 30-year term and comprises a 27 kilometre-long, six and eight-lane freeway, nine junctions, two fly-overs over roads, eight fly-overs over railway lines and two bridges. We are responsible for both project management and maintenance and the project is worth CAD 550 million (€372 million).

## **Financial**

### **EBITDA margin**

At the 2012 year-end, EBITDA margin before one-off write-downs (€ 138 million in absolute terms) fell to 2.8% compared with 4.1% for 2011.

### **Solvency**

Solvency was 20% before profit distribution (2011: 26%). A number of factors had a negative impact on solvency, including the loss reported in 2012 as a consequence of the one-off write-down of land and real estate positions of € 196 million (net impact of approximately € 153 million).

### **Financing/net debt**

VolkerWessels continually focuses on efforts to reduce working capital requirements and its net debt position. Having substantially reduced our debt over the last three years, we are now financially robust and the covenant criteria for our bank facilities were therefore satisfied comfortably at 31 December 2012.

### ***Note for the editors (not for publication):***

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#### About VolkerWessels

VolkerWessels ([www.volkerwessels.com](http://www.volkerwessels.com)) is a Dutch construction group with a decentralised organisation structure and 120 operating companies. We operate in three market sectors - Building & Property Development, Infrastructure and Energy & Telecom - and in three geographical areas: the Netherlands, the United Kingdom and Canada/United States. With around 15,000 employees, VolkerWessels boasts a wealth of experience in residential and commercial construction, mobility, energy & telecom. We handle development, design, construction, financing, management and operation, for all our stakeholders: our clients, employees, shareholders, suppliers and society in the broadest sense. VolkerWessels is a company that seizes opportunities and introduces sustainable innovations.