



VolkerWessels



## Annual report 2014

VolkerWessels is the trade name of Royal Volker Wessels Stevin nv



**MorgenWonen**

MorgenWonen (Future Living) involves assembly on an industrial platform, with super-fast build times. The house is assembled using superior-quality plug and play components. The result is a sustainable home, built to a high standard. Low maintenance. Zero energy. Standardisation accommodates projects of any size, even a single home. The photo shows the MorgenWonen project in Rijen.

[www.morgenwonen.nl](http://www.morgenwonen.nl)

**VolkerWessels**

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## Profile, activities and markets

Employing some 15,000 people in more than 100 operating companies, VolkerWessels builds projects for the residential, commercial, mobility, energy and telecoms sectors. We handle development, design, construction, financing, management and operation for all our stakeholders: our clients, employees, shareholders, suppliers and society in the broadest sense.

We operate in three market sectors: Construction & Real Estate, Infrastructure, and Energy & Telecoms, and aim to achieve solid returns in each of these sectors. We achieve this by adopting an entrepreneurial approach to new opportunities, by introducing sustainable innovations and by giving talented employees plenty of scope to develop. VolkerWessels' ambition is to create value for all its stakeholders by operating in a sustainable, safe and sound manner.

### VolkerWessels operates in three sectors and focuses on three regions

Sectors	The Netherlands*	United Kingdom	Canada/USA
<b>CONSTRUCTION &amp; REAL ESTATE</b> 	<ul style="list-style-type: none"> <li>– Property development</li> <li>– Industrial construction</li> <li>– Commercial property construction</li> <li>– Residential construction</li> <li>– Mechanical/electrical installations</li> </ul>	<ul style="list-style-type: none"> <li>– Industrial construction</li> <li>– Commercial property construction</li> </ul>	<ul style="list-style-type: none"> <li>– Area development</li> </ul>
<b>INFRASTRUCTURE</b> 	<ul style="list-style-type: none"> <li>– Civil engineering</li> <li>– Road construction</li> <li>– Railway construction</li> <li>– Traffic and Rail Technology</li> <li>– Traffic and parking management</li> </ul>	<ul style="list-style-type: none"> <li>– Civil engineering</li> <li>– Road construction</li> <li>– Railway construction</li> </ul>	<ul style="list-style-type: none"> <li>– Civil engineering</li> <li>– Road construction</li> </ul>
<b>ENERGY &amp; TELECOMS</b> 	<ul style="list-style-type: none"> <li>– Energy networks</li> <li>– Telecoms interconnections (onshore &amp; offshore)</li> <li>– Maritime services</li> </ul>		

WORLDWIDE

\*In this report, The Netherlands includes The Netherlands and Belgium

For a list of individual companies by sector, please see the list of Group companies starting on page 52.



# Foreword

VolkerWessels again posted a good result in 2014. Operating profit (EBITDA) grew by € 37 million in 2014, to € 228 million, with fractionally lower operating revenue. The EBITDA margin increased from 4.2% in 2013 to 5.2% in 2014. VolkerWessels achieved a net profit of € 121 million in 2014, an increase of € 31 million compared with 2013. The order book totalled € 5.8 billion at 31 December 2014.

These figures were achieved despite difficult conditions in a number of key markets. For example, our Construction & Real Estate sector in The Netherlands is still experiencing by unfavourable market conditions. Although we are seeing tentative signs of a recovery in the lower end of the housing market, conditions in this sector remain particularly challenging. Occupational rates are an ongoing structural problem in the commercial property market. Our clients are still frequently experiencing difficulties raising finance for projects. The Infrastructure sector in The Netherlands is also contending with difficult market conditions, with dwindling investments and budgets in the public sector creating overcapacity in the market, particularly at local and provincial level. This is resulting in unhealthy pressure on costs, with price differences of more than 25% not unusual in public procurement processes in 2014. Heavy losses in infrastructure therefore come as no surprise. Another outcome is that risks are being taken by contractors cannot be controlled, and are therefore unacceptable. The malaise in the sector will therefore continue over the next few years. VolkerWessels refuses to get sucked into these unhealthy trends in the market. The changing Telecoms sector is also contending with pressure on margins. In the UK, public investments – mainly in rail infrastructure and flood defences – are injecting some momentum into the market, but margins are modest there too. The conditions and outlook in the (offshore) energy sector and our other international market of Alberta (Canada) are healthier despite dependence on the price of oil.

In spite of the various challenges in 2014, VolkerWessels succeeded once again in achieving a positive operating result in all our sectors. This performance is partly due to our willingness to engage in sustainable innovation and make targeted investments. However, because of the risk/return imbalance, the rewards are by no means always commensurate with the efforts. In the current market, you can only win by not losing. VolkerWessels therefore continues to focus on entrepreneurship combined with financial and operational discipline. At the same time, we are adhering firmly to our proven strategy, the principal pillars of which are a clear commitment to our home markets and a healthy spread of activities. This diversification, multi-year contracts, market leadership, a broadly-based position in the value chain and

a healthy focus on margin rather than volume are important building blocks in our high-quality order book. During the reporting year, we were able to extend our credit facilities until 2019 with a new syndicate of seven banks, subject to virtually the same conditions. VolkerWessels also made a few acquisitions in 2014. Canadian company Mainline Construction operates in Northwest Alberta in subsurface infrastructure, public infrastructure and the oil and gas industry. In addition, in 2014 an agreement was signed for the takeover of Meulen Group, which is involved in construction and property development in the Southeast Netherlands and Belgium and was amalgamated with our subsidiary Aannemersbedrijf Louis Scheepers after the takeover.

In 2014 our operating companies again worked on numerous projects, including the A4 Midden Delfland (Rotterdam), A9 Badhoevedorp, the Beverwijk Wijngaarden gas transport pipeline, the Butendiek wind farm (German Bight), Galecopper bridge (Utrecht), International Criminal Court (The Hague), Luchterduinen wind farm (IJmuiden), De Nieuwe Warmte Weg district heating project (Rotterdam), SAAone and OV SAAL (Amsterdam), Strijp S (Eindhoven), Wildlands Adventure Zoo (Emmen), the rollout of 4G and VDSL by vw Telecom, Thameslink (UK), the Stafford rail network (UK), Rotary Lands and Keyano College (Canada) and the expansion of infrastructure for Boeing (US).

New projects included the Campusplein university building for VU University Amsterdam, the Westermeerwind (offshore) wind farm in the IJsselmeer and Dudgeon off the UK North Sea coast and IJsseldelta: the latest project in the Room for the River programme by the Rijkswaterstaat (part of the Dutch Ministry of Infrastructure and the Environment). The operational highlight of 2014 was without doubt MorgenWonen (Future Living), our innovative living concept which involves assembling high-quality, sustainable, affordable, energy-efficient and low-maintenance homes in the factory and erecting them on site in a single day. We expect market conditions to remain difficult in The Netherlands and do not anticipate a strong recovery in the next few years. We are, however, more positive about the prospects for VolkerWessels. With a sound strategy, a healthy order book, investments in innovative and sustainable concepts and our ability to sense new market opportunities. At the end of the day, VolkerWessels is driven by one force: entrepreneurship.

## VolkerWessels Board of Management

D. Boers

H.J. van der Kamp

J.G. van Rooijen

A. Vos

# VolkerWessels at a glance

## Important developments in 2014

Our **operating profit (EBITDA)** over 2014 is **€ 228 million**, an improvement of **€ 37 million** compared to € 191 million over 2013. The **EBITDA margin increased** from 4.2% in 2013 to 5.2% in 2014.

The **net result for 2014** was a profit of **€ 121 million** compared with a profit of € 90 million in 2013. Among other things, a write-down of land and real estate holdings was incorporated in the net result for 2014, totalling **€ 10 million** (2013: € 11 million). Our focus on return rather than revenue was instrumental in the improvement in our results in 2014.

**Operating revenue** decreased by approximately **2.6%** in 2014 to **€ 4.4 billion** (2013: € 4.5 billion). This decrease is most apparent in the **Energy & Telecoms** sector due to the deconsolidation of VBMS with effect from 1 January 2014.

Investment in **tangible fixed assets** rose to **€ 95 million** (2013: € 72 million).

Despite a higher level of investment and a number of acquisitions, we further reduced our **net debt** in 2014, by **€ 5 million**. VolkerWessels has a **positive net cash position** at the end of 2014.

Our **solvency** at the end of 2014 was **26%**, which is the same as at the end of 2013 (26%).

Our **order book** at the end of 2014 stood at **€ 5.8 billion**, which is a decrease of approximately € 0.3 billion compared with the end of 2013. Expectations are that € 2.9 billion (=51%) of this total will be delivered in 2015, € 1.2 billion in 2016 and € 1.7 billion in 2017 and beyond. We only include contracts in our order book that had been signed as at 31 December.

## Five-year summary

(Amounts based on consolidated financial statements in millions of euros, unless stated otherwise)

	NL GAAP 2014	NL GAAP 2013	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010
<b>Income statement</b>						
Operating revenue	4,400	4,519	4,505	4,892	4,713	4,185
EBITDA excl. other impairments	238	202	227	138	192	193
Other impairments	-10	-11	-11	-196	-12	-
EBITDA	228	191	216	-58	180	193
Depreciation and impairment of tangible fixed assets	-57	-61	-61	-61	-59	-76
Operating result before amortisation (EBITA)	172	130	155	-119	121	117
Amortisation and impairments of intangible fixed assets	-21	-19	-9	-9	-10	-8
Operating result after amortisation (EBIT)	151	111	146	-128	111	109
Financial income and expenditure	4	5	2	-12	5	-1
Result of ordinary operations before tax	155	116	148	-140	116	108
Taxation	-34	-26	-27	30	-14	-19
Result for the financial year	121	90	121	-110	102	89
Result from discontinued operations (after income tax)	-	-	-4	-13	-21	-2
<b>Result for the financial year</b>	<b>121</b>	<b>90</b>	<b>117</b>	<b>-123</b>	<b>81</b>	<b>88</b>
Attributable to:						
Shareholders of the Parent Company	121	90	117	-121	81	87
Minority interests in result of group companies	-	-	-	-2	-	1
<b>Result for the financial year</b>	<b>121</b>	<b>90</b>	<b>117</b>	<b>-123</b>	<b>81</b>	<b>88</b>
<b>Balance sheet</b>						
Intangible fixed assets	45	49	86	93	99	91
Tangible fixed assets	338	301	300	310	327	334
Financial fixed assets	577	607	627	659	631	609
Total fixed assets	960	957	1,013	1,062	1,057	1,034
Inventories/work in progress	473	428	793	819	872	709
Receivables and prepayments and accruals	826	872	913	1,055	1,061	1,050
Cash	241	208	208	384	589	636
<b>Total assets</b>	<b>2,500</b>	<b>2,465</b>	<b>2,927</b>	<b>3,320</b>	<b>3,579</b>	<b>3,429</b>
Share capital	84	84	84	84	84	84
Reserves	446	452	525	658	771	771
Undistributed profits	121	90	117	-121	81	87
Share of the legal entity in group equity	651	626	726	621	936	942
Minority interests in group equity	1	-	-	1	3	5
Total group equity	652	626	726	622	939	947
Provisions	297	303	175	159	101	115
Long-term liabilities	103	116	128	342	71	351
Other current liabilities	1,448	1,420	1,898	2,197	2,468	2,016
<b>Total liabilities</b>	<b>2,500</b>	<b>2,465</b>	<b>2,927</b>	<b>3,320</b>	<b>3,579</b>	<b>3,429</b>
<b>Ratios</b>						
Current ratio	1.06	1.06	1.01	1.03	1.02	1.19
Solvency	26%	26%	25%	20%	26%	27%
EBITDA as % operating revenue	5.2%	4.2%	4.8%	2.8%*	3.8%	4.6%
Profitability	18.9%	14.4%	17.4%	3.7%*	8.6%	9.3%
<b>Other information</b>						
Order book	5,774	6,085	6,084	5,462	5,484	5,128
Average number of employees	14,910	14,933	14,933	15,308	15,996	16,551

\* 2012, excl. impairment.

## Key figures

(Amounts in millions of euros)

	2014	2013
<b>Consolidated figures</b>		
Operating revenue	4,400	4,519
Order book	5,774	6,085
EBITDA	228	191
Net profit after tax	121	90
EBITDA margin	5.2%	4.2%
Net profit margin	2.8%	2.0%
Taxation	34	26
Tax rate	22.0%	22.2%
Operating working capital	502	504
Net debt (assets)	-44	-39
Depreciation and impairment of tangible fixed assets	57	61
Amortisation and impairments of intangible fixed assets	21	19
Investment in tangible fixed assets	95	72
Investment in intangible fixed assets	14	2
Total group equity	652	626
Average number of employees	14,910	14,933

The financial information on pages 48 to 51 is taken from the audited 2014 financial statements of Royal Volker Wessels Stevin nv ('financial statements'). An unqualified auditor's report has been issued for those financial statements. The financial summaries should be read in conjunction with the financial statements from which they are derived, as well as the related unqualified auditor's report.

The full annual report (including the financial statements) can be requested at [en.volkerwessels.com/en/financial/annual-report-2014](http://en.volkerwessels.com/en/financial/annual-report-2014)

For definitions of the key figures detailed above, please see the Definitions on page 55.



**Operating revenue**

(in millions of euros)

	2014			2013*		
	Total	The Netherlands	Abroad	Total	The Netherlands	Abroad
Construction & Real Estate	1,485	1,317	168	1,443	1,295	148
Infrastructure	2,288	1,233	1,055	2,251	1,268	983
Energy & Telecoms	708	708	–	925	925	–
Other/elimination	–81	–81	–	–100	–100	–
<b>Total</b>	<b>4,400</b>	<b>3,177</b>	<b>1,223</b>	<b>4,519</b>	<b>3,388</b>	<b>1,131</b>

**Order book**

(in millions of euros)

	2014			2013*		
	Total	The Netherlands	Abroad	Total	The Netherlands	Abroad
Construction & Real Estate	1,969	1,783	186	2,026	1,801	225
Infrastructure	3,035	1,073	1,962	2,990	1,116	1,874
Energy & Telecoms	859	859	–	1,131	1,131	–
Other/elimination	–89	–89	–	–62	–62	–
<b>Total</b>	<b>5,774</b>	<b>3,626</b>	<b>2,148</b>	<b>6,085</b>	<b>3,986</b>	<b>2,099</b>

**EBITDA**

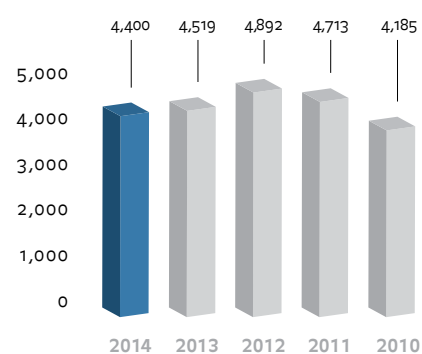
(in millions of euros)

	2014			2013*		
	Total	The Netherlands	Abroad	Total	The Netherlands	Abroad
Construction & Real Estate	36	35	1	21	15	6
Infrastructure	118	48	70	116	57	59
Energy & Telecoms	74	74	–	83	83	–
Other/elimination	–	–	–	–29	–29	–
<b>Total</b>	<b>228</b>	<b>157</b>	<b>71</b>	<b>191</b>	<b>126</b>	<b>65</b>

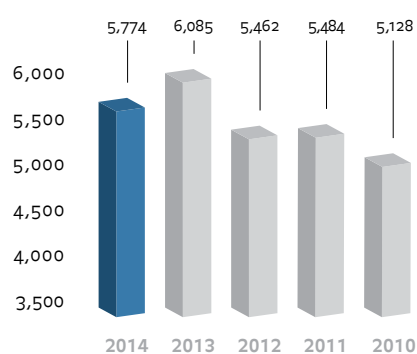
\* Adjusted for the purposes of comparison.

**Operating revenue**

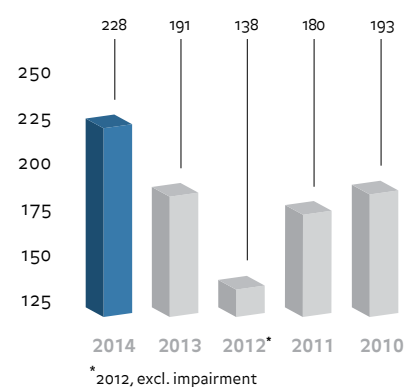
(in millions of euros)

**Order book**

(in millions of euros)

**EBITDA (operating)**

(in millions of euros)



## Composition of the Supervisory Board

The composition as at 31 December 2014 is as follows:

**H.M. (Henry) Holterman (1955)\***

Chairman of the Supervisory Board as of 2012

Reappointed in 2012, member since 2010

Retiring: by rotation in 2016

Other position: member of the Board of Management of Reggeborgh Group.

**D. (Dik) Wessels (1946)**

Reappointed in 2011, member since 2007

Retiring: by rotation in 2015

Previously: member of the Board of Management of VolkerWessels

Other positions: member of the Board of Management of Reggeborgh Group and various supervisory directorships and other management positions.

**Mr R. L.J. (Rolly) van Rappard (1960)**

Reappointed in 2014, member since 2007

Retiring: by rotation in 2018

Other positions: Co-chairman CVC Capital Partners Group.

\* Mr H.M. Holterman is attending the meetings of the Board of Management as chairman in the capacity of a delegated supervisory director.

**More than thirty-five metres below the surface of the Haringvliet, Visser & Smit Hanab created a groundbreaking connection. Beneath the former inlet, a high-voltage cable connects Goeree-Overflakkee with 'dry land'. The subterranean cable is part of an eighteen-kilometre long high-voltage connection between Middelharnis and Geervliet.**





## Composition of the Board of Management

### **D. (Dick) Boers** (1966)

Position: member of the Board of Management

Appointed from: 1 July 2006

Employed by VolkerWessels: since 1989

Mr Boers is responsible for the Construction & Real Estate (NL) sector.

### **H. J. (Henri) van der Kamp** (1960)

Position: member of the Board of Management

Appointed from: 6 February 2012

Employed by VolkerWessels: since 2007

Mr Van der Kamp is responsible for the Infrastructure sector in The Netherlands.

### **Dr. J.G. (Jan) van Rooijen** (1970)

Position: CFO, member of the Board of Management

Appointed and active in the role from: 1 January 2013

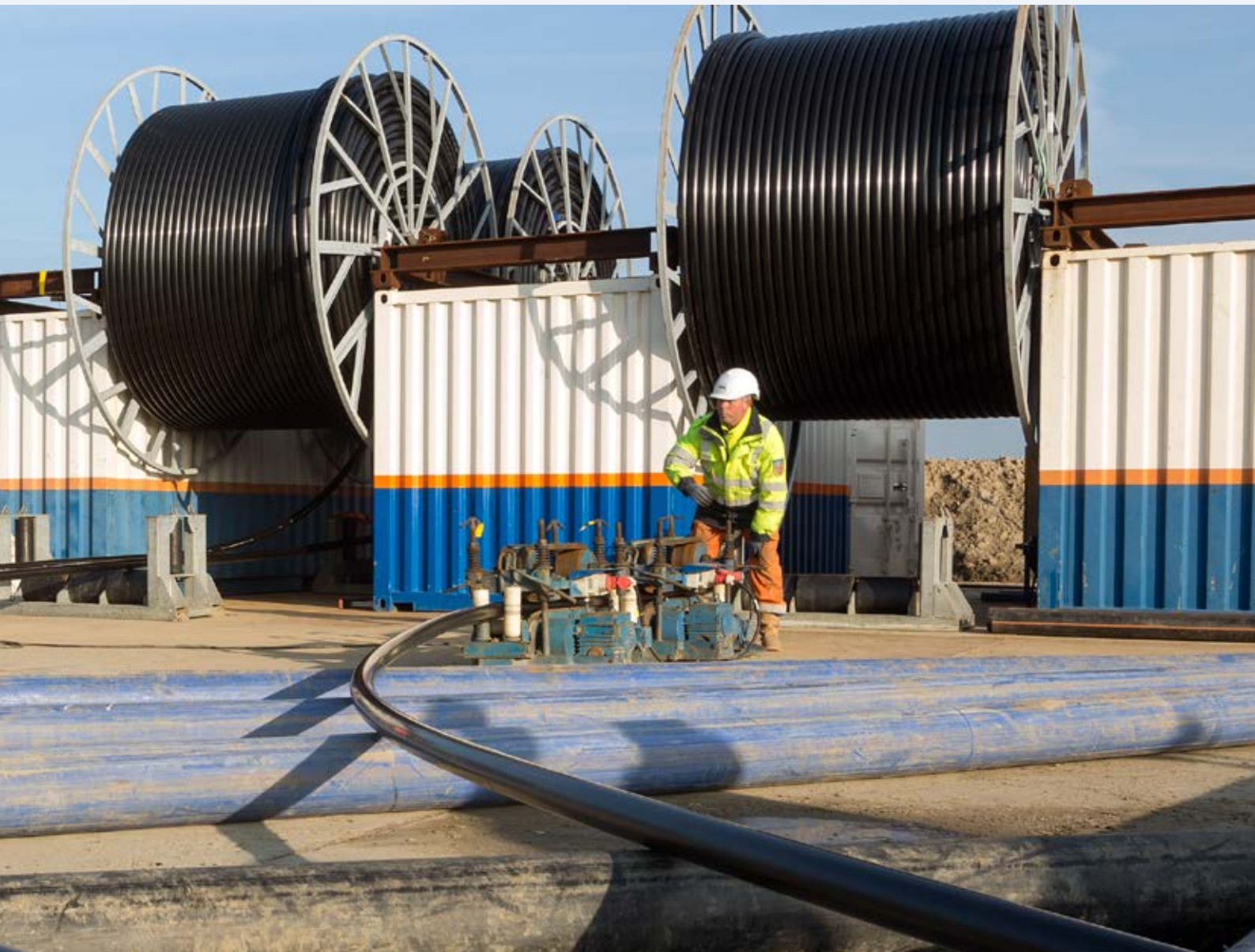
Mr Van Rooijen has functional responsibility for the financial directors at the operating companies and for VolkerWessels' central group departments.

### **A. (Alfred) Vos** (1969)

Position: member of the Board of Management

Appointed and active in the role from: 1 January 2009

Mr Vos is responsible for the Energy & Telecoms activities and VolkerWessels' activities abroad.



# Strategic objectives and results

## General

In 2014, in spite of the still challenging market conditions in various sectors, VolkerWessels achieved a good result. The operating margin further improved compared with 2013. Results are positive in all our sectors.

The good performance is attributable to operational and financial discipline, an approach which combines capitalising on opportunities with a focus on margin rather than volume, cost management and a healthy risk/return ratio. Thanks to the diversification and expansion of our activities, our companies' collaborative involvement in major projects, and the good geographical spread of our home markets, our results have remained stable. International markets and the Energy & Telecoms sectors now account for almost half of VolkerWessels' revenue and approximately two thirds of the result.

Some of the sectors in which VolkerWessels operates are affected by overcapacity and pressure on costs. The housing market in The Netherlands appears to be showing signs of recovery, mainly at the lower end, but market conditions remain very challenging throughout the Construction & Real Estate sector in The Netherlands. The market is still beset by falling construction volumes and the problem of vacancy. In the Infrastructure sector in The Netherlands, volumes and prices are being squeezed by government cutbacks and overcapacity. This is creating unhealthy pressure on costs and a mismatch between profitability and risks.

Although volumes were lower in the Energy & Telecoms sectors in 2014, a higher margin was achieved through efficiency improvements and cost management. Our performance in the UK is stable in spite of the difficult market conditions, and we again achieved excellent results in Canada.

Our operating profit margin (EBITDA) stands at € 228 million (5.2%). Our operating profit margin for 2013 stood at € 191 million (4.2%). Net profit for 2014 totalled € 121 million, an increase of € 31 million as compared to 2013.

VolkerWessels' total revenue fell by 2.6%. This fall in revenue is chiefly influenced by the deconsolidation of VBMS with effect from 1 January 2014. Despite this slight dip in revenue, our results improved. Our focus on return rather than revenue and on risk management was once again instrumental in the further improvement in our results.

We are pleased with our healthy order book. The order book was strengthened in 2014 with some significant new orders, including a number of multi-year contracts. This is good news for long-term continuity. Some examples are three five-year framework contracts for rail network operator Network Rail (UK), a framework contract for the design, build and infrastructure for both water and waste water in North west England and a ten-year maintenance contract for ProRail in the Twente region.



The order book stands at approximately € 5.8 billion at the end of 2014, which, despite a small decline of approximately € 0.3 billion compared with the order book at the end of 2013, is still at a high level. Expectations are that € 2.9 billion (51%) of this total will be delivered in 2015, € 1.2 billion in 2016, and € 1.7 billion in 2017 and beyond. We take a cautious approach to determining our order book by only including signed contracts and, for framework contracts, only including work packages agreed with our clients.

Given the challenging market conditions in some sectors, our expectations remain cautiously positive. We certainly do not foresee a strong recovery in the next few years. We are, however, more positive about the prospects for VolkerWessels. With a sound strategy, we are continuing to focus on return rather than volume and it is vital that we maintain our unique reputation for quality, sustainability, innovation and our good financial position.

For information on developments in individual sectors and countries, please see the sector reports.

## VolkerWessels' strategy

We strive to achieve good returns in our market sectors and home countries. The three pillars of our strategy are operational excellence, expanding the value chain and market leadership. We hope to achieve this by providing our customers with optimum services and products, relying on the best people and making sustainability, integrity and safety top priorities in our operations.

When it comes to making strategic choices and implementing them in our daily business, we are guided chiefly by our customers' wishes and requirements. We aim to know our customers, to understand how our customers and their markets develop in the long term and what our customers think of the services of VolkerWessels. These insights yield important information about how we can become or remain a preferred partner for the longer term. We work closely with our customers – such as national government bodies, local authorities and the private sector, which includes private individuals at home and abroad – on all aspects of our strategy.

VolkerWessels has a decentralised business structure. Within central legal and financial parameters, our directors and employees can respond swiftly to developments in the market and implement our strategy at the local level.

## VolkerWessels' 2014 results

### EBITDA margin

We achieved a good result this year. Considering the continuing unfavourable market conditions in Construction & Real Estate in The Netherlands and Infrastructure in The Netherlands, where our margins are under pressure, the improvement in EBITDA by approximately € 37 million is another tremendous result.

At the end of 2014, the operational EBITDA margin (€ 228 million in absolute terms) rose to 5.2% compared with 4.2% for 2013. It remains our aim to further improve our margin over the next few years by continuing to focus on margin rather than volume, having due regard for the difficult market situation in a number of sectors. We continue to rely on our operational excellence programmes to limit failure costs. We are continuing to focus on further growth in activities with a healthy ratio of margin to risk, such as in the energy and telecoms market and in the Canadian market. In addition, the growing number of long-term management and maintenance contracts in our order book has a positive impact on the EBITDA margin.

### Return on equity

The return on equity amounts to 18.9% in 2014. In 2013 it stood at 14.4%.

### Solvency

Solvency is 26% before profit appropriation, which is the same as solvency at the end of 2013. Our target is solvency of at least 20% of total assets. This target was amply met. A dividend payment of € 117 million was made in 2014. The impact on solvency of this dividend payment was limited due to the addition of the positive result for 2014 amounting to € 121 million.

### EBITDA contribution from abroad

Increasing our EBITDA contribution from abroad helps spread risk over different geographical regions. Moreover, investment in regions with inherent growth markets causes margins to develop well. Thanks to the good results trend in Canada and the stable results in the UK, the EBITDA contribution from abroad now accounts for 31% of the total (2013: 34%), which is well above our target of 20-25%. Bear in mind that the progress of EBITDA has fallen short of our objectives in The Netherlands in recent years.

### Net debt reduction

We focus constantly on structurally reducing working capital and net debt. We commit our cash as efficiently and as effectively as possible. We free up money for desired investments.

VolkerWessels has stepped up its investment programme. Our investments have risen from € 72 million last year to € 95 million in 2014. Besides substantial investments in equipment for our UK rail activities and Canada, we also purchased two new multipurpose vessels for our offshore activities. We also commenced production at a new asphalt plant in Harderwijk and invested in our construction and supply companies for our new 'future living' concept, MorgenWonen. In addition, we made a number of acquisitions last year, among them Mainline Construction in Canada.

At the same time, we ensure that there is always sufficient liquidity present to meet our payment obligations and satisfy bank covenants. We have raised external finance in order to meet our working capital requirements.

Over the last few years, our focus on cash flow and working capital has enabled us to greatly reduce our net debt by more than € 600 million. This makes us financially stronger. Last year, we further reduced our net debt and used some of the funds for investments and acquisitions. Increasingly, our working capital is under pressure from the sluggish processing of 'change requests' by our key clients. It remains our aim to continue improving our liquidity position over the next few years.

VolkerWessels' financial position was also further strengthened by the refinancing of our working capital facilities.

VolkerWessels has agreed a committed credit facility of € 600 million with a syndicate of seven banks. This new credit facility runs until mid-2019 and replaces a number of existing facilities of similar proportions. The conditions for the new facility are largely the same as the conditions that applied to the existing facilities.

At 2014 year-end our net credit balance was € 44 million, an improvement of € 5 million compared with 2013 year-end (net credit balance € 39 million). The covenants in respect of our bank overdraft facilities were comfortably satisfied as at 31 December 2014.

#### Operational excellence

Operational excellence is about working better, smarter, faster and/or more efficiently for our customer and encompasses two aspects: quality and efficiency.

We maintain a high level of quality by paying attention to and steering our project management. Despite the good progress made in recent years, the quality of our project management remains a top priority for all divisions of our company.

We also believe there is ample scope to reduce any costs of failure through more efficient and effective governance and thereby increase our margin. Our group-wide Building Smarter Together programme (Samen Slimmer Bouwen), which is based on the LEAN philosophy, is an important element of this. This means that ideas for concrete improvements put forward throughout the organisation are translated into results. Operating companies grow by becoming ever more professional in their approach and automating projects and work processes. Furthermore, innovation remains a defining trait of our entire organisation, enabling us to make savings for our clients as well as ourselves.

In addition, we are intensifying our internal and external collaboration efforts, which include sharing knowledge through various platforms, meetings and networks covering a wide range of subjects. Whilst the growing complexity of integrated projects requires us to pool knowledge, we are also firmly committed to seeking strategic alliances with our clients and other reliable external partners.

Further efficiency gains are being achieved by focusing on costs, professionalising the purchasing organisation, optimising working capital and reducing net debt. This is very much an ongoing process which is never complete.

Further details about our operational excellence programme and important innovations can be found in the sector reports.

#### Expanding our position in the value chain

We are expanding our current position in the value chain by adding activities in the sphere of service provision, financing, management and maintenance, and operations. At the front end of the value chain as part of our strategy we aim to secure raw materials. Last year, we strengthened our portfolio in the service sphere with the addition of Surface Cracks, a consultancy and research firm which, among other things, carries out roads and airports surveys.

At the back, we are building a stronger position in service provision, management and maintenance, and operations. Expanding our position in the value chain will enable us to provide integrated products for the customer, spread risk through diversification, achieve long-term stability and initiate an upward trend in our margin. Some examples are DBFMO contracts, maintenance contracts for bridges and sluices, performance agreements for the management and maintenance of public spaces and parking management.



In 2014 our service and maintenance revenue totalled almost € 0.6 billion (2013: € 0.5 billion), which is approximately 13% of our total revenue (2013: 11%). The margins achieved on these service and maintenance contracts are less susceptible to risk factors than our other contracts. The service and maintenance order book came to € 1.4 billion last year (end of 2013: € 1.4 billion).

#### Market leadership

We strive to attain leading positions in our sectors in The Netherlands and in our international markets. With the exception of the energy market, we have already achieved leadership within all our sectors in The Netherlands. Rather than pursuing further growth to market leadership as a goal in itself, we are focusing specifically on increasing margins and maintaining market share.

Our revenue in Construction & Real Estate in The Netherlands was € 1.3 billion in 2014, which is roughly on a par with 2013 and reflects the development of the market in 2014. Our construction companies delivered 4,195 new homes in 2014 (2013: 3,119 homes).

The combined infrastructure companies of VolkerWessels are the market leaders in terms of their technical capacity, size and results. A position that we chiefly want to consolidate in this tough market. Volume is less important than a healthy return. We operate in the fields of civil engineering, road construction and traffic management as well as in the rail market. We offer all these disciplines in an integrated manner under the VolkerInfra collaborative banner. By further strengthening VolkerInfra, we are responding to the sustained shift away from traditional schemes towards complex, integrated infrastructure projects.

VolkerWessels Telecoms occupies a leading position with a substantial market share in the construction of fixed and mobile networks in the telecoms infrastructure sector. In the UK, VolkerWessels is one of the top ten players and the expansion of its activities, particularly in the rail and energy market, opens up opportunities for further growth. In Canada, we enjoy a strong position in the infrastructure market in Alberta and can capitalise on the Canadian government's preference for outsourcing more and more maintenance and management tasks to private parties.

#### The best people

Our people are the foundation on which our business and our strategy rest. The quality of our employees lies at the very heart of our success. They make the difference and we strive to recruit, train and retain the best people. VolkerWessels has many diverse operating companies. The decentralised model stimulates entrepreneurship, because managers and employees themselves feel a sense of responsibility for their own organisation. This stimulates innovation in general and technological innovation, and fresh approaches to the market and society.

Within a central legal and financial framework, we give our local management the scope to take the initiative and we also offer excellent development opportunities. Some examples of specific initiatives are our management development programme and extensive career opportunities at home and abroad.

The 'Storm Investments' management participation programme came to an end in 2013. In order to retain our directors, members of the Board of Management and other key employees at VolkerWessels, a new participation programme has been introduced under which a total of around 200 employees of VolkerWessels have the opportunity to invest in profit-sharing bonds. The related scheme stimulates long-term profit growth and pays out for a given performance year over the three subsequent years.

Through our activities, we make a positive contribution to our employees, the market, the environment and society at large. This requires that our professionals possess not only specialist knowledge, but also entrepreneurship, a broad view of society and the ability to work with partners in the chain. Boasting the best people, we are able to make the difference, particularly in fast-changing markets. The better equipped we are to empathise with our customers' requirements, the better we can perform in the market. This calls for a different mindset to that of a conventional builder, because it is becoming increasingly important to display superior knowledge. We must therefore understand how to inspire and retain talent in our organisation.

Career planning ranks high on our agenda, reflecting our firm belief that good (local) management is a key success factor in the market. We have drawn up a leadership profile to that end, in which one of the key factors is a well-developed sense of entrepreneurship.

With regard to developing their leadership, we also expect our current and future managers to have a firm grasp of our Samen Slimmer Bouwen [Building Smarter Together] approach, whereby we strive for continuous process improvement, fed by ideas put forward by people throughout the organisation.

#### Central Works Council

We continued to hold constructive talks with the Central Works Council and the European Works Council in 2014.

Besides the usual subjects, the topics discussed in 2014 included our safety policy, the continuation of our redundancy scheme after 2013, the mobility centre, self-employed contractors, the digital security passport, pensions and the changes to the management of the operating companies.

#### European Works Council

Besides the topics on the standard agenda, discussions with the European Works Council included developments on the labour market and the international employee participation structure.

#### Average number of employees

	2014	2013
Construction & Real Estate	3,221	3,355
Infrastructure	5,063	4,952
Energy & Telecoms	3,099	3,336
Abroad	3,343	3,091
Other	184	199
<b>Total</b>	<b>14,910</b>	<b>14,933</b>

#### Male/female distribution

The Dutch Management and Supervision (Public and Private Companies) Act came into force on 1 January 2013. Among other things, this act regulates the balanced representation of men and women on the Board of Management and Supervisory Board. The law states that at least 30% of these roles must be filled by women and at least 30% of the roles by men. VolkerWessels aims for the balanced representation of men and women within the organisation but, unfortunately, we have not yet reached the statutory target percentage. One appointment has been made to the Board of Management since the act came into force. When this position was filled, no female candidates were identified who were equally suitable for the role. No appointments have been made to the Supervisory Board since the act came into force.

When a new member is appointed to the Board of Management or Supervisory Board, in addition to suitability for the role, the statutory requirements will also be borne in mind. If two candidates are equally suitable, preference will be given to the female candidate.

#### Health Management

In 2014 we continued our efforts to reduce long-term sickness absence and thereby limit the intake of employees onto the work resumption scheme for people partially able to work. This health management approach entails more intensive support for employees on sick leave, including long-term sick leave, focusing on what the employee concerned is capable of doing rather than on his or her limitations. In addition, our WAVE safety campaign seeks to limit long-term sickness absence. The general rate of sickness absence has fallen to 4.8% (2013: 5.6%).

## Core values

Integrity, safety and sustainability are crucial elements of VolkerWessels' strategic course. These core values are an important item on the agenda at various meetings, ranging from project meetings to Board of Management meetings with the operating companies.

#### Safety

WAVE [Wees Alert, Veiligheid Eerst!, Be alert, safety first!] We cannot reiterate enough the message of our WAVE safety campaign. We work safely or we don't work at all. Safety is paramount at VolkerWessels. We took further, important steps towards firmly establishing a safety mindset within our group in 2014. These included signing the 'Safety in Construction' Governance Code at the beginning of 2014, in which we make specific agreements with our clients and colleagues in the sector about our commitments to working safely.

Another example is the introduction of the WAVE alert system, a mechanism that lowers the threshold for reporting incidents and accidents. Rather than sanctions, the approach focuses on the valuable lessons that can be learned. Our safety performance is also improving according to the incident frequency index (IF figure). Figures, however, offer no guarantee of safe working. We must always prevent a false sense of security. Safety must never be optional, which is why it is a mandatory component of our reporting system.

Our companies must demonstrate how they are putting our safety policy into practice and what their specific objectives are with regard to this important issue. We define safety in the broadest sense, including the right protective equipment, personal safety, safety for the surrounding area, the safe use of the right materials, healthy working conditions and constructive safety.

At group level, we have a safety platform which provides plenty of scope for people in the workplace to have their say. In keeping with our decentralised philosophy, we also want to give people as low down the organisational hierarchy as possible the authority to make decisions on safety. Although we certainly don't yet merit the label 'proactive' on the Hearts & Minds ladder that is often cited in safety literature, we are making clear progress. Our operating companies score well on our clients' safety ladders. Moreover, we can tell from the growing number of initiatives by both individual colleagues and our operating companies that our WAVE campaign is taking hold and there is growing safety awareness amongst our colleagues. That said, safety awareness remains difficult to quantify. This year, VolkerWessels is amongst the participants in an international survey by TNO and partners which analysis the effect and success factors of our safety policy.

#### Our safety rules

Use the required PPE (Personal Protection Equipment)
Ensure safe area markers are used in the workplace
Use the right (certified) work tools and resources
Make sure the site is orderly
Perform a last minute risk analysis (LMRA)
Do not work or drive when under the influence of alcohol and/or drugs
Do not smoke except in designated smoking areas

#### Our values

Consistency	Safety is part of everything we do
Responsibility	I am responsible for my own safety and other people's safety
Willingness to learn	I want to learn from accidents and near-misses
Open	I address others about unsafe behaviour and safety
Action	I stop unsafe work
Respect	I accept being addressed about safety
Honest	I report all accidents and near-misses

#### Integrity

Integrity is one of VolkerWessels' core values. We regard integrity in business as a licence to operate for all our business activities. We believe a clear divide is opening up amongst organisations in our society. On the one side are companies that set great store by integrity and try to operate accordingly and on the other are parties for whom integrity in business dealings is of lesser importance. VolkerWessels is keen to belong to the category of companies that conduct their business with integrity and expects not only all of its employees, but also its subcontractors, suppliers and other partners to comply with the conditions for doing business with each other with integrity. Constant transparency and critical reflection are healthy traits if we are to minimise the likelihood of fraud and monitor our reputation.

VolkerWessels has an Integrity Platform which builds on the former Working Group on Integrity. The delegates are two members of the Board of Management and various professionals from VolkerWessels' group head office and the operating companies. The Integrity Platform formulates, determines, implements and disseminates VolkerWessels' integrity policy. Within the parameters of this policy, operating companies have the scope to further refine the rules. One of the achievements of this platform is the integrity programme that we introduced a few years ago. In 2014, a special e-learning module was developed as part of this programme, which presents a number of integrity dilemmas. All colleagues who use a laptop, tablet or desktop for work purposes will be completing this module in 2015. When it comes to integrity awareness, the power of repetition is vital. Therefore, in 2015 VolkerWessels is once again organising a large number of workshops at our companies that will deal in-depth with integrity dilemmas and practical situations.

The decision was also made during the year under review to update the code of conduct and expand the whistleblower's scheme. From 15 March 2015, colleagues can also anonymously report suspected malpractice using a tool managed by an external agency. The central compliance officer investigates whether the report – which VolkerWessels receives via a completely independent external agency – is justified. The whistleblower can anonymously track his report using a special login code. In terms of number of incidents, the ultimate goal is of course zero. However, since a large corporate group is a reflection of society, a number of incidents are inevitable.

In 2014 our confidential advisers received a total of 49 integrity reports (2013: 50 reports), resulting in 16 instances in the termination of an employment contract (2013: 10 instances). The whistleblower's scheme was used three times in 2014 (2013: once).

### Sustainability

To be successful in the future, every single business must embrace corporate social responsibility (CSR). For VolkerWessels, sustainability is therefore part of the structural fabric of its business. We believe that a sustainable approach to all our business activities has a positive social impact, whilst also making a healthy contribution to our operating result. The integrated approach advocated by VolkerWessels is also expressed in our vision of fusing planet, people and profit. In our experience, the various sustainability-related issues are (too) often tackled separately, both in the literature and in the field.

To change this compartmentalised view, VolkerWessels is going back to basics. What does sustainability mean in practice? What is the common thread that unites the various sustainability issues? What purpose does sustainability serve? These are questions that are often discussed, both internally and externally, during our sustainable strategic and operational dialogues. In its essence, sustainability is about quality of life. That is why, together with residents, clients, (other) end users and stakeholders, VolkerWessels defines criteria and services that tie in with quality of life. This vision is also expressed in a sustainable version of the group slogan: 'Building a better quality of life. Together.'

In 2014, VolkerWessels took further steps towards making our ambitions a reality and enshrining sustainability even more deeply within its business practices. We are, for instance, making progress with the use of sustainable construction materials. According to the Sustainable Timber Purchasing ethical review body, 92% of the timber that we buy and sell is now sustainable. Furthermore, 80% of our companies are certified for sustainable business practice. Sustainable construction logistics are also part and parcel of a healthy sustainable policy. In Utrecht, we are currently undertaking a pilot project in partnership with TNO based on the idea that hubs which streamline the distribution of the necessary construction materials on the outskirts of cities are a sustainable and safe alternative to the numerous journeys made in urban environments for 'postage stamp projects'.

A textbook example of sustainable effects in the 'classic green sense' is MorgenWonen (Future Living): a new construction standard whereby houses are built in the factory by our suppliers and assembled outdoors on site in a single day. The sustainable benefits are obvious: zero energy (with an outstanding insulating shell, solar panels on the roof and a sustainable heat pump), a clean construction site with no construction waste and a reduction in CO<sub>2</sub> due to the spectacularly short construction time. The Stroomversnelling (Acceleration) Programme, as part of which we are improving the sustainability of homes owned by housing corporations that have fallen into particularly bad disrepair and are leaking a lot of energy. Transforming them into zero-energy homes, sits perfectly with our sustainable ambitions. Initiatives such as the circular and eco-effective neighbourhood are being upscaled to cover whole districts. Students and first-time buyers joined in with the annual Sustainability Challenge, a competition in which students were presented with sustainability challenges and developed directly applicable business cases. Their solution combines the circular neighbourhood concept with a sharing economy in which residents share sustainable services and products and use them for payment.

Biodiversity is another important sustainability issue. At the end of 2014, we signed a covenant in which we committed to increasing the otter population. VolkerWessels' wide experience and expertise in spheres such as ecoducts (wildlife crossings) are a great asset in this otter challenge.

There is also a strong social dimension to sustainability. In 2014, four operating companies undertook a trial implementation of a performance ladder for social return. Our companies finished on the third to fifth rungs of this ladder. The aim is to get people who are alienated from the labour market back to work. We welcomed just under 100 new colleagues during the reporting year. Our ambition is to create 300 to 400 jobs by 2020 for people who have become alienated from the labour market. Our efforts to make our day-to-day operations more sustainable have not gone unheeded. In the annual Transparency Benchmark in Holland, we have climbed from 27th to 17th place. It appears that VolkerWessels is also the most popular employer in the sector. In the national top 50, we rank in a commendable twelfth place.

## CSR key figures in The Netherlands in 2014

	2014	2013	2012*
Number of innovations	74	74	84
Percentage awarded a PlanetFit sustainability label	16.2%	6.8%	14.3%
Sickness absence percentage (VCA)	4.8%	5.6%	5.2%
Number of lost-time accidents (VCA)	115	125	145
IF figure (incident frequency) (VCA)	5.2	7.2	8.0
CO <sub>2</sub> emissions (absolute)	159 ktonnes	183 ktonnes	183 ktonnes
Waste separation percentage	68%	71%	57%
Number of construction sites with 'Bewuste Bouwers' (Considerate Constructors) endorsement	138	98	72

\*Adjusted for the purposes of comparison.

## Outlook

### General

There has been no let-up in the challenging conditions in our Dutch markets. Although the reports and figures frequently contradict each other, essentially the predictions are that the construction sector will recover over the coming years. In its most recent estimates for 2015 and 2016, the Economic Institute for the Building Industry also forecasts growth of 3% in the sector.

VolkerWessels is more cautious in its expectations. Healthy realism teaches us that statistics were overly optimistic in recent years and have regularly been revised downwards. Moreover, any recovery will be relative following the substantial drop in volumes on various markets in the last few years. In some Dutch markets, conditions are actually deteriorating. In infrastructure particularly, various markets are beset by overcapacity and extreme investment restraint, especially amongst local authorities. Our biggest concern is the unacceptably low price level in certain markets and the unacceptable risks that are taken as a result.

Price differences of 25% are not unusual in this market and will continue to haunt constructors who win multi-year, integrated projects at these price levels for a long time. VolkerWessels refuses to conform to these unhealthy market conditions. While this selectiveness guarantees a high-quality order book, at the same time it puts pressure on our volume of work for the next few years.

In today's market, you have to stand apart. This is also why, despite the challenging conditions in various markets, we are optimistic about the prospects for VolkerWessels. Our expert knowledge really comes into its own in complex and multidisciplinary projects. Over the next few years, therefore, we will be focusing on those projects and markets in which we can stand apart with our integrated approach, innovative concepts, smart and sustainable solutions and particular specialisations. Our good financial position enables us to invest in the new and existing activities in which we expect positive developments and results. In so doing, we will adhere firmly to our proven strategy of diversification in the value chain and market segments. Thanks to our healthy spread, we always have activities and regions where the market climate is better. The prospects are significantly better abroad, for instance.

### Construction & Real Estate in The Netherlands

Now that the housing market seems to have bottomed out, the question is whether the revival in the housing market will be fleeting or is here to stay. In the short term, we predict a stable office market at a low level and a continuation of the tentative recovery in the housing market, with a few bumps along the way such as the new, tougher mortgage rules. Once project files from the past have been completed, the prospects for property development will also improve. Our supply companies are expected to benefit from the investments in our innovative living concepts. Production lines have been built at these operating companies to accommodate the MorgenWonen (Future Living) concept.

VolkerWessels will be rolling out, developing and scaling up this new industrial construction standard over the coming years. The outlook is promising, but market demand for and interest in these 'ready-made homes' will ultimately determine the exact numbers and which different versions we introduce. MorgenWonen reflects the trend for sustainable newbuilds and redevelopments. We anticipate that demand for sustainable and energy-neutral homes and offices will continue growing over the next few years.

### Infrastructure in The Netherlands

The outlook in the infrastructure market in The Netherlands still gives us cause for concern. We believe the market has not yet reached rock bottom and, for the time being, do not anticipate any recovery in this sector, which is at the tail end of the economic cycle. The various infrastructure markets are contending with overcapacity, government spending cuts and unhealthy price pressure. Local authorities are faced with the challenge of reconciling a mounting workload with shrinking budgets and this will continue to have a negative impact on investment in infrastructure over the next few years. There are also question marks over national investments. The outlook for most infrastructure disciplines is meagre. However, there are new investment programmes to protect coastal and river areas from flooding. There are also a large number of DBFM projects.

We expect margins in the public procurement market to remain under pressure from tenders in which irresponsible risks are taken. The public procurement law attempts to counteract the detrimental dominance of the lowest price criterion by introducing the Most Economically Advantageous Tender. Although VolkerWessels welcomes this tendering method, it is still early days. We hope that sustainable and innovative solutions will be better rewarded over the coming years, to redress the balance in the market.

### Energy & Telecoms

#### Energy

For our offshore activities in the energy market, 2015 will be a difficult year. The medium to long term outlook is positive, however. The well-filled order book includes a number of new wind farms from 2016 onwards. We also expect growing demand for sustainable energy sources in the long run. Internationally, we believe there are growth opportunities in the markets for submerged tunnels, interconnectors, horizontal drilling, landing export cables and supplying offshore oil and gas extraction locations run by small operators. In the market for hydraulically engineered structures, new entrants are creating growing competition and price pressure. Onshore, the outlook is less rosy. In our home market in The Netherlands, volumes are shrinking in the markets for transport pipelines and distribution networks. For the time being, this is creating price pressure and overcapacity in the market.

#### Telecoms

Plenty of challenges lie ahead for the telecoms sector as well. We expect competition to intensify between telecom providers. Running parallel to this is the trend towards site sharing. Over the next few years, these developments will exert further

pressure on volume, investment levels, price, revenue and margins in this market. There is a clearly discernible trend towards improving existing networks in preference to investing in new sites. We are adapting to the new reality in the market by continually focusing on improvements, operational excellence and diversification. Nonetheless, there are always new opportunities in this dynamic sector, where there is an apparently insatiable thirst for data. Because of this, telecoms is playing an increasingly dominant role in the administration and management of other infrastructures. The smart city, big data, the Internet of Things and 5G have the potential, in the medium to long term, to inject fresh impetus into this sector.

### International markets

#### VolkerWessels UK

The upturn is continuing in the UK economy and the outlook in this market is favourable. VolkerWessels anticipates opportunities for healthy growth in all its markets in the UK, thanks in no small measure to public investment in activities in which our British companies are amongst the market leaders. The British government is investing in transport, water and energy. For our operating companies, this means opportunities, projects and (long-term) contracts for the creation, management and maintenance of infrastructure for public transport, transport in general, coastal defences and protecting areas against river flooding. Energy, sustainable energy in particular, presents interesting opportunities for our British companies. Positive prospects are assured by a strong order book, which is at an all-time high, and includes new and existing multi-year maintenance and other contracts in rail infrastructure, roads, motorways, water and waste water and coastal defences.

#### VolkerWessels Canada/United States

The positive outlook for the economy in our market of Alberta is undented, although in the longer term a lower oil price will dampen prospects. Stable growth in this Canadian province, which is rich in natural resources, is expected to continue over the next few years, and this will also translate into investment and positive prospects in our markets. Our Canadian companies are profiting from new and existing multi-year contracts. Projects for the maintenance of highways and an airport and activities for the oil and gas industry ensure a solid order book. However, new entrants are creating competition and price pressure on the civil engineering market. In the United States, we expect the recovery in the market to continue. Although our public infrastructure activities (unlike our civil engineering companies) are not yet profiting from this, we are optimistic that this market will also pick up sooner or later.



# Risk management

## Risk management philosophy

VolkerWessels has a wide variety of operating companies that enjoy a relatively large degree of autonomy. Consequently, managers and employees of these companies feel a strong sense of responsibility for their organisation, which stimulates technological and other innovations and pioneering approaches. We allow them plenty of scope and offer excellent opportunities to build the skills they need to maintain this approach. We accommodate this relative autonomy when designing our internal risk management and control systems. VolkerWessels' operating companies operate within clear legal and financial frameworks.

Although VolkerWessels' Board of Management bears ultimate responsibility for identifying, prioritising, managing and controlling risks within the company, given that the risks occur locally in the organisation, it involves the decentralised organisational structure to the fullest extent possible. Each year, the local management reports to the Board of Management on the policy pursued, in the form of an In Control Statement.

We assure long-term continuity by being a profitable company within our market sectors. Operational excellence, expanding the value chain and market leadership are the three pillars of our strategy. Operational excellence and risk management are inextricably linked. Therefore, the Board of Management and the directors of our operating companies work constantly to improve and optimise risk management measures. The subject of risk management is therefore a standard item on the agenda of quarterly meetings between the Board of Management and the directors of the operating companies.

One important aspect of risk management is that, in an increasingly complex environment, the financial, fiscal, legal and risk management functions evolve in parallel and having the best people remains the focus.

## Risk appetite

The success of our business is largely determined by the mechanisms we have in place to cope with risks, which is why, when determining the company's risk appetite for the purposes of implementing our strategy, we continually compare and contrast return and risk.

The basis of our risk management is our focus on return rather than volume and the clear demarcation of our activities, both geographically and as regards the nature of those activities. Outside its primary markets – The Netherlands, the UK and Canada/US and offshore – VolkerWessels operates exclusively as a subcontractor of reputable main contractors with a few specialisations.

We are also very mindful of the potential for risks to yield opportunities. Because of this we are able, by taking a structured approach, to manage risks proactively instead of solving problems once the risks have arisen. Effectively managing both risks and opportunities is essential to successfully achieving our strategic objectives. The process of identifying, quantifying and monitoring risks and opportunities – particularly with regard to the preparation and delivery of projects – is enshrined in our project control system. In tenders for large projects, VolkerWessels joins forces with solid and solvent partners.

The Board of Management is aware, however, that risk management within VolkerWessels – no matter how professional – cannot offer a cast-iron guarantee that the strategic objectives will be achieved or that material inadequacies, negative results, fraud or violations of laws and regulations will be completely avoided.

Because risk management is a dynamic process, the measures involved are frequently reviewed in light of internal and external factors. Therefore, it is a continuous process in which risks are constantly assessed in terms of the risk management measures in place.

## Risk profile in relation to our strategy

As described above, risk management enables us to be more certain of achieving our strategic objectives. We have identified the following key areas of risk:

### Strategic risks

#### Changes in the housing construction and office market in The Netherlands

The property market is dominated by a cautious attitude amongst consumers, financiers and investors. The more stringent rules being applied to mortgage lending, the spending cuts and tax increases introduced by the coalition agreement and diminished consumer confidence are all taking their toll on the number of homes sold.

Although there are now signs of a tentative recovery in the housing market, the market has changed and to keep pace with these changing market conditions VolkerWessels is responding proactively by taking the following measures:

- smaller-scale housing construction projects;
- developing cheaper homes;
- shortening lead times by factory-producing homes ('Morgen Wonen' (Future Living) concept);
- developing customer-focused living concepts.

Property development is inextricably bound up with construction, which is why VolkerWessels continues to invest in profitable property development projects. Market conditions being what they are, however, there is still a risk of disappointing sales, which can lead to losses and excessive demands on working capital.

A number of measures have been put in place to manage and prevent these risks, including:

- housing construction projects in The Netherlands only proceed as planned once 70% of the houses that are for sale have been sold and financing for them has been secured by the purchasers;
- investments in land require the prior approval of the Board of Management.

The falling level of confidence amongst manufacturers coupled with government spending cuts and the structural problem of unoccupied commercial property means that, in the coming years, we must also expect a lower construction volume in the commercial construction sector. To manage the risk of vacancy, projects do not proceed until the property to be built has been sold (with a minimum rent guarantee) or largely let.

Due to the difficult market conditions, there is uncertainty regarding the value of land and unsold housing stock. There is therefore a risk that the estimated realisable value of land and unsold housing stock is lower than the current book value, which could necessitate a further write-down. In light of the still very difficult market conditions affecting residential and commercial construction, in 2012 we conducted extensive analysis of our holdings, based on revised expectations with regard to development potential, timelines and price levels, and on the basis of these analysis, at the time we identified the need to recognise impairments of € 191 million in the 2012 financial statements. This analysis was updated in 2013 and 2014. On the basis of this updated analysis, we made only very limited adjustments to the impairments recognised at that time.

It should be pointed out here that, in recent years, VolkerWessels has systematically formed provisions for all the capitalised interest on its real estate that is not scheduled for development in the short term. With regard to property intended for sale, leases have been agreed for a substantial percentage of the properties.

#### **Increasing competition and pressure on prices in the tender market in The Netherlands and the United Kingdom**

In its home markets, VolkerWessels is investing in accepting complex, multidisciplinary projects which, due to cutbacks by lower-tier public authorities and the central government, involve fierce competition for an increasingly small number of projects. In addition, design and implementation risks are increasingly being shifted onto construction companies who, in a narrowing market, are not sufficiently capable of factoring those risks into their prices, and this is squeezing margins on the public procurement market even further. 'Bonuses to be earned' and 'penalties to be imposed' do not always act as the incentive originally envisioned by the parties; in many cases, they cause cost overruns and disruption to the construction process. To guarantee continuity, 'healthy' prices and margins are vital in order to survive the risks associated with operating in this construction segment.

However, market conditions in The Netherlands are not expected to improve over the coming year. In these difficult market conditions, we are aiming to increase our returns by focusing on projects that express our distinctiveness.

To withstand the market conditions and also to exploit the opportunities they create, we are starting or stepping up various creative initiatives. The main initiatives are: further positioning in niche markets, forward and backward integration, customer-oriented approach, moving towards complex, multidisciplinary projects, and offering – alternative – project financing methods.

#### **Sensitivity to the economic situation**

The construction sector is sensitive to economic fluctuations. To further limit our sensitivity to the economic situation we concentrate particularly on long-term maintenance contracts with a more predictable cash flow. Acquiring public-private partnership [PPS] contracts is in keeping with this aim. By investing in integrated forms of projects such as public-private partnership when building infrastructure, VolkerWessels is seeking to create additional construction volume for its operating companies.

These modified contract forms require particularly careful contract management. A good spread of activities in terms of sectors and geographical areas also makes the company less sensitive to changing market and economic conditions. Our activity matrix is periodically assessed and adjusted as necessary.

#### Acquisitions and integration of companies

While seeking to further expand our operations in the value chain, we strive for the right balance between autonomous growth and growth through acquisitions. In recent years we have actively made acquisitions, with a number of smaller transactions. With each acquisition, the possibility arises that the Group will be faced with negative impact on society and economy. In order to limit these potential risks, we seek to continually strengthen our acquisition and integration processes. The Group departments, the operating companies and regional management concerned are closely involved in the implementation of effective due diligence and in preparing plans for acquisition and integration. One year after the takeover, every major acquisition is analysed afresh to ascertain whether all of the expectations have actually been met.

#### Damage to reputation

Issues concerning reputation frequently have a direct connection with other areas of risk, including errors in project delivery, non-compliance with laws and regulations and breaches of safety rules. When the relationship between VolkerWessels and its customers deteriorates as a result of, for example, inadequate customer service or transparency, this can lead to the loss of market share. Because of this, reputation risk is not a separately defined sphere of risk, but a consequence of the occurrence of specific risks. To manage reputation risk, we pay great heed to our relationship with our customers. Our operating companies conduct regular customer satisfaction surveys based on three customer satisfaction factors: quality, fulfilment of agreements and the organisation's customer focus. Any points for improvement that arise are immediately followed up in order to optimise our relationship with our customers.

#### Labour capacity

Our people are the foundation upon which our business and our strategy rest. The quality of our employees lies at the very heart of our success. It is therefore vital that we retain labour capacity with a high level of technical and other knowledge.

With potential shortages of qualified employees, it is important to ensure a sufficient intake of young employees and to retain experienced employees with a wide range of skills. The workforce is aging as a result of revised pension rules, compelling employees to remain in work for longer. Consequently, demand for replacement staff – which was already relatively low due to stagnating growth in revenue – is now falling. This may create an uneven age structure amongst our personnel and we are paying attention to this. Career planning and our management development programme help us to retain our 'best people'.

#### Operational risks

##### Contract and project risks

There are many different types of contract in the Construction & Real Estate in The Netherlands sector, most of which involve – to a greater or lesser degree – a fixed price agreed in advance. The percentage of large-scale and complex projects is increasing, often in the form of performance contracts. In addition, many contracts contain what are known as 'milestones' with the associated penalty clauses if the milestones are not met. Risks are being transferred from the client to the contractor. The risk profile in our offshore projects is heightened by the weather-dependent nature of these projects. Errors in design and/or calculation and failure to contractually cover all of the risks can have a negative impact on the delivery phase, leading to project losses and negative cash flows. Clear project specifications, properly recorded agreements, technical and other project reviews and good, thorough cost budgets, as well as the legal appraisal of contracts, form the basis for managing these risks.

For the sector as a whole, there is an imbalance between risk and return. The risks are assessed from a qualitative and quantitative perspective before accepting any project. To avoid accepting irresponsible risks, bids above € 10 million must be approved in advance, in writing, by the Board of Management, and the Supervisory Board is also involved in the decision-making process for very large projects. The risk summary of the bid concerned, along with a review of the calculations, is an important decision-making criterion. During the delivery period, appropriate interim project control measures are also set up, such as a monthly project monitoring process. In addition, specialised contract managers are included in the tender or project team for large projects during both the tender and delivery phase.

### Liability risk

Because of the complexity and scope of the projects delivered by us, errors in the preparation and/or delivery phases can cause a considerable financial liability. Our policy is to insure any risks which we cannot or do not wish to bear ourselves, focusing on new insurance solutions and options in the sphere of alternative risk financing. A specialised department ensures that all the eligible risks are included in the centrally arranged insurance contracts during the construction phase and that liability policies which provide adequate cover are arranged. Our insurance policies are reviewed annually in light of revised laws and regulations, insured amounts and new risks so that we can make any necessary (interim) adjustments. In addition, we annually review the solvency position of the insurance companies with which VolkerWessels works. One of our guiding principles is to perpetuate and develop long-term relationships with reputable insurance companies.

The projects within our group are tendered and implemented in conjunction with third parties, in general partnership or private limited company form. Those partners may operate within or outside our own sector. Both the Legal and Tax Departments are closely involved in shaping and assessing these forms of cooperation.

We also limit the liability risk for the Group through a layered legal structure, which involves the use of '403 declarations' to ensure that liability is not self-evident. When establishing new legal entities, a balance has to be struck between, on the one hand, the potential liability risks associated with the activity concerned and, on the other, the costs incurred in establishing and managing a new legal entity.

### Health and safety at the workplace

The aim of VolkerWessels' health and safety policy is zero accidents. The financial impact of incidents at work is limited further by the insurance we arrange.

VolkerWessels has made further improvements to its safety policy in recent years, which have included the implementation of wave (Be Alert! Safety First!). The aim of this programme is to create a proactive safety culture at VolkerWessels, in which employees hold each other to account for unsafe behaviour. In spite of this, health and safety risks cannot be entirely ruled out. Any accidents can have a major impact in terms of human suffering and damage to the company and its reputation.

### Security (including information security)

In light of the mounting tension between the widespread use of IT, including mobiles, and the growing professionalism of cybercriminals, we must constantly pay attention to monitoring and limiting risks in regard to the security of, and access to data, in our ICT systems. Because of the diverse nature of their activities, the operating companies use the information system that is most appropriate to their activities. VolkerWessels uses an Information Security Framework, which incorporates measures relating to the security, management, availability and continuity of the information. This Information Security Framework forms the basis for the management measures for the various ICT systems.

### Financial risks

#### Liquidity risk

VolkerWessels' financing policy is designed to maintain an adequate financial position. Adequate balance sheet ratios ensure that there is sufficient capacity to accommodate liquidity risks and guarantee constant availability of sufficient credit and guarantee facilities.

We constantly focus on reducing working capital and demands on capital and we commit our cash as efficiently and effectively as possible. We free up money for desired investments and ensure that there is always sufficient liquidity present to meet our payment obligations and satisfy bank covenants. By focusing on working capital and demands on capital, we also make a substantial saving on interest expenses, even with interest rates at their current levels.

VolkerWessels' financial position was also further strengthened in 2014 by the refinancing of our working capital facilities. VolkerWessels has agreed a committed credit facility of € 600 million with a syndicate of seven banks. This new credit facility runs until mid-2019 and replaces a number of facilities of similar proportions. The conditions for the new facility are largely the same as the conditions that applied to the existing facilities. We adhere to a strict investment policy in order to manage our liquidity position, which means that the consent of the Board of Management is required for all investments exceeding a specified amount.

### Credit, interest and currency risks

The Group's credit policy is designed to limit and control the credit risk. We limit the credit risk on clients by exclusively doing business with debtors whose creditworthiness is acceptable. As a significant percentage of our clients are public organisations (government bodies), the credit risk for this portion of our revenue is minimal. Where necessary, the debtor undergoes a credit rating process. If there are any doubts about a customer's creditworthiness, the policy is to have the customer's obligations to the Group guaranteed by a bank or other financial institution. For a specific group of receivables, a covering agreement for credit insurance has been taken out.

The Group further limits its credit risk on financial institutions by spreading the credit and guarantee limits and its surplus liquidity among several financial institutions with a good credit rating.

Our interest policy is designed to limit the influence of fluctuating interest rates on the Group's profit and optimise net interest expenses. For this purpose, two interest swaps have been concluded amounting to € 75 million and € 250 million to fix part of the future variable interest commitments. When these interest swaps were concluded, the interest rate was fixed at 2.35% and 1.71% respectively (excluding the margin). The interest swaps run until the end of 2015 and the end of 2017 respectively.

For an explanation of the fair value of the interest rate swaps, please see note 12 in the financial statements.

Foreign currency risk is limited, since the vast majority of the cash flows within the Group occur in euros. The central financing facility also offers the option of raising loans in foreign currency.

Forward exchange transactions or currency swaps are usually concluded whenever there are material foreign currency risks on projects.

The translation risk on the equity of operating companies outside the EU zone is not hedged.

### Guarantees

When starting new projects, various sureties are provided to our customers for the proper delivery of the project, such as bank and Group guarantees. Bank guarantees are requested under the guarantee facilities by a central guarantee specialist and there are strict procedures for this.

### Compliance risks

VolkerWessels is subject to national and international laws and regulations, including in the competitive environment, employment contracts, employee safety, the environment, corporate governance and tax. The compliance risks with which the company may be confronted are: the risk of non-compliance with laws and regulations and risks related to developments in legislation. If these laws and regulations are not complied with, VolkerWessels may be faced with undesirable legal or other consequences, financial loss and/or reputation damage.

### Internal risk management and control systems

We use a risk management system which is based on the building blocks of the COSO ERM model. Risk management covers the achievement of strategic objectives, the effectiveness and efficiency of business processes, the reliability of financial information provided and compliance with relevant laws and regulations.

VolkerWessels has a wide variety of operating companies that enjoy a relatively large degree of autonomy. Together with the Code of Conduct, the VolkerWessels core values form the internal framework for risk management. In addition, central guidelines and procedures form the point of departure for the management of the operating companies when organising the risk management environment. In 2014, these guidelines were updated and tightened up. The progress and development of the company's operating results, liquidity and financial position are recorded – along with the operational and financial risks – in the periodic management reports and discussed by the Board of Management during the quarterly meetings with the directors of the operating companies.

A number of aspects of those legal and financial parameters were tightened up in 2013. For example, in 2013, changes were made to both internal and external powers of representation within the Group and the financial function was strengthened at numerous operating companies, which included creating a functional line to the CFO on the Board of Management. We also further broadened the scope of the audit, further tightened up the tender procedure and made a start on creating a new risk management department at the Group head office. These actions, which were decided upon in 2013, continued to take shape in 2014 and have been implemented in our management practice. Integrity was another focus in 2014.

## Financial results

The trust that our clients, subcontractors, suppliers, lenders and employees place in VolkerWessels is essential to ensuring the continuity of the company. Additionally, there was a change of auditor in 2014, bringing a fresh perspective to the internal control measures at VolkerWessels.

In 2015, further steps will be taken to enshrine risk management into our standard planning and control cycle, paying more attention to the process and risk awareness. The risk management system provides a platform for the operating companies to share best practices, knowledge and expertise in a structured manner. We will be further consolidating and expanding this platform in 2015.

### Operating revenue and order book

Operating revenue for 2014 amounted to € 4,400 million (2013: € 4,519 million), a fall of € 119 million (2.6%). At the end of 2014 the order book stood at € 5,774 million, which is around € 0.3 billion lower than the order book at the end of 2013 totalling € 6,084 million.

### Earnings (EBITDA and net profit, after taxes)

Operating profit (EBITDA) before other impairments amounted to € 228 million, an increase of approximately € 37 million compared with € 191 million in 2013. The EBITDA margin increased from 4.2% in 2013 to 5.2% in 2014.

EBITDA was impacted this year by a number of non-recurring items such as restructuring costs and closure costs totalling € 7 million (2013: € 43 million) and positive results on the sale of participating interests totalling € 20 million (2013: € 18 million).

In addition, a write-down of land and real estate holdings was performed in 2014, totalling € 10 million (2013: € 11 million).

Net profit for 2014 totalled € 121 million, an improvement of € 31 million as compared to 2013 (net profit € 90 million).

### Financial position

Solvency is 26% before profit appropriation (2013: 26%). A dividend payment of € 117 million was made in 2014. The impact on solvency of this dividend payment was limited due to the addition of the positive result for 2014 amounting to € 121 million.

### Development of net debt

Net debt fell by € 5 million in 2014. Consequently the cumulative reduction between 2010 and 2014, after corrections for payments to shareholders and acquisitions (net), is over € 600 million. Financing requirements are not expected to change much over the coming year. For further explanation, see page 13/14.



### Investments in tangible fixed assets

Investment in tangible fixed assets amounted to € 95 million in 2014 (2013: € 72 million). Our operational lease commitments decreased by € 22 million in 2014 (2013: decrease of € 10 million).

Depreciation on tangible fixed assets for 2014 amounts to € 57 million (2013: € 61 million).

The investments were mainly related to the replacement and expansion of equipment for operational activities.

We expect the level of investments to remain similar in 2015.

### Financing

At the end of 2014, VolkerWessels had committed, syndicated credit facilities of € 600 million with a term until mid-2019 at its disposal. Additionally, VolkerWessels has a committed credit facility of € 40 million at its disposal which ends in December 2015. A maximum leverage ratio of 2.75 and a minimum interest cover ratio of 5 apply to VolkerWessels' credit facilities and these covenants were comfortably met as at 31 December 2014. In addition to the committed credit facilities, VolkerWessels also has uncommitted credit facilities of € 55 million in The Netherlands.

A committed credit facility of GBP 21 million is available to VolkerWessels UK until May 2015 for our activities in the UK; this had not been drawn on at the end of 2014. In addition, VolkerWessels has access in the UK to an uncommitted current account facility of GBP 10 million. Uncommitted credit facilities worth a total of CAD 23 million were raised for our Canadian activities. In addition the sum of CAD 22 million is available in the form of an uncommitted lease facility. Of this amount, leases totalling roughly CAD 9 million were outstanding at the end of 2014. An uncommitted credit facility of USD 4 million is available for our US activities.

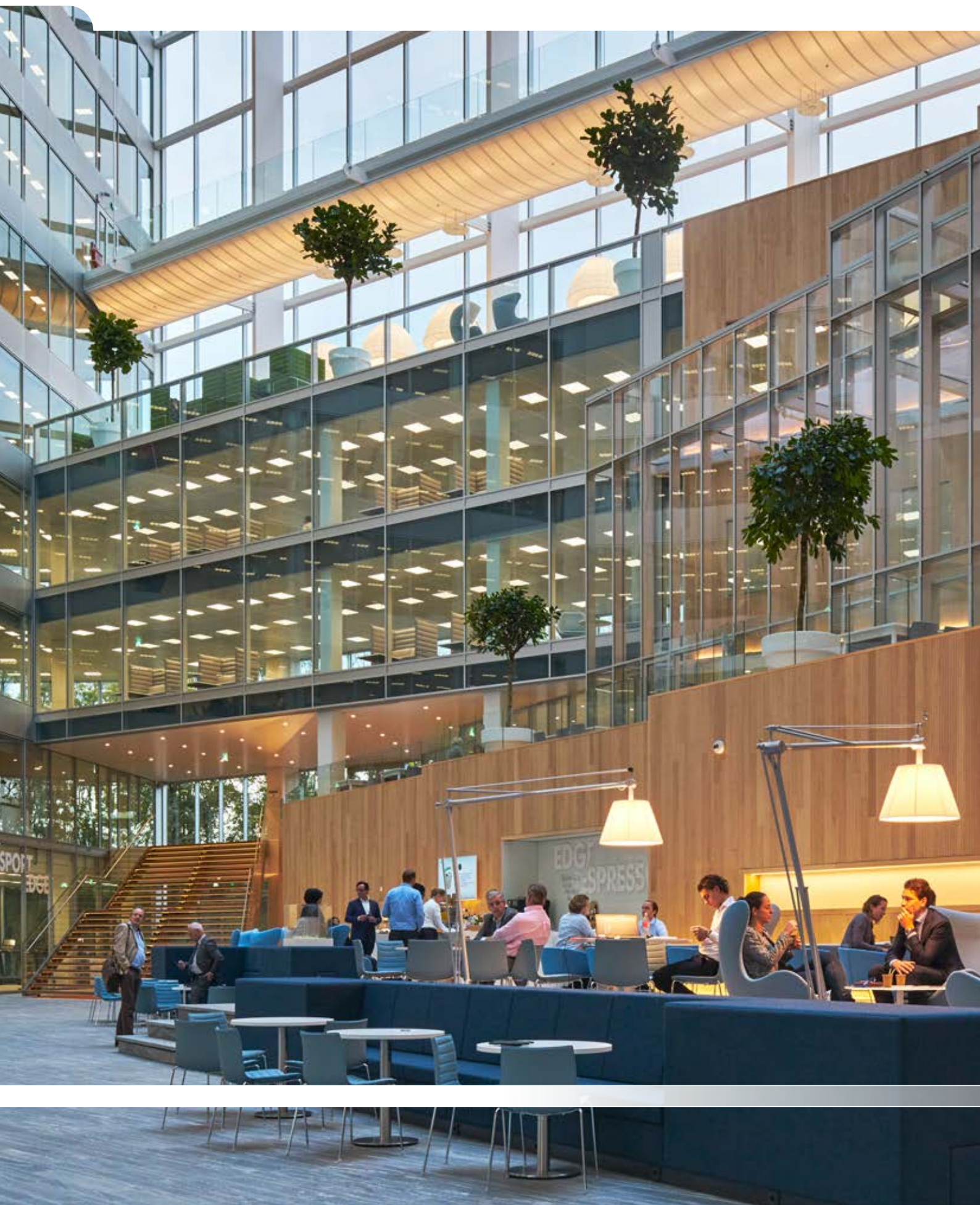
VolkerWessels has uncommitted guarantee facilities with several banks and other financial institutions in order to continue fulfilling clients' requirements in respect of providing bank guarantees. The aim is to maintain at least 20% of the total facilities as freely available funds and this aim was comfortably achieved at the end of 2014.

### Valuation principles

With effect from the financial year ending on 31 December 2014, the principles for valuation and the determination of the result were changed from IFRS to principles in accordance with the provisions of Title 9 Book 2 of the Dutch Civil Code (NL GAAP). In these first consolidated financial statements based on NL GAAP, the Group has applied all the provisions of NL GAAP that were applicable to the 2014 reporting year, including the provisions concerning a change in accounting principles under NL GAAP. The change of accounting principles have been applied retrospectively.

This change in accounting principles has brought the valuation principles in line with the principles applied by the shareholder. Equity in the opening balance sheet for 2013 has been revised as a result of this change of accounting principles from € 621 million to € 556 million and the net result for 2013 from € 117 million to € 90 million. This adjustment was made due to the difference in the valuation of, chiefly, goodwill, participating interests, pensions and provisions and the application of cost price hedge accounting. This change of accounting principles has had only a minor impact on solvency (2013 IFRS 25%, 2013 NL-GAAP 26%).

## Report by sector **Construction & Real Estate** in The Netherlands







## The Edge

# A sustainable world-beater on the A10

A clever design, solar panels, thermal energy and the use of rain water: these are the building blocks of a world-beating structure in Amsterdam's Zuidas district. When it was completed, BREEAM declared The Edge to be the world's most sustainable office building. The eye-catching structure on the A10 satisfies 98.36% of the requirements for the ambitious sustainability certification. The new head office of Deloitte and AKD, which stands fourteen storeys tall and has a surface area of 51,000 square metres, thus

The Edge has been rated 'Outstanding' by BREEAM.

achieved the highest possible score: Outstanding. Developer OVG Real Estate hired London firm PLP Architecture to create the iconic design with its distinctive glass atrium.

For the technical development and implementation of

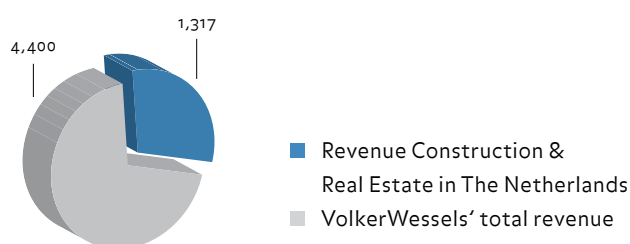
the plan, OVG signed an Engineer & Build contract with our operating company, G&S Bouw. The sun's path is central to the design. The glass north façade, for instance, provides the workstations with daylight without exposing them to full sun, reducing the need for air-conditioning. The south façade is fitted with 700m² of solar panels, which provide electricity for all the smartphones, laptops and electric cars in the building. The roof-mounted solar panels provide the power for a thermal storage installation with a dual open source. This system heats the building in winter and keeps it cool in the summer. With its host of clever design features and sustainable technologies, the building is completely energy-neutral.

**Operating companies involved:**  
G&S Bouw and HOMIJ Technische Installaties

## Construction & Real Estate in The Netherlands

**VolkerWessels Construction & Real Estate in The Netherlands development covers the entire chain in housing construction, commercial property construction, industrial construction and property development. We develop, design, build, deliver, manage and maintain and also have in-house disciplines such as supply and technical installations. As a financially sound, sustainable and innovative partner, we can assist our clients with an integrated approach to multidisciplinary projects.**

revenue 2014  
(in millions of euros)



(in millions of euros)	2014	2013
Operating revenue	1,317	1,295
Order book	1,783	1,801
EBITDA	35	15
EBITDA/operating revenue	2.7%	1.2%
Average number of employees	3,221	3,355

### Overview of 2014

Market conditions remain challenging. Rock-bottom prices, capacity constraints, the postponement of projects and difficulties raising finance are still the norm. Nonetheless, there are indications that the market is stabilising and bottoming out. Despite the traditional differences between various regions and (sub)markets, we are seeing a tentative improvement across the board. Our overall order book is in good shape, albeit with a slight reduction during the year. This is partly explained by our risk adverse approach towards new projects. Margin takes precedence over revenue and volume. An improvement in margins is also apparent in our results for 2014.

The recovery in the market is fragile and can be directly affected by developments in the world economy and geopolitical uncertainties, but rock bottom appears to be behind us. Occurrences such as write-downs of land and bankruptcies amongst clients are happening less and less often. The office market is stabilising and sentiment and prices are improving in the housing market. A total of 4,195 new homes (for third parties and our own developments) were delivered in 2014 (2013: 3,132) and 1,613 homes developed by us were sold (2013: 1,104). There are currently 131 unsold homes under construction (2013: 222). The number of unsold completed houses was 166 at the end of 2014 (2013: 266). It is not yet clear whether the upturn is structural or temporary. First-time buyers are hardest hit by further curtailments to borrowing capacity for mortgages. At the same time, upward mobility in the market is being impeded by households in a situation of negative equity. In property development, past projects and legacies are affecting performance. However, results and prospects are also improving in this discipline. A write-down

of land and real estate holdings was performed in 2014, totalling € 10 million (2013: € 11 million) and this is included in the above figures. Although the industrial construction market fluctuates greatly, results have been stable in the last few years. In this sector, however, we need to pay careful attention to our order book. We also invested substantially in our supply companies during the reporting year. Our operating companies are benefiting from our new concepts, which favour an integrated and multidisciplinary approach.

### Highlights in 2014

VolkerWessels introduced the innovative MorgenWonen (Future Living) concept in 2014. This is a new construction standard which involves homes being built in the factory by our supply companies, erected to a weather-tight standard in a single day and completed for occupancy in ten days. As a group, we are also part of the national Stroomversnelling (Acceleration) Programme, which involves the sector transforming 110,000 housing corporation homes into zero-energy homes. During the year under review, we delivered The Edge in Amsterdam's Zuidas district, which has been rated Outstanding by BREEAM, making it one of the world's most sustainable buildings. In Westbeemster, Queen Máxima opened a new, sustainable cheese factory. In Hoofddorp, for a number of years we have been successfully involved in creating Park 2020. The Netherlands' first full-service Cradle to Cradle business park is welcoming more and more new companies. Some of the new project highlights during the reporting year were the redevelopment and operation of the famous Scheveningen Pier, the new building for VU University Amsterdam and a contract in Limburg for the construction and renovation of 3,000 homes as part of the Chain Cooperation

programme. Other noteworthy projects are Wildlands Adventure Zoo (Emmen), Stadskantoor Utrecht, International Criminal Court (The Hague), De Flat (Amsterdam), Strijp S (Eindhoven), the renovation of the Oude Luxortheater (Rotterdam), new operating theatres for UMC (Utrecht), the Mauritshuis (The Hague), NEM Energy (Zoeterwoude), Infoversum (Groningen), De Werkplaats (Tilburg) and the Westluidense Poort (Tiel). We also strengthened our ranks during the financial year by acquiring the Meulen Group. This company, which undertakes construction and property development in the Southeast Netherlands, has been merged with our operating company Louis Scheepers to form Aannemersbedrijf Jongen-Meulen.

### Strategy

VolkerWessels is making further headway with the group-wide Building Smarter Together programme, which provides an integrated setting for innovative working methods such as LEAN, BIM and chain cooperation. Although our companies have made great progress in recent years, we believe there are still significant opportunities to make further improvements through more efficient and effective business practices, building homes in our own factories, using an industrial platform, and assembling them outdoors, in situ, within a day. This is a new construction standard which, thanks to plug & play and advanced system integration, enables us to substantially reduce build times and reduce costs of failure. More than 100 homes have already been built this way. A number of homes have also been sold in areas where we introduced our concept in 2014 for the investment and rental market and housing corporations have also expressed an interest in this product. Depending on market demand, we will be gradually upscaling in terms of numbers and models. Its zero-energy and clean construction site ethos make MorgenWonen (Future Living) highly sustainable.

The techniques we use in this industrial form of construction are also being incorporated in the renovation and zero-energy upgrading of social housing. This approach exemplifies our strategy in which our construction companies, developers, suppliers and technical installation companies cooperate in an increasingly close, integrated, sustainable and multidisciplinary way. Construction is becoming more industrial, short-cycle and sustainable. This calls for a fresh perspective and new insights, with the focus shifting away from conventional project-based thinking towards an innovative vision at the heart of which are the end users. Therefore, together with its clients and other partners, VolkerWessels is focusing heavily on innovative and sustainable concepts which are consistent with a circular economy. Thanks to our size, combined with our decentralised network and our own supply companies, VolkerWessels is able to cover the entire chain.



### MorgenWonen (Future Living)

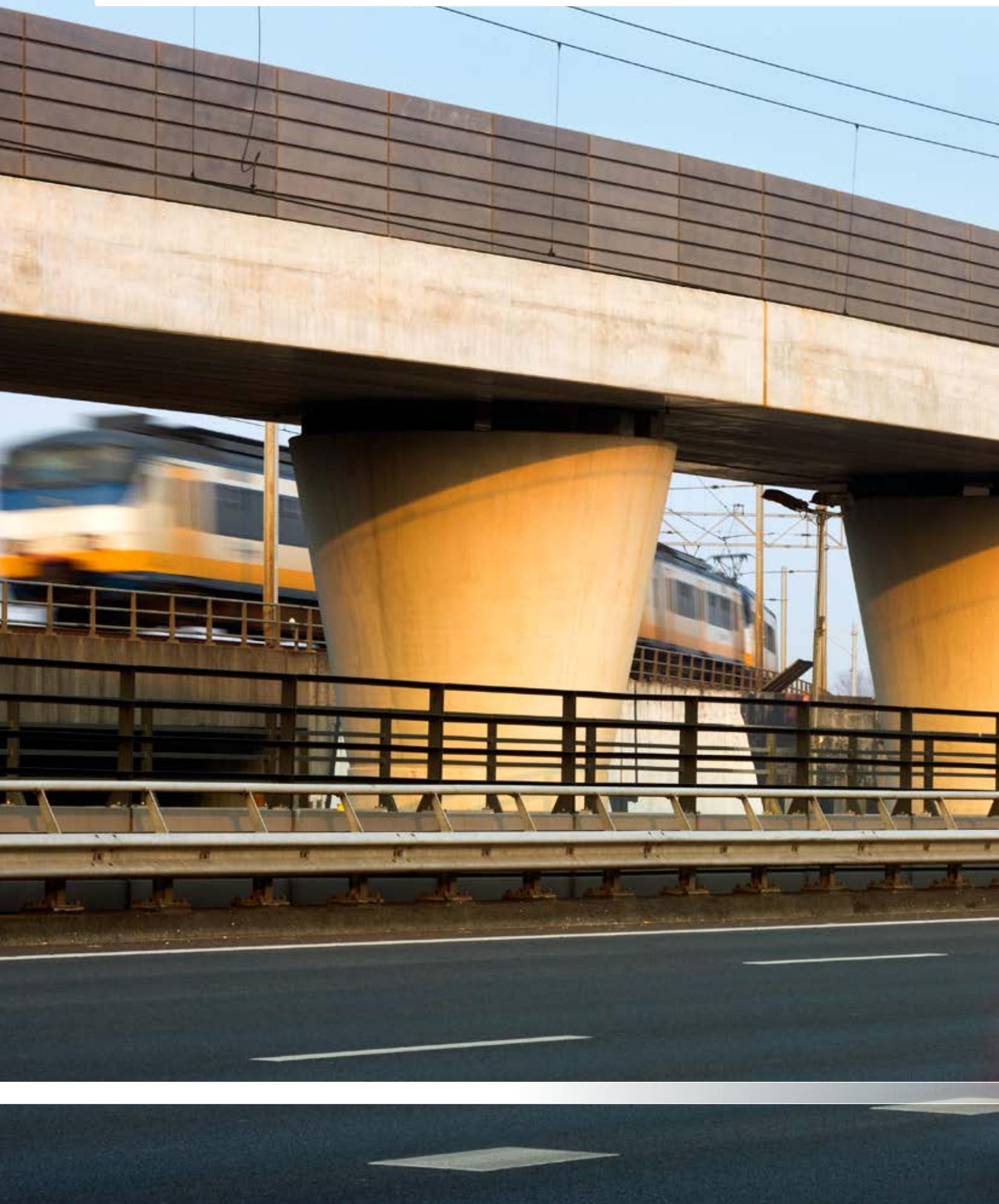
## A new home straight from the factory

Weather-tight in just a day and ready to move into in a fortnight. VolkerWessels' new MorgenWonen (Future Living) construction standard gives prefab a whole new meaning. Inspired by the automotive and aviation industries, an industrial designer helped VolkerWessels to rethink the construction process. The result: an industrial platform with smart, interchangeable elements. Homes are entirely prefabricated in the factory. Components are delivered to the construction site as a package; floor parts including underfloor heating, a concrete staircase, outside walls with window frames, a ready-made bathroom with tiling. Special teams 'click' the components together in a single day. In just two weeks, the houses are ready for occupancy. MorgenWonen is a high-quality concept with low costs of failure and, because the homes are produced under ideal conditions, guarantees rapid delivery times. Thanks to a number of green measures, the homes are also sustainable and zero-energy: they boast a 'shell' with outstanding insulating properties, roof-mounted solar panels and a sustainable heat pump.

**Operating companies involved:** VolkerWessels Bouw & Vastgoedontwikkeling, Westo Prefab Betonsystemen, De Mors, De Groot Vroomshoop, HOMIJ Technische Installaties, REINÆRDT Deuren, Primum



## Report by sector **Infrastructure in The Netherlands**







OV SAAL

## Where rubber meets steel

The rubber of car tyres and the steel of rails and train wheels. Train passengers travel between the Riekerpolder and Duivendrecht down the central reservation of the A10, cheek by jowl with motorists. Every day, 40,000 passengers travel by train between Almere and Schiphol. Because that figure is growing explosively, VolkerRail and Van Hattum en Blankevoort are working to expand the railway line. Together, they form the Combinatie Nieuwe Meer Sporen (cnms) consortium and they

40,000 passengers  
between Almere and  
Schiphol, every day.

are responsible for doubling the track, making adaptations to a number of viaducts and building a new, movable bridge over the Schinkel river. The consortium which, together with ProRail, the client with delegated responsibility, is a

member of the Alliantie Amsterdamse WALTZ and is responsible for the Zuidtak West stretch. The contract is part of OV SAAL: Public Transport Schiphol – Amsterdam – Almere – Lelystad. The aim of the project as a whole is to increase capacity on the route, to accommodate the growth of Almere, Schiphol and the Amsterdam Zuidas district and the opening of the Hanzelijn rail route. The project is also another step towards the aim of travel without a timetable. The ultimate goal, by 2023, is a train running in both directions every ten minutes.

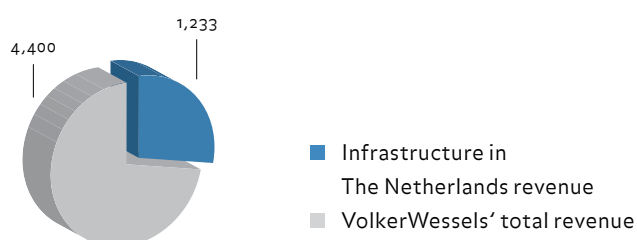
**Operating companies involved:**

VolkerRail and Van Hattum en Blankevoort/Volker InfraDesign

## Infrastructure in The Netherlands

**From design and delivery to management and maintenance, from local neighbourhood projects to large, integrated multidisciplinary projects: VolkerWessels' strength lies in our presence throughout the infrastructure chain. Our companies are involved in road construction, concrete construction and hydraulic engineering, rail infrastructure, traffic management and traffic technology.**

revenue 2014  
(in millions of euros)



(in millions of euros)	2014	2013
Operating revenue	1,233	1,268
Order book	1,073	1,116
EBITDA	48	57
EBITDA/operating revenue	3.9%	4.5%
Average number of employees	5,063	4,952

### Overview of 2014

The market is experiencing a rocky ride. The sector is beset by shrinking market volumes, government spending cuts and pressure on margins. In these particularly challenging conditions, prices have dropped to unacceptably low levels and irresponsible risks are being taken in public procurement processes. Price differences of 25% or more are not unusual. Heavy project losses in infrastructure therefore come as no surprise. Another outcome is that risks are being taken on that contractors cannot control, and that are therefore unacceptable. VolkerWessels refuses to get sucked into these unhealthy trends in the market. A choice that, whilst guaranteeing the quality of our portfolio, also puts pressure on the volume of the order book. Here, the focus remains on margin rather than volume.

Despite the difficult market conditions, we have succeeded across the board in posting another good result. This achievement is down to the existing order book, multi-year management and maintenance contracts, a healthy and strategic spread of activities and integrated, multidisciplinary projects requiring expert knowledge. The exception is our traffic technology and traffic management discipline, which dipped into the red due to one-off costs and project losses and is also struggling with shrinking local authority budgets. Municipal authorities have a bigger workload but less to spend, which also impacts on investment in infrastructure. Nationwide, the market is also typified by growing uncertainty surrounding national government budgets and investment in large infrastructural projects. The market is contracting across the board, with the exception of projects to protect regions along the coast and rivers against flooding. In light of the difficult market situation, it is more important than ever to make quality a hallmark.

The Most Economically Advantageous Tender (MEAT) procurement method has obvious potential, but is still in its infancy, partly because contractors are currently promising clients too much. There needs to be greater scope for companies to set themselves apart with clever, innovative and sustainable solutions. VolkerWessels remains utterly dedicated to being distinctive in this way. This is not a luxury; it is absolutely vital. We do not foresee any recovery in the near future and believe that the recession in infrastructure, which is at the tail end of the economic cycle, has not yet bottomed out.

### Highlights in 2014

Our colleagues continued working on a number of special projects in 2014. In The Netherlands' rail heartland, for example, we improved through-flow at Utrecht station by dismantling and upgrading the track. Further into the Dom City, we are renovating the Galecopper bridge, a technically and logistically challenging project at an intersection of roads and waterways. IJsseldelta is our latest project in the 'Room for the River' programme, launched by the Rijkswaterstaat (part of the Dutch Ministry of Infrastructure and the Environment) is an excellent fit with our long tradition of projects that protect our country against flooding. Another impressive feat of waterway engineering is the rerouting of the Zuid-Willemsvaart canal. We delivered this brand-new Máxima Canal in 2014. Other prominent projects are OV SAAL and SAAone: the rail and road expansion on the route between Schiphol, Amsterdam, Almere (and Lelystad), the construction of the A4 Midden-Delfland, the rerouting of the A9 near Badhoevedorp and the completion of the car tunnel in Nijverdal. VolkerWessels believes in anti-cyclical investment and innovation. Thus in 2014 we strengthened our portfolio with Surface Cracks, a consultancy and research firm which, amongst other things,

carries out surveys for roads, airports, cycle paths and pedestrian zones. In addition, a new asphalt plant was inaugurated in Harderwijk, which replaces an outdated and less sustainable predecessor. Our innovation highlights included the smarter traffic light system (BRIK) and a new sustainable type of low-noise asphalt (KonwéCity). Our road construction company kws Infra has been certified to recycle porous asphalt. We were also awarded a licence to carry out inspections using drones. The innovative concept developed by our operating company M.J. Oomen for taking over the management and maintenance of the water and waste water chain yielded our first specific orders from a few municipal authorities.

### Strategy

In this unusually challenging market, operational excellence is vital. The best equipment and more effective and efficient processes and construction methods such as system engineering and the LEAN-inspired, group-wide Building Smarter Together programme are not the only manifestations of this strategic focus: we also invest heavily in the best people. Because no matter how impressive our projects are, construction is and always will be a job done by people. VolkerWessels is always open to top talents and experienced specialists who have particularly valuable knowledge. In addition to specialist subject training, which is obviously essential, our Goed in Gesprek (Interpersonal Skills) programme is based on the notion of 360-degree feedback and personal development. Whilst the sector is traditionally top down in structure, we set great store by the opinions and input of the workforce. This influence is also apparent in our platforms for safety, integrity and corporate responsibility: three essential conditions for successful and 'hygienic' business practices. Infrastructure projects can be intensive and extensive. The trend towards integrated DBFM contracts calls for solid project, risk and contract management, a broad position in the value chain and expert knowledge. VolkerWessels has all the necessary expertise and disciplines in-house. Internally, we pool that knowledge under the banner of the VolkerInfra multidisciplinary partnership. To respond to this growing complexity in the market, we are also firmly committed to seeking strategic alliances with our clients and other reliable external partners. Another example of a broader position in the value chain is our approach to handling the management and maintenance of the public space, which is based on predefined performance agreements. VolkerWessels anticipates that this will enable savings by reducing the total costs of ownership for clients. Within the chain, we continue to rely heavily on our innovativeness, some examples of which are the proprietary development of innovative apps and the use of drone technologies for inspecting roads and civil engineering structures. VolkerWessels is the market leader



### Galecopper bridge

## A new lease of life for 'tired' bridge

The hairline cracks in its metal betray its age. The construction of the two steel cable-stayed bridges is 'tired'. When it opened in 1974, the Galecopper bridge in Utrecht had not been designed to cope with the ever-growing volume of freight traffic. Furthermore, the three hundred-plus vessels that pass beneath the bridge each day on Europe's busiest canal are getting bigger and taller. To add at least another thirty years to the bridge's lifespan, VolkerWessels is giving the civil engineering structures a new lease of life. The work is being carried out by the Galecom consortium, in which several VolkerWessels operating companies are represented. By a strategic planning of the work to a tight schedule, Galecom is keeping unpleasant surprises for road and water traffic to a minimum.

**Operating companies involved:** kws Infra, Van Hattum en Blankevoort, Vialis, VolkerRail and VolkerInfra

in infrastructure in The Netherlands – a position that we chiefly want to consolidate in this tough market. Volume is less important than a healthy return. As the market leader, it is very important that we restore the disrupted equilibrium in the sector. Whilst this means we want to continue standing out due to our quality, sustainability and clever innovations in order to make the difference in the reality of the market, as the market leader we are also seeking solutions, with our clients and other partners, to ensuring a sustainable future for the sector.



Report by sector **Energy & Telecoms**





## Butendiek In the German Bight

Digging deep in rough seas. 34 kilometres west of the German North Frisian island of Sylt lies the German Bight. For weeks, this area was the 'workplace' of VolkerWessels Boskalis Marine Solutions (VBMS). Commissioned by German company WPD Offshore Solutions, we delivered, installed and buried 86 infield cables for the Butendiek project – an offshore wind farm covering roughly 33 square kilometres in the southeast part of the North Sea. Eighty wind turbines standing 150 metres above sea level with a capacity of 3.6 MW each supply a total of 288 MW of clean energy. That's enough to provide 360,000 households with green electricity for at

80 wind turbines,  
150 metres  
above sea level.  
Total capacity:  
288 MW of  
clean energy.

least 25 years. Approximately ninety kilometres of cable were needed to interconnect the eighty wind turbines. The cable was collected in two sections in Norway and cut into sections of the correct length out at sea.

Due to the exceptional length of the cable, our cable-laying vessel Stemat Spirit had to be specially adapted for this task. A separate trencher dug the trenches for the cables. All the cables and connections have now been tested and delivered.

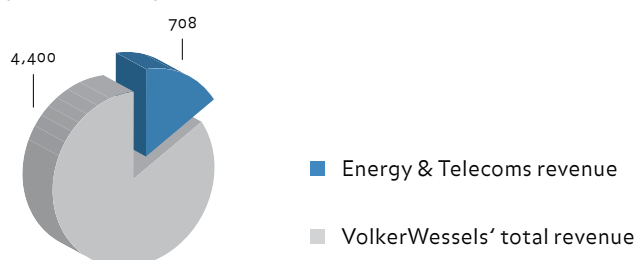
Operating companies involved: VBMS, Stemat and Visser & Smit Hanab



## Energy & Telecoms

**Distribution and transport pipelines, energy and telecoms networks: these are our disciplines in the Energy & Telecoms sector. Offshore, VolkerWessels is internationally active in the construction and repair of these connections and (related) hydraulic structures and a number of maritime specialisations and niches such as submerged tunnels, jetties and quays and directional drilling. In The Netherlands, we play a leading role in the design, construction and maintenance of connections and installations for the water, energy, telecoms and petrochemical sector.**

revenue 2014  
(in millions of euros)



(in millions of euros)	2014	2013
Operating revenue	708	925
Order book	859	1,131
EBITDA	74	83
EBITDA/operating revenue	10.5%	9.0%
Average number of employees	3,099	3,336

## Energy

### Overview of 2014

Our offshore activities are once again recording good figures. The focus on risk management, a proven track record and investing in our people and resources are paying off. The excellent standard of our project delivery also ensured that the positive trend continued in 2014, allowing for the fact that the figures for 2013 still fully included VBMS. Following the sale of 50% of our interest in Boskalis at the end of 2013, the figures for VBMS are no longer consolidated at VolkerWessels, causing a drop in operating revenue and the order book. However, our 50% share in VBMS' results is included in operational EBITDA for 2014.

We have identified various trends in the market for offshore renewables. Operators are more frequently transferring project risks to the market, with the result that projects are becoming wider in scope. The supply and installation of cables and/or foundation works are increasingly being put out to tender as a bundle. This presents VolkerWessels with a unique proposition, as we have all disciplines in-house. Another trend is for new wind farms to be built further and further out at sea, requiring much longer cables and investments in equipment and flotilla. Due to insufficient capacity in the supply chain and uncertainty surrounding subsidies in the UK and Germany, many projects are being put on hold in this market. Because of this, 2015 will be a year of investment and preparing the organisation for the well-stocked order book from 2016 onwards. Having completed a number of multi-year projects, the focus for hydraulic (offshore) structures is shifting towards investment in

tenders, public procurement procedures and market research. New, mainly Southern European entrants, often backed by their own governments, are creating price pressure in this market.

Aside from this uncertainty, we can also identify positive trends. Demand for sustainable energy sources is still growing, for instance and the desire of the West to be less reliant on energy from politically unstable regions is feeding a global trend. Under pressure from calls to cut costs, wind turbines are getting bigger and bigger. These are healthy developments for the offshore renewables market. Economies of scale reduce costs and the need for subsidies. In the oil and gas sector, the trend for big operators to shift their focus to the deep sea is continuing. This presents opportunities for us amongst the smaller, independent operators who are now exploiting the old fields. Some examples of this are umbilicals, flexible flowlines and electrification.

Interconnectors (energy connectors between countries and islands) are another international market. In response to this progressive internationalisation, we have joined forces with Boskalis, which has a global network, and rebranding is the logical reflection of our closer working relationship. From now on, vsmc will be known as VBMS (VolkerWessels Boskalis Marine Solutions). This is a strategic alliance and the joining of forces in a joint venture in which capital-intensive investments and risks in offshore projects are shared. Internally, too, we are achieving synergy by pooling people, resources, knowledge and experience. By amalgamating Volker Stevin Offshore (vso) and Volker Construction International (vci) to form Volker Stevin International (vsi) we are capitalising on our maritime



expertise and markets where we believe international opportunities lie. Some examples are submerged tunnels, jetties and quays.

In The Netherlands, conditions and prospects in the markets for transport pipelines and distribution networks are poor. Although the result for 2014 is in line with 2013, due to non-recurring items, our operating results and order book are under pressure. Falling volumes are creating overcapacity in the market and substantial price pressure. In the hydraulic market, investment in new structures and expansions is limited. Moreover, The Netherlands makes relatively little use of European funds. In the gas market, the completion of the gas hub has been reflected in volumes, although that market volume has been given a push by an investment programme to revitalise the secondary gas network and upgrade the related gas, metering and pressure-regulating stations. In the electricity market, an investment programme has been launched to strengthen the 380 kV network.

#### Highlights in 2014

VolkerWessels once again played a major role in the delivery of a number of European offshore wind farms in 2014. We delivered, installed and buried 86 infield cables for the Butendiek wind farm project off the coast of the German Frisian island of Sylt. For the second phase of the German Nordsee Ost wind farm, we laid all thirty inter array cables. The West of Duddon Sands wind farm was fully completed in 2014. In The Netherlands, we were involved in installing and burying the 25-kilometre long export cable for the Luchterduine wind farm. In Indonesia, we laid an interconnector between Java and Bali.

Other highlights were the cable repair at the world's second largest wind farm, Gwynt y Môr, off the coast of North Wales and the installation of the infield cables for the DanTysk wind farm in the German North Sea. Our achievements at DanTysk were one of the major factors that won us the new contract for the supply, installation, laying, delivery and testing of 76 infield cables for the Sandbank offshore wind farm in Germany. In addition, we signed the contracts for the infield and export cables for the Dudgeon offshore wind farm in the UK and Westermeerwind in the IJsselmeer. In the oil and gas industry, we installed a 19.5-kilometre umbilical in the North Sea in 2014, resulting in a new contract for an 18-kilometre umbilical in the Danish sector of the North Sea.

In Suriname, we undertook four horizontal directional drilling operations covering a total length of six kilometres on the banks of the Suriname River, for the expansion of the refinery



Visser & Smit Hanab was commissioned by Frame Gas Processing to position the equipment and lay the related pipeline from a Tulip Oil base at Hemrik in Friesland.

near Paramaribo. In the Rotterdam region, we worked on the De Nieuwe Warmteweg (DNWW) and Leidingen over Noord projects in 2014, which involve the sustainable recycling of residual heat from industry to heat households. In addition to DNWW, the Beverwijk-Wijngaarden project was also delivered. This 30-kilometre route through the Alblasserwaard and Krimpenerwaard polders is the final component of the gas hub project. Other highlights included the three-year renewal of the existing national service contract with Gasunie, a new contract in industry for the maintenance of terminals and a dual horizontal directional drilling operation for the Haringvliet crossing (2.5 kilometres).

#### Strategy

VolkerWessels relies heavily on a thorough risk analysis, from tender to contract and from performance to follow-up care. We invest in every detail of the preparatory stage, so that we are better able to identify and mitigate risks. This is an approach that delivers a solid and, most importantly, predictable implementation process. To guarantee operational excellence in the future too, as well as making significant investments in maritime resources, over the next years we will also be focusing more on working with people we have trained ourselves. It is by making use of our own people and their expert knowledge that we will be able to continue standing apart in the future. operational excellence, LEAN and Building Smarter Together are also major themes in our onshore operations. Adapting to the reality of the Dutch markets is a question of thorough project and risk management and cost cutting measures.

VolkerWessels is amongst the market leaders in offshore cable installations and foundations and we are still aiming to grow further. As a member of The Netherlands Wind Energy Association (NWEA) we are involved in the debate about new, standard regulation in European rather than the current, fragmented situation, the ambitions for wind energy and creating a favourable investment climate to stimulate the energy transition. We must also respond appropriately to the latest developments, which includes adapting our organisation to the more integrated and multidisciplinary nature of public procurements. Only then can we excel in terms of quality and reliability. At the same time, we are heavily dependent upon offshore renewables. Given the importance of diversification in the value chain and in market segments, we are focusing on the offshore oil and gas market and global interconnectors. In addition, we strengthened our ranks during the year under review with the acquisition of PRS International, which is involved in cleaning, inspecting, testing, calibrating and conserving pipelines.

In the extend of our offshore activities, there are other opportunities to be exploited internationally, particularly for specialisations such as the landing of export cables and horizontal drill holes. As the market leader in The Netherlands, with a strong position in Europe, we are also now looking for opportunities on other continents where we can act as subcontractors for strong, strategic and reliable partners.

## Telecoms

### Overview of 2014

In an uncertain and particularly changeable market, we are satisfied with our results. With revenue remaining largely unchanged, profitability improved in 2014 thanks to our strong focus on cost control and improvements to our business processes and productivity. Multi-year master and framework contracts assure us of a certain volume over the next couple of years, after which our order book will become less predictable. However, margin rather than volume is also the adage in this sector.

The telecoms market is globalising. Mergers and acquisitions are driving international consolidation. The nature of the market is also changing. The traditional distinction between mobile and fixed networks is becoming blurred. Mobile operators are turning their attention to fixed services, such as the Internet and digital television. At the same time, players who previously focused on the fixed networks are now focusing on the mobile market too. Consumers want to be contactable

everywhere, all the time. We anticipate that competition amongst providers will continue to intensify as a consequence of this freedom of choice. This will squeeze volumes, revenues, prices and margins in the sector. With the imminent completion of the 4G network, investment in new sites has all but dried up. The process of connecting The Netherlands to the fibre optic network is not yet complete, but the pace of this process is also stabilising. Improvements to networks, which are often less capital-intensive, are attracting the bulk of investment. Some examples are the swapping of equipment and antennae for mobile networks or upgrading existing copper networks. The level of investment is being curbed further by site sharing among telecomproviders. Moreover, international entrants and parties who are buying volume are creating substantial price pressure. This is a development that is having a direct and palpable impact on the short-cyclical telecoms market.

Despite the big challenges in the market, there are prospects for the future. Data consumption, of mobile data in particular, continues to increase exponentially. Furthermore, telecoms is increasingly playing a supporting role for other infrastructures. To give an example, energy and utility companies are making ever greater use of telecoms applications as smart meters. There are also opportunities to be had in education and health care. Phenomena such as the 'smart city', big data, the Internet of Things and 5G, which at the moment are just concepts, will soon become a reality.

### Highlights in 2014

National 4G coverage arrived in 2014. We also worked on the rollout of vDSL at various locations (upgrading existing copper networks) and achieved a milestone by creating the 500,000th fibre optic connection. By the end of 2014, that figure had reached almost 550,000. Fibre optic installation was completed in Doetinchem, Bussum and Huizen during the year under review. Emmen, Culemborg and Zwolle-Zuid are now almost entirely connected to the fibre optic network. At the end of 2014, work got underway to connect Emmeloord to the future as well. Our operating company VolkerWessels Telecoms is one of the three parties responsible for the progressive rollout of fibre optic in The Netherlands. During the year under review, another two new long-term framework contracts were concluded, which provide a good basis for continuing to expand our work package.

At the same time, we are abandoning disciplines that do little to further our ambitions. During the year under review, this included the sale of Household Alarm Centre operated by VolkerSafeGuard to Trigion. As a result of growing integration

in the sector, the number of projects in which our various telecoms disciplines are collaborating more closely, with a more integrated approach, is also increasing. This includes collaboration with our Belgian colleagues who, despite the failure of two contracts, managed to maintain their performance. The year 2014 was characterised by the need for further innovation, including process innovation. Some examples are the use of 3D, digital surveying, involvement in the development of small cells for various clients and exploring the use of drone technology for inspecting masts.

#### Strategy

In the fast-changing telecoms market, we need to adapt fast. Agility is the order of the day. The FiT programme is readying VolkerWessels Telecoms for the new reality in the market. A great deal of energy was devoted to operational excellence during the year under review. Simplifications to the organisation and business management, the standardisation of processes and IT applications, better cooperation between the various companies, ensuring that our colleagues can be deployed more widely and the 'digitalisation' of technicians and work processes: all of this helps build an organisation that operates more efficiently and effectively and is fitter and more agile.

Continuous improvement, quality, creativity and partnering are the guiding principles. When we manage our processes, projects and productivity better, our client benefits in various ways, including shorter lead times and lower total costs of ownership. At the front end, it is becoming more common for us to help our clients by using our expertise to provide input on network design. At the back end, we are making our first forays into the transition from traditional maintenance to managed services. The ultimate aim is to adopt an integrated approach to managing infrastructures. These are developments that tie in perfectly with our goal of occupying a broader position in the value chain and another important strategic focus: diversification of our portfolio. This diversity in our products, services and clients also means we are better placed to add value.

Alliances with clients and strategic partners within the group and outside the sector are vital to this – particularly now that telecoms is, increasingly, an integral component of other infrastructures. There are telecoms applications for networks in energy, health care, education, security and other smart grids. If we continue to adapt fast, are agile and forge the right coalitions within and outside VolkerWessels, then despite all the challenges in the market we are confident about the future.



#### National coverage

### 4G: the new mobile highway

Superfast Internet, any time, any place, streaming music, watching films or making a conference call on the go... the fourth generation of mobile technology is pushing back the frontiers. In 2014, VolkerWessels Telecoms completed the national coverage of the 4G network, which is up to ten times faster than the current 3G network. Our company played a key role in the rollout of the network, by readying over 800 sites for the new mobile highway. More than 2,300 antennae made way for new LTE antennae. VolkerWessels Telecoms also installed additional equipment, such as amplifiers, splitters and parts for antenna control. Each site has its own, specific features. Some sites had to be completely reconstructed. We had to determine the best possible scenario. The challenge was to achieve the perfect combination of optimum coverage and the safe construction of the new, heavier antennae. It goes without saying that safety and quality were paramount. To ensure optimal safety, our colleagues calculated the wind load for the new structure at each site. The masts were adapted, reinforced or replaced, and the result is a faster and more reliable network with better coverage and more than a million users so far.

Operating company involved: VolkerWessels Telecom



## Report by sector **International markets**







## Stafford Area Improvement Alliance for speed

Passenger and freight transport by rail is experiencing record growth in the UK and the West Coast Main Line will be operating at maximum capacity over the next 10 years.

The Staffordshire Area Improvement Programme will relieve one of Staffordshire's main bottlenecks. The Staffordshire Alliance which, besides VolkerRail UK, comprises Atkins, Laing O'Rourke and Network Rail, is carrying out this programme. The programme will last three years and involves three main projects: increasing line speed between Crewe and Stafford, a brand new signalling system for Stafford Station including a new freight line and the construction of a fly-over at

### Relieving one of the Midlands' main bottlenecks.

Norton Bridge. One of the highlights in 2014 was the completion of the first phase of the programme, namely increasing the line speed.

Over Christmas, essential work was completed at Stafford Station and Norton Bridge

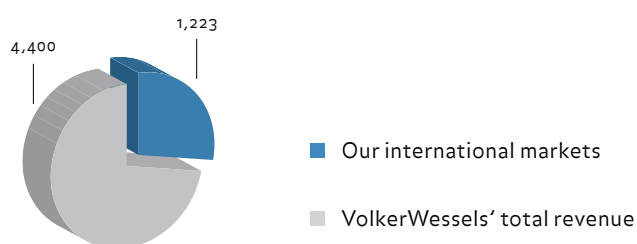
over an 82-hour shutdown, following which trains were able to run again sooner than planned. Pipelines and rivers have also been rerouted to accommodate the work. Various excavation works are currently underway and the construction of one of the ten bridges along the route has already been completed.

Operating company involved: VolkerRail UK

## International markets

**VolkerWessels UK's main activities are civil engineering, railway infrastructure, construction, upgrading and maintaining of highways, maritime and environmental projects and energy infrastructure. In Canada, VolkerWessels operates in the province of Alberta. Our Canadian colleagues are involved in constructing, managing and maintaining roads, civil engineering works, commercial property construction, public infrastructure and private sector projects. We are also active in the United States in civil engineering and land development.**

revenue 2014  
(in millions of euros)



(in millions of euros)	2014	2013
Operating revenue	1,223	1,131
Order book	2,148	2,099
EBITDA	71	65
EBITDA/operating revenue	5.8%	5.7%
Average number of employees	3,343	3,091

## United Kingdom

### Financial results

Results in the UK continue to develop positively. VolkerWessels UK grew for the fifth year in a row. With a healthy cash flow and a record £1 billion in orders in our order book at the end of 2014, the outlook is also positive. Taking account of 'likely' orders, which are not included in the order book, this historically high level of work in progress has risen to £1.8 billion.

### Overview of 2014

Multi-year contracts form an important building block of the growing order book. Our rail infrastructure companies won three five-year framework contracts for rail operator Network Rail and continue to deliver several maintenance depots for the Intercity Express Programme. VolkerStevin is one of the construction partners in a joint venture for the AMP6 programme. This water management project involves a framework contract for the design and build of infrastructure for both water and waste water in North West England. VolkerFitzpatrick is one of the main contractors for the Collaborative Delivery Framework (CDF). This programme is the biggest framework contract ever awarded for the improvement of motorways and major A roads in England. The highways term maintenance contract in the London Borough of Hackney has been renewed for four years.

The extension of berth 9 at the port of Felixstowe, a number of coastal defence projects and the construction of a 100,000 m<sup>2</sup> distribution centre and rail facility in Daventry are progressing well. The same can be said of the extensive infrastructure work involved in connecting the road to Luton Airport with the M1. The rail depots, including train care facilities, for the Thameslink project were also completed during the year under review. Other high-profile projects were the building of a waste processing centre in Milton Keynes, the improvements to the rail network around Stafford and a submarine electricity cable through the Solent. Manchester Metrolink achieved a new milestone with the opening of the link to the airport. The line is part of the UK's biggest light rail network. VolkerLaser has further expanded its external wall insulation activities for the private sector.

### Strategy

Our British companies have a healthy spread of activities and a wide diversity of disciplines. The basic principles are market-leading quality, a strong position in the value chain, margin rather than volume and substantial scale, enabling us to make the difference.

With growing public investment in transport, water and energy infrastructure, VolkerWessels UK believes there are healthy opportunities going forward in all markets.



## Canada/USA

### Financial results

Results in North America are developing positively. A good and stable year yielded another good result in Canada. In the United States, we are benefiting from the recovery in the economy.

### Overview of 2014

The market situation in North America is significantly better than in our European markets. In the Canadian province of Alberta, the regional economy is benefiting from investments in the energy sector, although a lower oil price will put the brakes on the prospects in the long term. In this vast, natural resource-rich province, VolkerWessels' activities include managing and maintaining roads, subterranean infrastructures, trade in resources and area development, including for the oil and gas industry. In our home base, Calgary, our Highways division successfully renewed the existing highway maintenance contract for a further two years, to 2018. Whilst this discipline's performance is stable, our civil engineering companies in this region are contending with mounting price pressure caused by new, foreign competition. Although weather conditions were less extreme during the year under review, in 2014 our Canadian colleagues were still working to repair the damage caused by the floods which hit Calgary one year previously.

In the capital, Edmonton, preparations are progressing for the maintenance of the ring road that is due to be opened next year. We are opening a new site here, with facilities for the thirty-year management and maintenance of the Anthony Henday Drive. In Grand Prairie, in the northwest of Alberta, we won various contracts during the year under review for civil engineering works for the oil and gas industry. We are strengthening our ranks in this region with the acquisition of Mainline Construction, a specialist in subterranean infrastructure and area development that makes a direct contribution to our results. In Fort McMurray we have won a ten-year contract for the maintenance of the international airport and a large road construction contract for the Alberta Drive Rehabilitation. Our results in the agricultural region of Lethbridge are stable.

In the United States, the economic recovery means our revenues and margins are returning to more normal levels. We operate in the Seattle region, in the far northwest of the country, where many multinationals have their head office. Three projects for Boeing form one of the highlights in our order book.



### Rotary Lands and Keyano College

## United expertise

H. Wilson Industries from Fort Murray, part of Volker Stevin Canada, called on the assistance of Volker Stevin Contracting to lay subterranean facilities for the Rotary Lands and Keyano College projects. With the aid of the additional equipment and people at Volker Stevin Contracting, H. Wilson was able to complete the projects to schedule and to the usual high level of expertise.

**Operating companies involved:** H. Wilson Industries Ltd., Volker Stevin Contracting Ltd.

Our civil engineering company is carrying out these infrastructure works as part of the airline company's expansion. Our area development discipline has yet to show any signs of recovery. Although the expectation is that, eventually, these activities will also benefit from the revival in the economy, there are as yet no signs of a recovery.

### Strategy

The group strategy is also being applied in obvious ways to our Canadian market. The guiding principles are a substantial market share, a healthy spread of activities and a broad position in the value chain. Road building is a good example, an area in which we are diversifying in terms of regions and activities and cover the whole chain, from asphalt production to road management and maintenance. In contrast to Canada, growth is not an ambition in the us. Here, further improving our margins and maintaining our position and our market share are the key targets.

# Report of the Supervisory Board

## To the shareholder of Royal Volker Wessels Stevin nv

### Annual Report 2014

In accordance with Article 38 of the Articles of Association we herewith present you with the annual report drawn up by the Board of Management for the year 2014, which includes the financial statements for 2014. These financial statements have been audited by Deloitte Accountants B.V. who issued a unqualified auditor's report. We have discussed the financial statements with the Board of Management and the auditor and these were subsequently approved at our meeting on 10 March 2015.

At the General Meeting of Shareholders to be held on 27 May 2015 you will be invited to adopt the financial statements for 2014 and the proposal made by the Board of Management therein for the allocation of the profit. The Supervisory Board has approved this proposal. We shall also request that you grant formal approval to the Board of Management for its governance for the 2014 financial year and to the Supervisory Board for the supervision conducted on this. The Supervisory Board recommends you vote in favour of these proposals.

### Composition of the Supervisory Board

The composition of the Supervisory Board has not altered in the last year. The Supervisory Board comprises four supervisory directors and one of those positions is vacant. The Central Works Council has a right of recommendation. We held talks with the Central Works Council regarding this in 2014. Mr Van Rappard is a supervisory director in a personal capacity and was appointed at the recommendation of the Central Works Council.

### Supervision and advice

In 2014, the Supervisory Board and the Board of Management met four times jointly, at which meetings almost all members were present. In addition there were many other meetings between supervisory directors and, due in part to the role of Mr Holterman who chairs the meetings of the Supervisory Board in his capacity as delegated supervisory director, there was a lot of contact with the executives of the company. Just as in previous years a lot of attention has been paid to the strategy and objectives for the medium term, as defined by the Board of Management, and the related policies. The three pillars of the strategy are: operational excellence, expanding the value chain and market leadership. This strategy is implemented by delivering optimum results to our customers, using the best people in a sustainable, safe and sound manner.

The evolution of the results, the focus on margin rather than volume and the company's financial position are a major focus of every meeting. Managing working capital and our net debt position is one aspect of this.

Other subjects that have been discussed by the Board and approved as appropriate include:

- the risks that are related to the strategy and the operating activities of the Group, as well as the measures aimed at managing these risks;
- the policy aimed at improving the safety of employees;
- the policy aimed at integrity and fraud prevention;
- management development within the Group and the appointment of some new Group directors;
- the acquisition of the activities of Mainline and Meulen, amongst others, and the level of investment;
- the Group's financing policy and the refinancing of Group working capital finance in particular;
- cash management and central control of the operating companies' financial management;
- the sales processes intended to reduce the demands on capital in connection with finished products;
- the policy regarding activities outside our markets;
- the simplification of the corporate structure and the shareholder structure;
- the ongoing difficult market conditions in some segments in The Netherlands;
- the development of the order book in The Netherlands;
- large tenders and the assessment of ongoing and completed major projects, in particular the large, integrated projects with a financing component (DBFMO projects) and the associated risks in relation to the earning capacity of those projects;
- the handling of a number of material claims and arbitration cases;
- the transition from IFRS to Dutch accounting principles (NL GAAP);
- the structure and introduction of the new management participation scheme.

Lastly, the Supervisory Board wishes to express its great appreciation for the dedication shown to the Group by the Board of Management and employees in 2014. Although the ongoing difficult market conditions in some segments within which the Group operates will continue to place serious demands on the business acumen, skills and commitment of everyone in 2015, the good result in 2014 is cause for satisfaction.

We wish the Board of Management and the employees every success in continuing to improve the Group's performance.

**H.M. Holterman**

**R.L.J. van Rappard**

**D. Wessels**

## Abridged Financial Statements

### Consolidated financial statements

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**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014**

Before appropriation of result, amounts in thousands of euros

	Note	31 December 2014	31 December 2013*
<b>Fixed assets</b>			
Intangible fixed assets	1	44,662	49,138
Tangible fixed assets	2	338,060	300,636
Financial fixed assets	3	577,262	607,300
		959,984	957,074
<b>Current assets</b>			
Inventories	4	434,116	427,730
Work in progress on construction contracts	5	39,227	-
Receivables and prepayments and accruals	6	825,566	872,274
Cash and cash equivalents	7	241,486	208,200
		1,540,395	1,508,204
<b>Total assets</b>		<b>2,500,379</b>	<b>2,465,278</b>
<b>Group equity</b>			
	8		
Share of the legal entity in group equity		651,184	626,144
Third party share in group equity		1,092	-287
		652,276	625,857
<b>Provisions</b>	9	296,918	302,758
<b>Long-term liabilities</b>	10	102,837	116,393
<b>Current liabilities, accruals and deferred income</b>	11	1,448,348	1,420,270
<b>Total equity and liabilities</b>		<b>2,500,379</b>	<b>2,465,278</b>

\* Adjusted for the purposes of comparison.



**CONSOLIDATED INCOME STATEMENT FOR 2014**

Amounts in thousands of euros

	Note	2014	2013*
<b>Operating income</b>	14	4,400,098	4,518,625
<b>Operating expenses</b>			
Costs of raw materials and consumables		-963,293	-966,571
Costs of subcontracted work and other external costs		-2,225,342	-2,337,019
Wages and salaries		-725,349	-763,853
Social charges	15	-186,569	-189,493
Amortisation and other impairment of intangible fixed assets	16	-21,184	-18,752
Depreciation and other impairment of tangible fixed assets	16	-56,759	-60,977
Other operating expenses	17	-114,765	-130,042
<b>Total operating expenses</b>		-4,293,261	-4,466,707
Share in result of non-consolidated companies in which a participating interest is held	18	43,667	59,326
<b>Operating result</b>		150,504	111,244
Financial income and expenditure	19	4,461	4,992
<b>Result before tax</b>		154,965	116,236
Taxation	20	-34,112	-25,772
<b>Result after tax</b>		120,853	90,464
Third party share		29	33
<b>Net result</b>		120,882	90,497

\* Adjusted for the purposes of comparison.

**NOTES TO THE INCOME STATEMENT**

Amounts in thousands of euros

	Note	2014	2013*
<b>Operating result</b>		150,504	111,244
Amortisation and other impairment of intangible fixed assets	16	21,184	18,752
Depreciation and other impairment of tangible fixed assets	16	56,759	60,977
<b>EBITDA</b>		228,447	190,973

\* Adjusted for the purposes of comparison.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2014**

According to the indirect method, amounts in thousands of euros

	Note	2014	2013*
<b>Operating result</b>		150,504	111,244
Adjustments for:			
– Depreciation (and other impairments)	16	77,943	79,729
– Result from the sale of tangible fixed assets		–10,130	–4,411
– Result from the sale of participating interests		–19,940	–18,252
– Share in result of non-consolidated companies in which a participating interest is held		–23,727	–41,074
– Changes in provisions		–9,257	16,808
– Changes in working capital:			
- changes in operating receivables		–3,159	89,636
- changes in inventories		–6,182	–53,425
- changes in work in progress		–43,935	–40,659
- changes in operating debts		775	–74,445
		–37,612	–46,093
<b>Cash flow from operating activities</b>		112,892	65,151
Interest received		27,482	29,792
Interest paid		–26,675	–32,126
Dividends received		52,917	39,599
Income tax paid/received on operating activities		–30,045	18,310
<b>Cash flow from operating activities</b>		136,571	120,726
Investment in intangible fixed assets	1	–14,475	–1,573
Disposals of intangible fixed assets	11	461	8
Investment in tangible fixed assets	2	–86,158	–71,701
Disposals of tangible fixed assets	10	17,816	7,843
Acquisition of group companies		–	–3,388
Disposal of group companies		92	–6,125
Acquisition of non-consolidated companies		–	–22
Disposal of non-consolidated companies		18,353	455
Investment in other financial fixed assets		–110,620	–67,805
Disposals of other financial fixed assets		103,710	64,836
<b>Cash flow from investment activities</b>		–70,821	–77,472
Change in overdrafts at banks		4,672	–702
Income from long-term liabilities		67,890	39,620
Redemption of long-term liabilities		–75,966	–251,720
Dividends paid		–40,987	–
<b>Cash flow from financing activities</b>		–44,391	–212,802
Net cash flow		21,359	–169,548
Effect of exchange rate differences on cash		11,927	–7,853
<b>Movements in cash</b>		33,286	–177,401

\* Adjusted for the purposes of comparison.

# Group companies overview

As at 1 March 2015 – This is the operational structure, which differs from the legal structure

## Construction & Real Estate

### VolkerWessels Bouw & Vastgoedontwikkeling bv

D. Boers, L.F.J. Bruggink, B. Dijkhuis,  
J.J.A. van Leeuwen, M. den Harder

### Property Development

A.H.M. de Koning, Director Integrated Projects

**Biesterbos bv\*** T. Biesterbos

**Bouwontwikkeling Jongen bv** C.P.H. Kùlter, F.W.J. Zuthof

**Credo Integrale Planontwikkeling bv** J. Boxem

**Credo Real Estate Development Espana sl\*** P.M.J.M. Jacobs

**Kondor Wessels Vastgoed bv** W.A. Gaijms,  
R.H.K. Elbersen

**Kontour Vastgoed bv\*** J. van der Mijl, H. Tillema

**Kondor Wessels Projecten bv** M.H. Luchjenbroers,  
H.T.J.M. Roelofs

**Loostad bv** H. Driesen

**Stam + de Koning Vastgoed bv** F.P.M. Gremmen,  
J.A. van der Veer

**VolkerWessels Vastgoed bv** M.H. Schipper

**Zorgid** H. Soepenbergh

**VolkerWessels Woonconsult bv** J.B. Zippro

**VolkerWessels Logistics Development bv** M.R. van den Berg

### VolkerWessels Bouw & Vastgoedontwikkeling Noord

J. Dobben

**Koenen Bouw- en Aannemingsmaatschappij bv**

P.L. Wigboldus, J. Dobben

**Rottinghuis' Aannemingsbedrijf bv** J. Dobben,  
A.P.R. de Brabander

### VolkerWessels Bouw & Vastgoedontwikkeling Oost

D.J.C. van der Hulst

**Goossen Te Pas Bouw bv** G.D.J. van den Berg, H.J. Nijkamp

**Bouwmaatschappij Ufkes Apeldoorn bv** P.G.M. Bekhuis,  
H.J. Schoonhoven

**Bouwbedrijf Wessels Rijssen bv** G.J. Boers, C.J. Kroot,  
J.H.B. Schotman

**Systabo bv** R.M.C. van Hoof, R. Kwintenberg

**Veluwezoom Verkerk Bouw bv** F.Th.M. Verkerk,  
G. Verdellen

### VolkerWessels Bouw & Vastgoedontwikkeling West

P.A. van Hoeven

**Bébouw Midreth bv** A.B.J.M. Pompe, R.G. Dressel

**Boele & van Eesteren bv** M. Coffeng, F.H. Knops,  
P. van Dijk, R.J.L. de Koning

**Bouwbedrijf Wessels Zeist bv** P.H.H. Bos, J. Schellevis

**G&S Bouw bv** H. Huisman, J.A. Messemaker

**IBB Kondor bv** A.S.C. Westerhuis, A. Spaan

**Kondor Wessels Amsterdam bv** F. Aalders, O.A. van der Pluijm

**Kroon & De Koning bv** P. Gestel, I.H.J. Zweekhorst,  
A.P. in 't Veld

### VolkerWessels Bouw & Vastgoedontwikkeling Midden

L.H.P. Horsthuis, A.H.P. van Laarhoven

**Aannemersbedrijf Van Agtmaal bv** J.A.C. Snepvangers,  
L.H.P. Horsthuis

**Aannemersbedrijf Van der Poel bv** R.M. van Pamelan,  
C.J.J. de Regt

**De Bonth van Hulten bv** J.A.W. Schepens, A.H.P. van Laarhoven,  
A.J.M. Krekels

**Stam + De Koning Bouw bv** A.G. van Tilburg,  
H.T.M. van Boxmeer

**Van de Ven Bouw en Ontwikkeling bv** A.J.M. Krekels,  
J.A.W. Schepens

### VolkerWessels Bouw & Vastgoedontwikkeling Zuid

F.W.J. Zuthof

**Aannemersbedrijf Jongen bv** R.P.M. Schoffelen, W.A.P.M. Leurs

**Aannemersbedrijf Jongen-Meulen bv** A.C.G. Meulen,  
M.W.H. Hensgens

**Aannemersbedrijf Jongen Venlo bv** T.W.J. Eijkenboom,  
F.W.J. Zuthof

## Industrial Construction

**Visser & Smit Bouw bv** (MedicomZes, VolkerWessels Bouw  
Schiphol) F. Snaaijer, B.R. Roosendaal, B. Koman

## Integrated Development

**VolkerWessels Integraal bv** F. Snaaijer

## Installation Engineering

**Dubotechniek\*** A.G.M. van Rijsewijk

**HOMU Technische Installaties bv\*** A. Navarrete Gelde,  
J.W.J. Fabri

## Building Materials

**BOWAR\*** W.G. Beelen

**De Groot Vroomshoop bv** W.G.M. Pigge, G. Beltman,  
C.T. de Groot

**De Mors Houtbouw bv/De Mors bv** G. Winkel, M. Zomer

**pgb Holding bv** J.H. Jacobs, G.J. Baan

**Westo Prefab Betonsystemen bv\*** J.H. Jacobs, J.W. Olde Kalter

**Reinaerdts Deuren bv** G. Beltman, C.E.M. Hendriks

**VolkerWessels Bouwmaterieel bv** K.J. Nieboer, R.G.R. Frazer

## Infrastructure in The Netherlands

**Staff organisation of VolkerWessels Infrastructuur Nederland**  
P.W.J. Smorenburg, A.M.J. Vos, J.W. Vermeulen

**VolkerInfra BV** R.P. Rijper, G.R. Bos

**iDrones BV\***

### Civil Engineering

**Van Hattum en Blankevoort BV** J.W. Ligterink,  
S.A.A. Weghorst, J.B.L. Verhoeff, R.J. Brouwer,  
W.T.M. van der Meer, R.S. Beurze, P.A. Kraaijeveld,  
L.F.P.C. van Mansfeld  
(**Volker InfraDesign BV**, **Volker Staal en Funderingen BV**)

### Road Construction

**kws Infra BV** J.P. de Boer, K.J. de Vries, R.M. Mars, M.A.P. Euser,  
M.J.P. Veldt  
**kws Infra BV**, Leek office, W. Dijkstra  
**kws Infra BV**, Zwolle office, A. de Jong  
**kws Infra BV**, Amsterdam/Heerhugowaard office, T.C. Stoop  
**kws Infra BV**, Utrecht office, J. Swank  
**kws Infra BV**, Rotterdam office J.H. de Morée  
**kws Infra BV**, Zwijndrecht/Rozenburg office  
R.G.W. de Ruijter  
**kws Infra BV**, Roosendaal/Sas van Gent office M. Dees  
**kws Infra BV**, Eindhoven office P.J.M. van Wanrooij  
**Gebr. Van Kessel BV** A. de Morée  
(**Gebr. Van Kessel Speciale Technieken en Producten BV**,  
**Van Kessel Sport en Cultuurtechniek BV**, **IJzerman BV**,  
**Gebr. Van Kessel Wegenbouw BV**)  
**BRUIL infra BV** J. Brouns  
**M.J.O. Holding BV** P.A. van der Wee  
**Wilchem BV** R.G.W. de Ruyter  
**InfralinQ** M.J. Kok

**Grond- en Zandexploitatie maatschappij 'Rijnland' BV**,  
**Handelmaatschappij De Keerkring BV**, **Holland Scherm BV**,  
**Koudasfalt BV**, **Smits Neuchâtel Infrastructuur BV**, **Wegenbouw**  
**Stevin Projectbureau BV**, **BKB Infra**, **Timmer-Verzijl BV**, **Verhoeve**  
**Infra**, **Romers Grondstoffen**, **Op sporen Conventionele**  
**Explosieven**, **Gelders Adviesbureau Infrastructuur & Milieu**  
(**G.A.I.M.**) **BV**, **Aquavia**, **Nederlands Wegenmarkeerbedrijf nwm\***,  
**StreetPrint Nederland\***, **Graniet Import Benelux BV\***, **Latexfalt BV\***,  
**Nederlandse Freesmaatschappij BV\***, **Rapid Asfalt BV\***,  
**Reflectielijnen van Velsen BV\***, **Traffic Service Nederland BV\***,  
**Mineralis BV\***, **Multiline Markering BV\***, **AKROH Slijtlagen B.V.\***  
**Aduco BV\***, **Van Straten Geleiderail BV\***, **NSE AS\***

## Traffic and Rail Technology

**Vialis BV** A.J.S. Fleer, M.S. Bakker, H.A. Hendriks  
(**Vialis Belgium NV**, **Vialis IT&M BV**, **VRS Railway Industry BV**)  
**Holland Systemen BV\*** R.A.L. Hijdra

## Railway Construction

**VolkerRail Nederland BV** J.J. Vos, P. M. de Hair,  
D.S.E.M. Wieggers, B.F. Hendriks, W. Ringenier,  
E. Gaaikema, O.P. van Soomeren  
(**IRS IJmond BV**, **Tribase Datasystems & Network Services vof\***,  
**Van der Worp**, **Inspection**, **VolkerRail Engineering BV**,  
**VolkerRail Materieel en Logistiek BV**, **VolkerRail SAFAC BV**,  
**VolkerRail International BV**, **RailCom BV**, **VolkerRail Plant &**  
**Equipment BV**, **VolkerRail Deelnemingen BV**)

## Equipment Management and Service Delivery

**Volker Stevin Materieel BV** A.W.J. van Kippersluis  
**Romers Transport BV** A.W.J. van Kippersluis

## Advice and Service Delivery

**Aveco de Bondt BV** G.J. Paalman  
(**Archiment BV**, **Compositie 5 Stedenbouw BV**, **Surface Cracks BV**,  
**Con-tura GmbH**)

## PCH Service Group

R.E. Kas  
**PCH Integrated Facility Management & Services B.V.**  
**PCH Parking & Facility Services BV**  
**PCH Parking & Facility Services Schiphol BV**  
**BBH Security Services BV**  
**IJssbaan Twente BV**

## Energy & Telecoms

### Networks (Energy and Water)

**Visser & Smit Hanab BV** H. Herremans, R. Veffier,  
A. van Rossum, L.F. Wartna, A.F.M. van Kaam,  
V.E. van Esbroeck, L.A.M.W. Wijnands,  
A. Krijgsman  
**Visser & Smit Hanab BV** Distribution  
**Visser & Smit Hanab BV** Installation  
**Visser & Smit Hanab BV** Industrial & Power Projects  
**Visser & Smit Hanab BV** Transport & Drilling Solutions  
**Volker Stevin Kabelwerken Railinfra Vof**  
**Visser & Smit Hanab NV, Belgium**  
**vws Pipeline Control BV**



**VolkerWessels Civil & Offshore Construction****VBMS BV\*** A.M.J. van Poppel, C. van Noort**Volker Stevin International BV** M.R.J. van Bergen, A. Klaver, J.B.L. Verhoeff**Volker Construction International** J.W. Ligterink, A. Klaver**SPT Offshore BV\*** M.E. Riemers**Stemat BV** J.W. Dijkshoorn, T.A.M. Oorsprong**Networks (Telecom)****VolkerWessels Telecom** W.R. van de Mast, E.S. Velderman, R.M. Wittmaekers, P. Colman (Belgium)**VolkerWessels Telecom | FttH****VolkerWessels Telecom | Infratechniek****VolkerWessels Telecom | Network Solutions****VolkerWessels Telecom | Services****VolkerWessels Telecom | Belgium****Oil & Gas****Oil & Gas Pipeline Control BV****Pipeline Refinery Services BV** A. Stoevelaar, P. Bergsma**Oakite BV** A. Stoevelaar**Maester Equipment BV** A. Stoevelaar**United Kingdom****VolkerWessels UK Ltd** A.R. Robertson**VolkerFitzpatrick Ltd** R.A. Offord, A.R. Robertson, N.A. Connell, M.G. Woods, J.M. Suckling, C. Humphrey**VolkerRail Group Ltd** S. Cocliff, A.R. Robertson, N.A. Connell, P.H. Nolan, M.G. Woods, A.M. Wilkins**VolkerHighways Ltd** P.A. Hyde, A.R. Robertson, N.A. Connell, M.G. Woods, G. Simms**VolkerStevin Ltd** R. Coupe, A.R. Robertson, N.A. Connell, M.G. Woods, R. Towse**VolkerLaser Ltd** M.J. Weaver, A.R. Robertson, N.A. Connell, M.G. Woods**VolkerInfra Ltd** J.M. Humphries, A.R. Robertson, N.A. Connell, M.G. Woods**Canada/us****Volker Stevin Canada** K.R. Briscoe, J.M. Festa, J.W. Vanover**H. Wilson Industries Ltd, Canada** K.R. Briscoe, W.G. Hooper, W. Holodniuk, J.W. Vanover**McNally Contractors Ltd, Canada** K.R. Briscoe, F.D. Desjarlais, J.W. Vanover**Volker Stevin Contracting Ltd., Canada** K.R. Briscoe, M. Festa, W.G. Hooper, J.W. Vanover**Volker Stevin Highways Ltd, Canada** K.R. Briscoe, F.D. Desjarlais, J.W. Vanover**Mainline Construction Ltd, Canada** K.R. Briscoe, J.W. Vanover**Mid-Mountain Contractors Inc., United States** J. Levere**Yarrowbay Group LLC\*, United States** J. Levere

\* Not wholly owned.

**Group head office**

S.H.M. Braam, Director Treasury & Financing  
 E.H. van Gasteren, Manager Tax Affairs  
 H.H. Gorrée, Director Insurance & Risk Management/  
 Pension Knowledge Centre  
 V.P.M. Haex, Manager Risk Management  
 H.W.R.A.M. Janssen, General Counsel  
 H. de Jong, Director Finance & Control

This is the operational structure,  
 which differs from the legal structure.

**Supervisory Board**

H.M. Holterman  
 R.L.J. van Rappard  
 D. Wessels

**Board of Management**

D. Boers  
 H.J. van der Kamp  
 J.G. van Rooijen  
 A. Vos

**Central Works Council**

F.T.M. Engelen, Chairman  
 E.J. van Heeren, Secretary

**European Works Council**

M.P. van der Sluijs, Chairman

# Definitions

**Operating revenue** Net revenues plus the change in 'work in progress', plus the change in 'earned profit' in work in progress.

**Current ratio** The current ratio is calculated on the basis of the ratio of current assets to current liabilities.

**EBIT** Earnings Before Interest and Taxes. Operating result before interest and tax.

**EBITA** Earnings Before Interest, Taxes and Amortisation. Operating result before interest, tax, amortisation and impairment of intangible assets.

**EBITDA** Earnings Before Interest, Taxes, Depreciation and Amortisation. Operating result before interest, tax, depreciation and impairment of tangible fixed assets and amortisation and impairment of intangible assets.

**Goodwill** The difference between the acquisition price and the net asset value of the shares determined at the time participating interests are acquired.

**Net debt/net asset position** Cash and cash equivalents less loans and other borrowings less derivatives.

**Operating working capital** Inventories + participating interests + investments + non-current receivables from companies in which a participating interest is held + work in progress + debtors – creditors.

**Return on equity** Profit after tax/equity as at 1<sup>st</sup> of January.

**Solvency** Total equity attributable to shareholders of VolkerWessels as a percentage of total equity + liabilities (the cash facility being netted against the cash within the Dutch cash pool).

**Total capital** Non-current assets + current assets.

## Publication information

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- This is the English translation of the original Dutch Report
- The Dutch version is available as a PDF at <http://www.volkerwessels.com>
- In case of textual contradictions, the Dutch version shall prevail.
- The Sustainability Report is available at <http://en.volkerwessels.com/en/corporate-responsibility>





