



VolkerWessels

Annual Report 2008



Building together on home, work and transportation

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RandstadRail in The Hague

Strict standards apply to the construction and maintenance of light rail links, as these carry a frequently recurring high volume of traffic. The activities performed by VolkerRail include maintenance work on the part of the RandstadRail link that is operated by HTM Personenvervoer nv. The regular maintenance and activities involved require a flexible approach and result-oriented thinking on the part of VolkerRail.



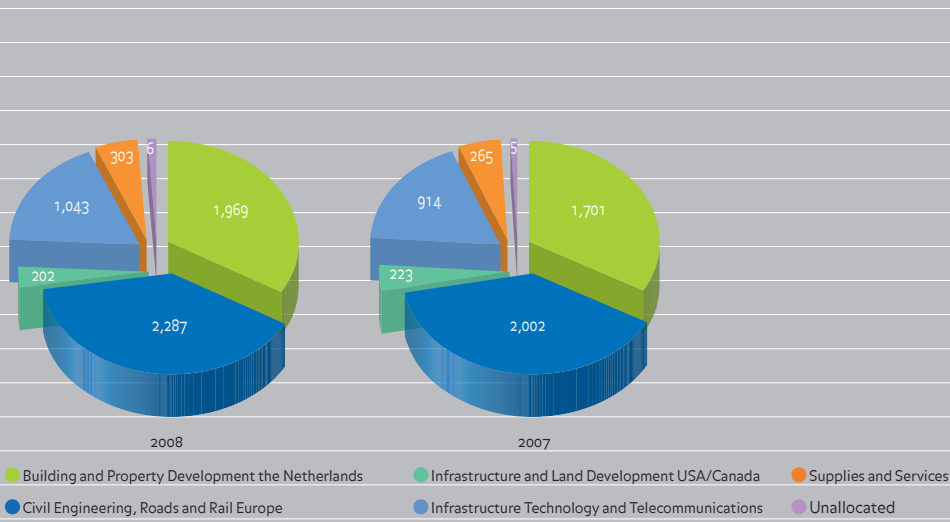
General information



Results x € million



Operating revenues x € million



Sustainable greenhouses in Kent

UK company Fitzpatrick is working on Thanet Earth, one of the largest greenhouse projects in the United Kingdom. Fitzpatrick is responsible for the design and construction of this extensive project, which is located in Birchington, Kent.

FINANCIAL HIGHLIGHTS

All amounts x € million, unless otherwise stated	2008	2007
Consolidated figures		
Operating revenues	5,393	4,828
Order book	5,766	5,870
EBITA	210	210
EBIT	196	196
Results from ordinary operations, before tax	185	190
Tax	42	45
Effective tax charge	23%	24%
Profit after tax	142	146
Depreciation of tangible fixed assets	74	68
Amortisation	14	14
Cash flow	230	228
Net investments in tangible fixed assets	108	108
Net investments in intangible fixed assets	18	30
Issued share capital	84	84
Shareholders' equity	965	907
Capital employed	1,146	1,140
Average number of employees	17,800	17,000
Ratios		
Current ratio	1.41	1.46
Quick ratio	1.10	1.11
Total long-term liabilities/fixed assets	1.78	1.80
Solvency	0.30	0.29
Return		
EBITA / capital employed	18.4%	18.4%
EBIT / capital employed	17.1%	17.2%
Return on shareholders' equity (profit after tax / shareholders' equity as at 1/1)	15.6%	17.9%
Operational margins:		
(EBITA / operating revenues)	3.9%	4.3%
(EBIT / operating revenues)	3.6%	4.0%
Net margin (profit after tax / operating revenues)	2.6%	3.0%

PROFILE OF THE MEMBERS OF THE SUPERVISORY BOARD

The general profile of the Supervisory Board is published on the company's website, www.volkerwessels.com

**Composition of the VolkerWessels Supervisory Board
(situation as at 31 December 2008)**

Mr. A. Baan (1942), Chairman, joined the Board in May 2001. In May 2005, Mr. Baan was reappointed on the recommendation of the Central Works Council in line with its increased right of recommendation. Mr. Baan was appointed as Chairman with effect from May 2007. In accordance with the schedule, he will retire in May 2009. Mr. Baan was previously a member of the Board of Management of Koninklijke Philips Electronics nv. He is also a supervisory director of a number of companies, including Wolters Kluwer nv, Océ nv and Imtech nv. In addition, he holds a number of executive posts and is Chairman of the Supervisory Board of the Netherlands Authority for the Financial Markets, the body that regulates Dutch financial markets.

Mr. H.G.J. van Berckel (1960) has been a member of the Board since May 2007. He is a Partner of CVC Capital Partners Group SA, and he is scheduled to retire in May 2010. He is a supervisory director of a number of companies, including AVR-Van Gansewinkel bv, Schuitema nv and Finship bv.

Mr. H.M. Holterman RA (1955) was appointed as a member of the Board in May 2007. He retired from the Board at his own request with effect from 31 December 2008. Mr. Holterman is a member of the Board of Management of Reggeborgh Groep bv.

Mr. L.R.J. van Rappard (1960) has been a member of the Board since May 2007. In accordance with the schedule, he will resign in May 2011. He is the managing partner of CVC Capital Partners Group SA, and supervisory director of several companies, including Formula One Licensing bv and Univar Corp bv.

Mr. D. Wessels (1946) joined the Board in May 2007 and will retire in accordance with the schedule in May 2011. Before joining the Board, he was a member of the company's Board of Management. Mr. Wessels is a supervisory director of a number of companies, including Riessen Metaal bv, Meatpoint bv, W. Wessels Rijssen bv, Norit International bv, and A.A. ter Beek bv. He also holds a number of management positions.

REPORT OF THE SUPERVISORY BOARD

To our Shareholders

We have pleasure in presenting the annual report for the 2008 financial year prepared by the Board of Management, which also includes the 2008 financial statements. KPMG Accountants nv have audited the 2008 financial statements and issued an unqualified report. This report is included in the annual report on page 120.

During the meeting of the Supervisory Board on Wednesday, 12 March 2009, we discussed these financial statements with the external auditor and subsequently approved them.

At the Annual General Meeting of Shareholders to be held on 27 May 2009, we will invite shareholders to adopt the financial statements for 2008 and to adopt the Board of Management's proposals on the appropriation and distribution of profit. The Supervisory Board already approved these proposals on 12 March 2009.

We will also ask you to discharge the Board of Management of responsibility in respect of its management and the Supervisory Board of responsibility in respect of its supervisory activities in the 2008 financial year.

The 2008 earnings before interest and tax (EBIT), amounting to € 195.9 million (2007: € 195.5 million) are in accordance with the previously expressed expectation and are in line with the 2007 result. The net result is somewhat lagging as a result of higher financing costs. The Supervisory Board notes that the company performed well in 2008, despite the increasing uncertainty in certain market segments due to the decline in activity and the impact of the credit crisis.

The Supervisory Board and Board of Management held five joint meetings in 2008. These meetings were attended by all supervisory directors, except for the meeting in March that Mr. Rappard was unable to attend, of which he notified us in advance.

During these meetings there were discussions about the qualitative and quantitative goals set by the Board of Management for the years 2008-2010, including the associated policies, and about the related organisation and management structure of VolkerWessels.

The meetings also considered the company's financial position, investment, divestment and acquisition policy and the following issues:

- *The status of a number of major projects in which the group is involved, on its own or in co-operation with third parties. These projects include the upgrading of the A2 motorway near 's-Hertogenbosch, at the Hooggelegen junction (which is realised by means of system engineering) and at Holendrecht-Maarssen, the completion of the MPU Heavy Lifter project (which has suffered because the client is in liquidation), the problems surrounding the completion of the tunnels near Roermond and Swalmen on the A73, the King's Wharf and Anchorage projects in Gibraltar, the LNG Terminal in Wales, the large-scale and long-term A8 motorway maintenance project in Germany, and the land development and construction projects in Canada and the United States, which are under pressure from the collapse of the housing market in the United States;*
- *Pensions, in particular the position of the VolkerWessels Pension Fund in the context of the current situation on the stock market due to the credit crisis and the effect of this on the coverage ratio;*
- *The activities of Unie van Maastricht, the consortium in which VolkerWessels participates, regarding the tendering procedure and the registration/offer for the A2 project near Maastricht;*
- *Whether it is feasible to win or implement Dutch railway construction maintenance projects in view of the schedule set by ProRail (trains put out of service);*
- *The group's management development policy;*
- *The development and expansion of the operating companies' order books in the various sectors and countries in which the group operates;*
-

- *The procedure concerning business competition pending at the European Commission and the consequences of this for VolkerWessels' operating companies.*
- *Market innovation, for example by means of new or different forms of contract;*
- *Potential and achieved long-term or permanent alliances and joint ventures;*
- *VolkerWessels' internal authorisations diagram;*
- *The winding-up of the buying-out of all VolkerWessels shareholders and depositary receipt holders by Victor Holdings bv, by virtue of the ruling of the Enterprise Section of the Amsterdam Court of Appeal Amsterdam of 20 December 2007.*

In the year under review, the Supervisory Board gave its approval for the following acquisitions:

- *The acquisition in March 2008 of all shares of the private limited liability company Bruil bv by KWS Infra bv, which further reinforces KWS Infra bv's position in regional road construction;*
- *The acquisition in May 2008 of all shares in the capital of M.J.O. Holding bv (Oomen), with its registered office in Sprundel, by Volker Wessels Stevin Deelnemingen bv. The company is specialised in sewer inspection and maintenance;*
- *The acquisition in July 2008 of the remaining 20 percent of the shares of Credo bv by VolkerWessels Bouw en Vastgoedontwikkeling Nederland bv;*
- *The acquisition in October 2008 of all shares in the capital of Timmer-Verzijl bv, with its registered office in Dordrecht, by KWS Infra bv; the activities of Timmer-Verzijl bv include excavation, concrete construction, road construction and demolition work;*
- *In November 2008, the acquisition of the remaining 50 percent of the shares of GrantRail Ltd by VolkerWessels UK Ltd was approved. Through its acquisition of the participating interest of joint venture partner Corus, VolkerWessels is now sole shareholder of GrantRail Ltd.*

The following divestments were discussed and approved by the Board during the year under review:

- *The sale and transfer of Biesterbos bv's share in the Waterfront bv project partnerships and 12.5% of the shares of Nautisch Kwartier bv;*
- *The reduction of VWS Industriële Bouw & Bouwtoelevering bv's participating interest in Aveco de Bondt to 62.5%;*
- *The disposal of VolkerWessels Netwerk Bouw bv's 40% participating interest in Operator bv.*

Permission was also granted for the divestment by PGB Holding bv of its sand excavation activities, the disposal of its premises at Europapark, and the discontinuation of the activities in connection with EVI Coevorden.

The Supervisory Board's Audit Committee met twice during the year. In the year under review, the Audit Committee consisted of Mr. H.G.J. van Berckel and Mr. H.M. Holterman. Mr. H.M. Holterman retired from his position as at 31 December and the vacancy was filled by Mr. A. Baan. The Audit Committee has discussed the half-year report for 2008 and the 2007 financial statements with the external auditor, and has reported on these discussions in the subsequent meetings of the Supervisory Board. The performance of, relationship with and quality of the external auditor were also discussed at the Audit Committee meetings.

Specific financial topics were also on the Committee's agenda, including:

- *The size and valuation of VolkerWessels' land holdings;*
- *The control of VolkerWessels working capital;*
- *Claims against the company;*
- *VolkerWessels' risk profile;*
- *Internal and external risk management;*
- *The scope, structure and valuation of unsold projects.*

For the 2008 financial year, the remunerations of the sitting members of the Board of Management have been increased at the recommendation of the Supervisory Board's Remuneration Committee, which consists of Messrs. A. Baan, L.R.J. van Rappard and D. Wessels. The Supervisory Board determined the remunerations for the new members of the Board of Management on the basis of advice obtained from the Committee and the established remuneration policy.

Please refer to page 13 of the annual report for a report on the remuneration policy.

At present, neither the Supervisory Board nor any of its individual members require further training or education.

With effect from 1 January 2009, The Supervisory Board honourably dismissed Mr. H.J. Hazewinkel and Mr. A.J. de Jong from their positions of Chairman and member of the Board of Management respectively.

The Supervisory Board would like to express its gratitude towards Mr. Hazewinkel and Mr. De Jong for their contribution to the development of VolkerWessels and the intensity of their commitment to the company.

With effect from 1 January 2009, the Supervisory Board appointed Mr. Gerard van de Aast (51) as Chairman of the Board of Management of VolkerWessels. Previously, Mr. Van de Aast was Chairman of the Board of Reed Business, part of Reed Elsevier nv. The Supervisory Board also appointed Mr. Alfred Vos (39) as member of the Board of Management. Mr. Vos previously worked for AMB Property Corporation. The Supervisory Board would like to wish them both every success in the performance of their duties at VolkerWessels.

There have been no changes to the general profile of the Supervisory Board drawn up in 2005 and included in the annual report on page 8.

In line with the applicable schedule, no new supervisory directors were appointed in 2008.

In the opinion of the Supervisory Board, best practice rule III.2.1. of the Corporate Governance code was complied with in the year under review. As stated on page 8 (Composition of the Supervisory Board), Mr. Wessels was a member of the Board of Management of VolkerWessels prior to his appointment as a member of the Supervisory Board.

Mr. H.M. Holterman indicated that he wished to resign as a member of the Supervisory Board with effect from 31 December 2008. His request has been approved by the Board, which would like to thank him for his contribution and his commitment to the company. The Board proposes appointing Mr. H.J. Hazewinkel to the vacant seat. Despite the fact that due to this appointment the company would no longer comply with best practice rule III.2.1 of the Corporate Governance code, since the Supervisory Board would include two former executives of VolkerWessels, the Board believes that the appointment of Mr. Hazewinkel is important for VolkerWessels in view of his years of experience and knowledge.

As announced in the 2007 annual report, Mr. Baan will resign his position in May 2009 in accordance with the applicable schedule.

Mr. Baan was appointed in May 2005 at the recommendation of the Central Staff Council. We will therefore ask the Central Staff Council whether they again wish to exercise their strengthened advisory rights to recommend Mr. Baan for reappointment for a period of four years.

The Annual General Meeting of Shareholders in May 2009 will give shareholders the opportunity to make recommendations to fill the vacancies arising in May 2009.

In 2008, there were again constructive consultations between the Central Works Council and representatives of the Supervisory Board.

Finally, the Supervisory Board would like to express its appreciation to the Board of Management and all other employees for their commitment to VolkerWessels and their contribution to the achieved results.

Rotterdam, 12 March 2009

On behalf of the Supervisory Board,

Mr. A. Baan, Chairman

Remuneration policy

Remuneration of the members of the Board of Management

The remuneration of the members of the Board of Management is determined by the Supervisory Board on the advice and recommendation of the Remuneration, Selection and Appointment Committee.

The remuneration policy aims to encourage the members of the Board of Management and ensure the continuation of their commitment and their activities for the Group, which operates on an international stage. The remuneration level of members of the Boards of Management of other Dutch and European building groups serves as a reference for the remuneration level of the Board of Management, taking into account the company's complexity, size and risk profile. When determining the remuneration level of the Chairman and the other members of the Board of Management, their specific responsibilities are taken into account.

The remuneration policy for the members of the Board of Management was determined at the Annual Shareholders' Meeting in May 2005.

The Remuneration, Selection and Appointment Committee reviews the remuneration level every year, making use where necessary of external advice in weighing the relevant criteria and also taking into account the general trend in salaries in the sector. The remuneration of the Board of Management consists of the following elements:

Salary

This relates to the fixed part of the income.

Remuneration and emoluments in kind

The members of the Board of Management receive a general allowance for expenses they incur by virtue of their position. Emoluments in kind include a private car made available by the company and participation in a group health insurance scheme.

Pension plan

The members of the Board of Management participate in the pension plan with the VolkerWessels company pension fund. This new pension plan that came into effect on 1 January 2006 is a collective defined contribution plan with a retirement age of 65 years and an accrual percentage of 2.25% per annum of the pensionable salary based on average pay. The aim is to provide financing so that retirement at the age of 62 is feasible. To compensate for the transition from the pension plan applicable until 1 January 2003 (final pay and years of service principle), an annual fixed supplementary premium is paid during the contract of employment for the members then sitting. Individual members of the Board may choose not to accrue pension rights.

Performance-related remuneration

The bonus paid to the Board of Management is determined annually by the Supervisory Board and is related to the previous year's pre-tax profit (optionally) supplemented with specific goals. The Supervisory Board has the authority to maximise the bonus.

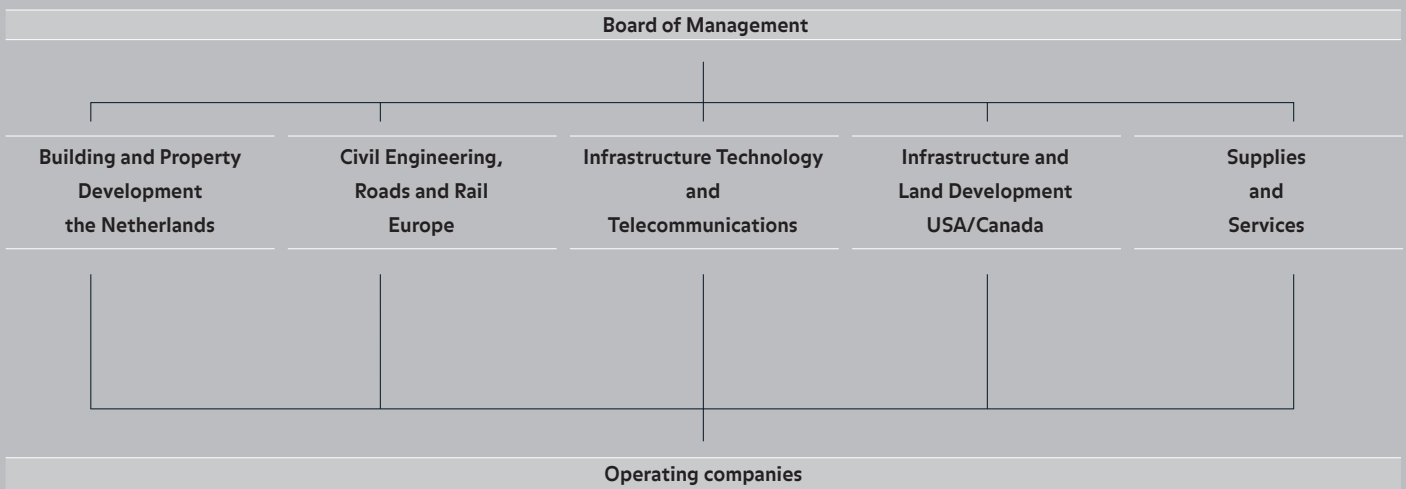
Termination benefits

Any termination benefit for members of the Board of Management depends upon the circumstances under which the termination takes place. The remuneration also depends upon the duration of the contract of employment with the company and the period of membership of the Board of Management. The termination benefits may amount to twice the annual remuneration.

Remuneration of members of the Supervisory Board

The remuneration of the Supervisory Board is fixed and independent of the company's financial results. The remuneration is determined by the General Meeting of Shareholders. Members of the Supervisory Board are also entitled to reimbursements of costs.

Management structure VolkerWessels



An operational structure of the group companies is shown in page 130.

Within the Board of Management, three individual members are directly responsible for the business clusters. From his position as chairman, Mr. Van de Aast supports his fellow Board members with the management of the different clusters and is also responsible for all the group staff services.

Mr. Boers is responsible for the clusters:

Building and Property Development the Netherlands
Supplies and Services (construction)

Mr. De Pagter is responsible for the clusters:

Civil Engineering and Roads, the Netherlands
Civil Engineering, Roads and Building in the UK
Railway infrastructure and maintenance Europe

Mr. Vos is responsible for the clusters:

Infrastructure Technology and Telecommunications
Infrastructure and Land Development, USA/Canada
Supplies and Services (infra)

Strategy and organisation

Mission, vision, strategy and goals

VolkerWessels, as a major construction group, is involved in the design, development, realisation and management of the built environment. Through these activities, VolkerWessels aims to contribute to the construction challenge resulting from the planning and mobility demands in contemporary society.

Its approximately 100 operating companies operate as independent companies with their own profit and market responsibility. In 2008, our focus shifted to ensuring stronger operational management of the operating companies by the Board of Management on the basis of the implemented cluster responsibility. The following clusters are distinguished:

- Building and Property Development the Netherlands
- Civil Engineering, Roads and Rail Europe
- Infrastructure Technology and Telecommunications
- Infrastructure and Land Development USA/Canada
- Supplies and Services

The operating companies form part of a solid and close-knit internal network. Within this network there is cooperation in the field of business development, personnel development and communication. Facilities are also shared in the field of IT, insurance and risk management, financing, legal affairs, equipment, procurement and services.

The focal point of the activities of VolkerWessels is in the Netherlands. There are also offices in a small number of countries outside the Netherlands: Belgium, Germany, Poland, Estonia, the United Kingdom, the United States and Canada. Every day, more than 17,800 VolkerWessels employees put into practice the concept of 'Building together on home, work and transportation'.

Strategic vision

The strategy and goals of VolkerWessels have not changed in the year under review. However, the issues of sustainability, innovation, safety and developing talent have gained a more prominent place on our agenda.

The rapidly deteriorating economic circumstances in 2008 required us to reflect on the consequences of our strategy. This was particularly due to the stagnation in the sales of homes in the Netherlands and its consequences for future housing construction.

Climate Ready

Climate-friendly homes designed in line with the Climate Ready principle, developed by VolkerWessels Vastgoed together with other parties including DEC Sustainable Energy Solutions, ensure that buyers of newly built houses can decide to what extent they consider sustainability when buying a home. The homes are equipped with sustainable fittings. After receiving advice on sustainability and energy efficiency, buyers can exert influence on the level of comfort, energy costs and the required investment.



This reflection also took into account the problems in the property market, which is virtually complicated due to the lack of adequate bank financing, the consequences of the recession in the United Kingdom and the housing crisis in the United States.

Although the above-mentioned developments have had an impact (in the form of slower growth) and may initially even lead to a contraction of the company's business, they do not necessitate a fundamental change to the existing strategy.

Qualitative and quantitative goals

The core of VolkerWessels' strategy continues to be a focus on further growth and internationalisation. The goal to reinforce and expand the company so that VolkerWessels can take up a leading position in the Netherlands and Europe after further consolidation.

VolkerWessels continues to base its activities on the following goals:

Qualitative:

- Reinforcing the integration of value chain, both horizontally (multi-disciplinary projects) and vertically (integrating design, construction and management and maintenance) through collaboration within the group and with third parties;
- Strong operational management of the independently operating companies by the Board of Management on the basis of cluster responsibility;
- Strong emphasis on (internal) management (operational excellence) with respect to:
 - Risk identification and management
 - Contract management
 - Optimising process and project progress
 - Optimising operating capital management;
- Development of spearheads in the area of healthcare, housing including service concepts, area development, sustainable energy concepts, the cost of ownership approach and mobility concepts.

Quantitative:

- Average annual net growth of between 8-10%;
- Achieving a net return on equity of at least 20%;
- Achieving and maintaining financial solidity with a solvency ratio of at least 20%;
- Achieving an EBITA contribution from foreign activities and exports of 25% of total EBITA;
- Pay-out of a cash dividend of 50% of net profit.

In view of the present economic outlook, it is likely that certain financial goals will not be achieved, and this applies in particular to short-term net growth. However, VolkerWessels does remain committed to its medium and long term goals.

The results achieved in the year under review compare against the financial and strategic goals as shown below:

	Realised 2008	Target 2008-2010
Average annual net profit growth	-	8-10%
Net return on equity	15.6%	20%
EBITA contribution from foreign activities and exports	11.4%	25%
Solvency	30%	20%
Dividend as a percentage of net profit	50%	50%

Human Resource Management

In 2008, a rounded average of 17,800 people were employed by VolkerWessels. In 2007, the rounded average was 17,000. The increase is mainly the result of acquisitions. In the year under review, there have been no major reorganisations with collective dismissals in the Netherlands.

Average number of employees by region (rounded):

	2008	2007
Netherlands	12,500	12,000
United Kingdom	2,800	2,400
Belgium	480	510
Germany	780	730
Rest of Europe	340	360
United States and Canada	900	1,000

Professional and motivated employees

People are important at VolkerWessels. The company's results and continuity depend to a great extent on having professional and motivated employees at all levels. VolkerWessels wants to be an attractive employer to its current and potential employees, attracting people with superior skills in the sector and ensuring that they remain motivated by their career at VolkerWessels.

Within VolkerWessels' network of companies there is close co-operation in the area of HRM.

This takes into account the specific characteristics of the operating companies and the circumstances that affect them.

HRM is faced with an environment that has changed significantly. VolkerWessels is implementing forward and backward integration of the value chain and is scaling up construction projects, which has consequences for the employees and the organisation. Since tenders and construction projects are becoming ever more complex, the Board of Management strives to increase synergy between the operating companies.

The following developments took place with respect to HRM:

Organisational development

In recent years, the characteristics of construction work have changed significantly, particularly with respect to projects. New projects entering the market, such as DBFMO contracts (Design, Build, Finance, Maintain and Operate), are increasingly large and complex, while fewer and fewer market players can properly carry out these projects. In addition, VolkerWessels is faced with an increasingly complex environment (speed of communication, internationalisation, stricter environmental requirements, changing national and EU legislation and regulations). These developments require a flexible organisational set-up, in which entrepreneurship, knowledge and skills, and a great degree of co-operation between the operating companies are of paramount importance.

In VolkerWessels' organisational structure, which is characterised by decentralised control, entrepreneurship is located in the lower levels of the organisation, relatively close to the client. This makes VolkerWessels a strong market player. The market is developing towards more integrated projects, and this requires that VolkerWessels can also act as a single market player when it comes to large integrated and complex projects. This development challenges the present organisational structure with decentralised operations and centrally organised co-operation.

An example of this is the emergence in 2008 of VolkerInfra, a collaboration between Van Hattum en Blankevoort, KWS Infra, HOMIJ and Vialis. Earlier, VolkerWessels at group level established the PPP (public-private partnership) organisation.

The different operating companies are increasingly engaging in close forms of collaboration that are also visible to the client: a network or system-company is set up when a project involves several

Mobile workplace for safe maintenance

The Mobile Workplace was developed by VolkerRail as a significant solution that contributes to the reduction of the number of trains put out of service due to rail maintenance. The advantages of the mobile workplace are that it increases the availability of rail infrastructure, provides track workers with a safe working area, increases productivity, and allows working by day rather than at night.



operating companies, is complex and/or integrated. It is important to VolkerWessels that its project organisation undergoes further development.

It is important to us to recruit and retain good employees. A great deal of attention is paid to recruitment, selection, functioning, assessment, remuneration and further development of employees. In the year under review, our policy regarding these issues has been professionalised and our HRM policy has been linked up more closely to the company's goals. In 2008, staff turnover was 13% and the average period of service was more than 13 years.

Labour market

In 2008, the company again had a large number of vacancies. VolkerWessels once more invested in seeking personal contact with applicants through job fairs, career days, excursions with students and other activities. As a group, VolkerWessels continues to focus its recruitment on university level applicants in the fields of architecture, civil engineering, business administration and mechanical engineering. The other target groups are approached by the operating companies.

In order to raise its profile among professionals and new job applicants, VolkerWessels started a broad labour market communications campaign within the Netherlands: 'Bouw mee aan projecten waar je trots op kunt zijn' ('Join us in building projects you can be proud of'). The campaign was publicised in various print media and via internet banners. We also set up a special website dedicated to labour market communications (www.werkenbijvolkerwessels.com).

Management Development

We have paid more attention to talent development, in order to create a working environment in which employees can continue to develop. The primary focus is on identifying the available talents and ambitions of our employees, so that personal development plans can be written. The objective is to ensure that the right person is in the right position. It is important to VolkerWessels that its employees have career opportunities and that vacancies in the senior management are taken up by the company's own staff. In the year under review, we have begun to identify the management positions in the construction and property development companies. In the infrastructure companies, the management development system already in place is being further professionalised.

A new vision on leadership is also emerging. VolkerWessels will increasingly focus on developing talent, open communications, providing feedback and setting a standard through its actions. This will be further substantiated in the coming year. Staff recruitment, promotions and departures remain the three main spearheads of Management Development. The following facilities will be offered centrally to support these: management traineeships, assessments, coaching, job rotation, Jong VolkerWessels (Young VolkerWessels) and the company's own training institute, the VolkerWessels Academy.

Sanergy

As part of the inner city redevelopment project Strijp-S in Eindhoven, VolkerWessels developed Sanergy, a closed ground water circulation system that generates energy. Purpose-designed extraction and infiltration wells facilitate the extraction of heat and cold from the groundwater. This generates energy that can supply heat and cold to existing buildings and to the new buildings that will be constructed at Strijp-S. In addition, CO₂ emissions are reduced by 50% and the consumption of non-renewable raw materials is reduced.



In the Netherlands and the United Kingdom, the VolkerWessels Academy continued to offer training modules to improve knowledge, skills and management expertise. Since the environment continuously changes, the Academy offers practical courses that respond to these. We are, for example, preparing the introduction of a 'system engineering' module that will deal with the new client requirements and we have developed a workshop on 'change management' discussing the implementation of organisational changes. A great deal of attention continued to be paid to project management at various levels. The training modules again focused on continuing the dialogue with clients and suppliers.

A new business administration course was developed for the directors of the construction and property development companies that covers market and strategy, financial management, HRM and legal aspects. This intensive process includes the development of a case and putting into practice what has been learned. The main concepts of business administration were also addressed by the new 'Financial Management' workshop for the upper management echelons, which provided in-depth discussion of current developments within VolkerWessels.

Expanding the internal network

We have redesigned the employee induction to ensure that new employees receive a better introduction to the company. In a period of two and a half days, groups of new employees acquire insight into the company's culture, structure, policy issues, the sectors and activities it is involved in, and its operating companies and projects. New staff members also take part in a personality analysis that provides insight into their own profile. Employees of different operating companies meet and familiarise themselves with each other's activities, which encourages further co-operation between the companies. Expanding the internal network remains the main objective of these modules, since this increases opportunities for synergy and the development of new ideas. In addition, the VolkerWessels Academy remains an important platform for sharing and disseminating the existing knowledge and generating new knowledge.

Organisational changes

Market conditions in 2008 resulted in organisational changes at VolkerRail. There were no other major reorganisations requiring the loss of jobs. In a few operating companies, however, adjustments did take place that were directed to achieving a better balance between the composition and extent of staffing levels on the market. In view of the scale, these adjustments are viewed as part of the regular management of the business. In 2008, the acquisition of GrantRail was completed, which means that VolkerWessels is now the sole owner of this rail company that employs more than 800 staff members.

Temporary adjustment to investment policy of Pension Fund

In 2008, attention focused in particular on the subject of pensions. The financial crisis that started in the United States has accelerated and its reach is now worldwide. Many financial institutions are in trouble, have been partially or entirely taken over by governments or have gone bankrupt. Worldwide, share prices in particular but also the prices of other securities plummeted. Pension funds have also been affected by this.

In the year under review, the financial reserves of the VolkerWessels Pension Fund decreased. At year-end 2007, the VolkerWessels Pension Fund had € 1.22 in cash for every euro in liabilities, resulting in a coverage ratio of 122%. At year-end 2008, the coverage ratio had decreased to 104%. Indexation in 2008 was limited. The pension fund strives to repair the shortfall in indexation once the economic conditions improve.

Compared to other pension funds, the decrease of the coverage ratio was limited. This can be explained by the careful investment policy, which generates less profit during good years but also limits the loss incurred when times are bad. Despite this, the pension fund took additional measures to limit risks, in view of the financial crisis and the consequences this has for the fund's capital. One of the measures was to temporarily change the investment policy.

The percentage invested in shares was decreased. The funds released have been temporarily invested in money market funds and will be reinvested when prospects improve.

We continue to consult with the Industrial Pension Fund (Bedrijfstakpensioenfondsen) for dispensation from participation in that fund. We previously expected that these consultations would be completed in 2008, but this has turned out to be too optimistic. Obviously, this has been partly due to the dynamics in the financial markets.

Absenteeism

After having decreased during four consecutive years, the rate of absenteeism rose to 4.37% in 2008. For the Dutch operating companies, the development is as follows: 5.05% (2004), 4.86% (2005), 4.17% (2006), and 4.12% (2007). Although this rate is not satisfactory, it is still far below the industry-wide rate. Nonetheless, this remains a continuous point of attention. In a number of operating companies, this led to new initiatives directed towards the prevention and reduction of absenteeism, including expanding and adjusting preventative examinations and providing temporary alternative activities to occupationally disabled staff.

There were no fatal accidents during the year under review.

Participation

With respect to VolkerWessels in the Netherlands, the employee participation structure is primarily embedded within the construction and property development sector, including at the regional level. Depending on the situation, there is a company staff council, group staff council or joint staff council. At group level, the Central Works Council operates with representatives from the (Group) Staff Councils. Outside of the Netherlands, the prevailing legislation in the country concerned is adhered to. VolkerWessels also has a European Works Council that is responsible for representing the European companies.

There is direct representation from the Netherlands, Germany and Belgium, although there is currently a vacancy for a representative from the companies in the United Kingdom.

Usual subjects in the consultation with the Central Staff Council are:

policy and strategy of the group, development of the financial results, major projects, important developments at specific operating companies and developments in terms and conditions of employment.

In 2008, specific attention was also paid to the following issues:

- *Wet Harrewijn (Harrewijn Act enabling works councils to question senior staff salaries);*
- *Request for advice regarding MJO Holding;*
- *Leading principles and rules of conduct regarding contract awarding construction companies;*
- *The procedure for appointing board members;*
- *The procedure for acquisitions abroad;*
- *The engagement of self-employed persons;*
- *The HRM value chain;*
- *The signing of the covenant on the staff information booklet;*
- *The final report on the review of the IT;*
- *The health insurance provided by IAK;*
- *The absenteeism policy.*

During the annual theme day of the Central Works Council with members of the Works Councils in the Netherlands, there was a discussion about: 'HRM, the tool you need to be a good employer!'

Integrity

The issue of integrity remains an important focus and is regularly a subject of discussion between the Board of Management and the management of the operating companies.

In 2008, 26 reports were filed by confidential counselling staff. Eight reports resulted in resignation. Other reports lead to changes to working procedures.

In 2008, one report was received of suspected violations of the Business Competition Act (Wet op de economische mededinging). The Dutch Competition Authority was notified and this resulted in several legal proceedings. The employee in question was dismissed.

Code of conduct and whistle-blower scheme

The new Code of Conduct, introduced in 2003, was complemented in 2004 with the Scheme for dealing with the suspicion of wrongdoing, known in short as the 'Whistleblower scheme'.

Both documents are published on the company's website, www.volkerwessels.com

Corporate responsibility

VolkerWessels agrees with the recommendation made by the Dutch Corporate Governance Code Monitoring Committee that socially relevant aspects of a company's business should be submitted by the Board of Management to the Supervisory Board to request approval and ensure monitoring. The main relevant aspects are mentioned in this annual report.

Contacts with stakeholders helped to gain insight into the opportunities for VolkerWessels to contribute to solving social problems. In view of this, discussions were conducted with provincial and municipal authorities, professional organisations, trade unions, universities and various ministries. Members of the Dutch parliament visited major infrastructure projects and more specific topics were discussed. There were also discussions with the Royal Dutch Touring Club (ANWB) and the Mobility Taskforce (Taskforce Mobiliteit), two interest groups in the mobility field, and with the Forest Stewardship Council Netherlands.

Construction companies are increasingly entrusted with more responsibilities. They are asked to increase their involvement and control with respect to design, realisation and operation (drawing up a plan of action, determining the scope and estimating the budget). The following are important aspects in this context: Life Cycle Cost and Total Costs of Ownership. In this context, VolkerWessels' employees are encouraged as much as possible to honour the social context and integrate sustainability into the plan specification. This working method is still under development, but it provides a challenging working environment to VolkerWessels' employees and the new approach benefits society.

Furthermore, an increasing number of our employees also indicate that they wish to take up broader social responsibilities. Especially the younger generation indicates that they want to focus on improving their living and working environments and society as a whole; they want to do a job that makes a difference and thus make a positive contribution through their work. They wish to intensify their commitment to their work, as is evident from the collaborative co-creation in which they engage their clients and environment as well as other stakeholders. In recent years there has been a process of awareness-raising in which broadening the social horizon and understanding the social impact of actions was an important objective. This approach is effective.

In order to gain a better insight into non-financial information within VolkerWessels, an initial inventory was made within the group this year. The Dutch operating companies were asked to identify relevant issues that address the impact that VolkerWessels is having on society. The recorded results provide an initial impression of the impact of the Dutch activities of the following companies: KWS Infra, VolkerStevin Materieel, VolkerWessels Bouw en Vastgoedontwikkeling, Vialis, Van Hattum en Blankevoort, VolkerRail, VolkerWessels Telecom and Visser & Smit Hanab. Based on the results of this survey, well-founded consideration can be given to how this will be reported next year.

Sustainability special

In the year under review, VolkerWessels published a special on sustainability. The first issues of this publications were presented to Herman Hazewinkel, the (then) Chairman of the Board of Management and Jan Terlouw, Chairman of Platform EnergieTransitie in de Gebouwde Omgeving, a committee that addresses the transition towards more sustainable energy consumption in built-up areas. The sustainability special describes the specific value that construction companies can contribute to society. The implementation of the PlanetFit programme addressing this will be continued in 2009. The sustainability special links up the construction profession to social issues and shows how VolkerWessels can make a difference.

Chain responsibility

Corporate social responsibility mainly pertains to taking responsibility for the manner in which social issues and environmental policy are addressed within the chain. There is an increasing need to collect precise information about whether important values applied by VolkerWessels are applied in the same way within the chain by suppliers and subcontractors. VolkerWessels therefore needs to explain what its standards and values are. Besides 'Building together on home, work and transportation' and the Code of Conduct, VolkerWessels has adopted the 'Leading Principles for Commissioning Construction Companies'. In addition, VolkerWessels has signed a covenant expressing the ambition to jointly aim for the realisation of the goal of the Forest Stewardship Council (FSC), and specific agreements have been made with Building and Woodworkers International (BWI) about the working conditions of employees.

Responsible procurement

During the past year, we discussed 'responsible procurement' with our buyers on several occasions. This will remain an important issue in the coming years. Significant aspects in this respect are the criteria used to select suppliers and subcontractors, the manner in which suppliers and subcontractors are approached and the incorporation of sustainability criteria in the procurement process. This requires a different approach from buyers and a different attitude from subcontractors and suppliers. The initial survey that was made of the non-financial data within VolkerWessels shows that 87.5% of the organisation has minimum standards for suppliers regarding the health and safety of their staff. Minimum standards regarding environmental conditions are in place in 75% of the organisation.

Leading Principles

In the year under review, VolkerWessels adopted the Leading Principles, based on the maxim 'zeggen wie je bent' ('saying who you are'), which aims to foster professional co-operation and chain responsibility within the construction sector.

These principles provide more clarity to the partners in the construction process, such as specialised contractors, suppliers, fitters, buyers and contract managers. The core principle is that VolkerWessels, as a commissioning construction company, wants to deal with its contractors in the same manner as it expects to be treated by its principals.



Ensemble Westraven

Ensemble Westraven, the new office of the Public Works and Water Management Department was opened in Utrecht in June 2008. The mechanical systems in this innovative, environmentally-friendly and energy-efficient building complex were realised by HOMIJ. The systems installed included a lighting system that is based on the human biorhythm. The colour and intensity of the lighting is adjusted to the people in the building and to the influence of outside light. The building accommodates 2000 civil servants.

In order to familiarise the organisation with the Leading Principles, all Boards have been notified of the content of the principles, and these have also been published on the intranet and on the VolkerWessels website, accompanied by a reply option. Furthermore, meetings have been conducted with purchasing groups in which the Leading Principles were discussed with cost accountants, buyers and cost experts. This issue is also raised during introductory courses.

During the year under review, VolkerWessels received several reactions from subcontractors and a consortium partner about actions taken by VolkerWessels which – in the opinion of the complainants – were not in accordance with the Leading Principles. We consulted the parties in question and are attending to the complaints. The parties that have questioned the actions taken by VolkerWessels are of the opinion that their complaints have been satisfactorily addressed.

Certified wood

Constructive consultation took place with the FSC regarding the manner in which the mutual covenant is being adhered to. Furthermore, FSC was repeatedly asked for advice on various issues, for example what happens if a requested supply of wood is not available or to answer a customer's query about how to apply FSC conditions to a particular kind of wood. On various occasions, we encouraged (potential) customers to opt for FSC, or – in the case of certain municipalities – to also become an FSC covenant partner.

During the year under review, we started to quantify how much wood is used by VolkerWessels and how much of it is FSC certified. The figures show that FSC is not yet applied in all cases. In total, 750 residential properties were built using FSC wood. The objective is to annually increase the use of FSC wood by ten percent. In 2009, we will consider how we can increase the percentage of FSC wood.

The interests of employees, including in the supply chain

VolkerWessels strives to achieve a good working environment and strives to be a good employer. Employees want constructive employment relationships and opportunities for personal growth, and want the organisation to develop. Employees also desire an environment in which they can trust the people they work for, can be proud of what they do, and have pleasure in their teamwork. Although being a good employer mainly relates to a company's own employees, VolkerWessels also feels responsible for the interests of employees in the supply chain. It is not always clear to what level VolkerWessels is responsible for this.

VolkerWessels wants to share these questions with its social partners. The covenant concluded with BWI in 2007 provides a solid foundation for this. During the year under review, an appointment was made for a visit by (international) social partners to VolkerWessels companies in the United Kingdom. Part of this visit is the annual consultation with the Board of Management. This meeting took place in February 2009.

Under the aforementioned covenant, VolkerWessels agreed with BWI that respecting employee rights is essential for sustainable development and that it will therefore only conduct business with contractors/subcontractors and suppliers that endorse and comply with the agreements concluded with BWI. The integrity code and the supplier conditions will be updated and tightened up in the short term.

Waste

Waste is an important issue when it comes to sustainability and environmental policy. The percentage of waste that is separated has increased in recent years.

Many operating companies substantially improved their results in the separation of waste. In 2009, VolkerWessels will draft a policy that should result in a substantial decrease of waste flows, naturally this will involve of our suppliers as well. We will also address the composition of the waste, paying more attention to the extent to which waste flows can be recycled. Together with the buyers of waste flows we are assessing how and where improvements can be made to waste separation.

The waste produced during 2008 consisted of the following types: almost 64% was construction and demolition waste, 14% wood, 7% business waste, 2% paper and cardboard, 0.15% metals,

0.7% plastics, 9% rubble and 3% was other waste. These data pertain to 80% of the total waste processed by a single waste-processing company.

Mobility policy

VolkerWessels wants to contribute to alternative mobility options. We have therefore decided to address mobility more responsibly in the near future, and we have consulted interest groups and other companies in the sector about the improvement of mobility in the Netherlands. The Dutch road system is very crowded and this heavy use is increasing the emission of greenhouse gasses and fine particulates. VolkerWessels is collaborating with third parties to develop integrated mobility services which reduce this environmental pollution and provide alternative mobility options. The objective is to reduce car use.

Equipment

Prior to the acquisition of equipment (vans, trucks, excavation and asphaltting equipment, mobile cranes, equipment for pipeline and railway construction, small machinery and tools) consultations take place with the user regarding the (legal) requirements with respect to energy consumption and broader environmental concerns. In addition to reducing energy consumption, attention is given to the human factor (soot filters, fine particle emissions), the environment (energy consumption, CO₂ emissions) and to equipment (service life). This specifically means that VolkerWessels applies the standard practice of buying the most modern engines in accordance with the EU standard, and buys ultra-low sulphur diesel. We are seeking to make improvements in the use of small pieces of equipment, for example by using special types of petrol. We are conducting a study to determine the feasibility of this.

In addition to rolling stock and mobile equipment, VolkerWessels has a lot of 'stationary equipment,' including generators, drilling and asphaltting equipment. Especially in the area of asphaltting, energy consumption is a point of attention. This is due to the fact that, within the field in which VolkerWessels can exercise its influence, asphalt plants account for the highest energy consumption by far in an absolute sense.

Of the total CO₂ emissions due to fuel consumption, 61% is produced by the fuel consumption of asphalt plants, 20.6% by lease cars, and 18.3% by the fuel consumption of vehicles and equipment.

Asphalt plants

Since 1992, energy saving agreements have been concluded for all of the 13 asphalt plants that are wholly or partially owned by VolkerWessels. These agreements are part of the energy-saving project for the asphalt industry that was initiated by the Dutch government. We have been engaged in a long-term effort to reduce energy consumption. Further reduction of the energy consumption required for the production of asphalt is only possible through innovation.

New and more unorthodox solutions need to be found to achieve the target for 2020 set by the government. The activities of KWS Infra make up approximately 25% of the market in asphalt production (amounting in total to approximately 10 million tonnes per annum), and is therefore responsible for 25% of the energy required for this. This amounts to almost 18 million cubic metres of natural gas annually. VolkerWessels feels a more than average responsibility for providing a contribution to finding satisfactory solutions.

In view of this, and given the incentive of high prices for energy and raw materials, as well as the desire to more sustainable, VolkerWessels is aiming for an alternative asphalt production process. Such a process enables a higher recycling rate (lower initial consumption of raw materials and higher re-use further on in the chain). At present, VolkerWessels is conducting practical tests to assess this technique, which is more environmentally-friendly and energy-efficient, reducing energy consumption by 20%. This would allow for recycling percentages close to 100% (total re-use). The environmentally-friendly nature of this new technique is especially evident from the substantial reduction in chimney emissions.

Infrastructure

Sustainability is also an important issue with respect to infrastructure. Clients are expected to contribute to the reduction of greenhouse gas emissions, as required by the Kyoto protocol and other regulations. In future, public commissioning authorities want to take the environmental impact of CO₂ emissions, in line with the so-called Carbon Footprint, into account when inviting tenders. Contractors with the highest ranking for reducing emissions can expect to be compensated for their efforts.

VolkerWessels understands the importance of the environment in its strategy. During the year under review, a business park in South Holland was developed that is comprehensively based on sustainable energy concepts.

During the year under review, a trial took place at Amsterdam Schiphol Airport with an air purifying road. Air quality measurements to assess the effect of this new road surface are still in progress. In Papendrecht and Middelharnis, the first solar roads have been constructed. These have a layer of open asphalt capable of transporting water that is heated in summer to a location where it can be stored at a great depth until winter. In 2008, we also won an innovation award with the Konwé FT noise reduction surface, which has been developed to suppress the high noise levels produced by auction carts in auction halls and warehouses. In February, the first air purification baffle board with a length of 600 metres was taken into service in Emmen.

VolkerWessels produces a substantial part of all the asphalt required in the Netherlands and since the company is aware of the impact of this, it is conducting tests to reduce the temperature required for its production by more than thirty percent. This would not only conserve energy, but also reduce emissions and improve working conditions. This new technique also permits a higher recycling rate for old porous asphalt (Zoab) granulate, since prior crushing and sifting of the asphalt is no longer necessary, thus removing the previous obstacle to recycling.

Innovation management

For VolkerWessels Innovation Management, the year 2008 was dominated by the internal innovation project, Fit for the Future. It was an inspiring and motivating project for the more than 80 participants from more than 20 operating companies. Encouraged by the Management Board of VolkerWessels, relevant trends were examined and the future was explored using four scenarios.

The result is 300 promising business ideas for VolkerWessels. Following an intensive selection process, the eight most promising business cases were elaborated. These were presented to the innovation think tank, and three cases were selected that must lead to new contracts for VolkerWessels in 2009. At times when traditional plans struggle to get off the ground because of economic decline and/or credit limits, the developed innovative concepts are expected to add a welcome breath of fresh air.

The orientation project started in the past year to assist clients to optimise their business processes, but especially also to create new businesses together, led to an agreement with Training Centre De Baak. One of De Baak's tasks is to provide training and education courses for the corporate sector (VNO/NCW). A joint initiative is underway to bring together young professionals from different leading companies in an innovative community. This will be finalised in the spring of 2009. The aim is to develop new business concepts and to generate commercial spin-offs for the participants.

As part of corporate social responsibility (CSR), the VolkerWessels Recycling project was launched in mid-2008. This is a follow-on from an earlier idea that was based on the re-use of waste by a fast-food chain. In the meantime, it is clear that there is an enormous need for group-wide sharing of knowledge and experiences with respect to the reduction and/or re-use of waste flows. However, the use of residual materials has also proved to be interesting. Our aim is to make progress in 2009 with the application of best practices, the establishment of a knowledge centre and a web-based platform.

for swapping and trading construction materials and waste products. Direct results were achieved in the field of reducing packaging materials. The existing sustainable purchase platform ('Duurzaam Inkoopplatform') took up this challenge.

In addition, contacts were established with other sustainable initiatives: sustainable construction and sustainable energy concepts. The Planet Fit label (an initiative of VolkerWessels Infra Development) can, where appropriate, be applied to different, group-wide construction activities.

In addition, VolkerWessels Innovatie Management (Innovation Management department) continues to make a contribution to a range of initiatives on the market. These include: PSIBouw, COINS, PAIS, VISI, etc. Initiatives are not limited to The Netherlands but also international. In this context, we took part in the BIM Case week, which in 2008 again attracted a lot of new attention. This event, organised this year by the Department of Public works and Water Management and the Rijksgebouwendienst (government buildings agency), was attended by a large number of organisations, including VolkerWessels. The aim of the Case week is to encourage further adoption of the construction information model ('Bouwwerk Informatie Model' - BIM) by the construction sector.

Corporate Governance

VolkerWessels is not a listed company, and is therefore not legally obliged to comply with the Dutch Corporate Governance Code. Nevertheless, VolkerWessels has basically decided to implement the majority of the Code's principles. In this context, however, the company does take into account its status as an unlisted company.

From this perspective, VolkerWessels voluntarily states below which principles and/or best practices will not be applied, either in full or in part, adhering to the 'apply or explain' rule.

All principles and best practices arising from the Corporate Governance Code that are applied by VolkerWessels have been recorded in the company's financial statements and/or articles of association, or in the various regulations drawn up by the Board of Management or the Supervisory Board. These are published on the VolkerWessels website.

Due to its position as an unlisted company, VolkerWessels deviates from the following potentially applicable points in the code:



'Helping to set up a company is a pioneering effort.'

'It was really pure coincidence that I started working for DEC Sustainable Energy Solutions. I had graduated with the engineering firm Aveco de Bondt when a colleague asked if I would like to help set up a new company. It was a real pioneering effort. We have now completed our first projects and have proven our added value. I take the initiative in the realisation of the development and sometimes also the operation of sustainable energy projects. Not only do I supervise contractors, I'm also involved in the legal and financial aspects. We do this together with a young and enthusiastic group of people. Furthermore, we deliver on what we promise.'

Olaf Oosting (1979), developer at DEC Sustainable Energy Solutions

Appointment of members of the Board of Management for a maximum of four years per term

In view of the nature of the company, with numerous long-term projects and investments, appointments for a maximum of four years are not considered to be in the interests of the company.

Provisions relating to the ownership of shares in the company and/or option schemes

As a privately financed company, VolkerWessels has no option scheme. Likewise, there is no possibility for members of the Supervisory Board or the Board of Management or other members of staff to hold shares in Royal Volker Wessels Stevin nv.

Members of the Board of Management, together with approximately 150 Board members from the VolkerWessels group, hold a minority interest in the holding company Storm Investments bv, which indirectly owns virtually all of the shares in VolkerWessels. This share ownership has long-term investment characteristics.

Regulations on private investments by members of the Board of Management and Supervisory Board

As VolkerWessels is not listed, no separate regulations are drawn up. The Board of Management's regulations already include an article relating to private investments, which reads as follows: The VolkerWessels Code of Conduct applies to the members of the Board of Management. They subscribe to this code. The members of the Board of Management are not permitted to carry out insider trading and/or to act on the basis of knowledge and/or information that has come to their attention within the context of their role within VolkerWessels, and they shall avoid giving any impression of having acted in such a way.

No regulations relating to private investments have been drawn up for the members of the Supervisory Board either.

The Supervisory Board's regulations, however, do include the stipulation that members of the Supervisory Board are not permitted to carry out insider trading and/or to act on the basis of knowledge and/or information that has come to their attention within the context of their role within VolkerWessels, and that they shall avoid giving any impression of having acted in such a way.

In the event of the involuntary dismissal of a member of the Board of Management, payment is fixed to a maximum of once the fixed portion of the annual salary, unless this is obviously unfair to a member of the Board of Management in his/her first term of office (in which case no more than twice the fixed portion of the annual salary is payable)

This regulation is not applied, as the Supervisory Board believes that a balanced arrangement is already in place within VolkerWessels. Under this arrangement, the level of severance pay depends on a combination of the term of the individual's appointment as a member of the Board of Management and his or her total service with the company. The payment can amount to a maximum of twice the fixed annual salary, depending on the circumstances under which the individual is dismissed.

Fixing the maximum period of service for a member of the Supervisory Board to three four-year terms

This provision from the Code will, in principle, be complied with in the future. However, the complexity of a group such as VolkerWessels, and the substantial changes that a group of this size periodically experiences, may make greater continuity desirable, which means allowing individual members of the Supervisory Board to serve longer.

If the Supervisory Board and Board of Management consider it desirable, the maximum period of service will be exceeded.

Supervisory Board

The Supervisory Board is governed by regulations setting out its composition, tasks and working method and its relationship with the Board of Management.

With respect to the best practice rule III.2.1 of the Corporate Governance code, we note that due to the changed shareholder structure, in May 2007 members of the Supervisory Board, with the exception of the Chairman of the Board, were appointed from within the ranks of the (indirect)

shareholders of VolkerWessels. Before his appointment as a member of the Supervisory Board, Mr. D. Wessels was also a member of Board of Management of VolkerWessels.

The members of the Supervisory Board do not receive any performance-related bonuses, pensions, share options or other benefits.

The regulations for the Supervisory Board and the retirement schedule are available on the VolkerWessels website.

Supervisory Board committees

The Supervisory Board has set up the following committees:

Audit Committee

The Audit Committee consists of two members of the Supervisory Board and meets at least once a year. Both members qualify as financial experts, as set down in the code. The meetings of the Audit Committee are held in the presence of at least one member of the Board of Management, the Chief Financial Officer and the group auditor, unless the Audit Committee decides otherwise.

The Committee assesses the structure of internal control procedures and regulations relating to financial accounting and reporting.

It also advises the Supervisory Board on all matters relating to the appointment or dismissal of auditors and evaluates the content and scope of the audit engagement. The chairman of the Committee reports on its findings to meetings of the Supervisory Board.

In the year under review, the Audit Committee consisted of:

Mr. H.G.J. van Berckel (Chairman)

Mr. H.M. Holterman (until 31 December 2008)

Mr. A. Baan joined the Audit Committee with effect from 1 January 2009.

The general profile for the members of the Audit Committee requires a broad financial background with knowledge and experience in the areas of risk management systems and aspects of financial accounting and valuation.

The regulations for the Audit Committee are published on the VolkerWessels website.

Remuneration, Selection and Appointment Committee

This Committee consists of at least two members of the Supervisory Board, being the Chairman and Vice-Chairman. The Committee may also include a third member and meets at least once a year. The Chairman of the Supervisory Board also chairs the Committee.

The Committee advises the Supervisory Board on the selection and appointment of any members of the Board of Management. The Chairman of the Board of Management attends the meetings, unless there are important reasons why it should not be so. The chairman of the Committee reports to the Supervisory Board.

In the year under review the Remuneration, Selection and Appointment Committee consisted of:

Mr. A. Baan (Chairman)

Mr. R.L.J. van Rappard

Mr. D. Wessels

The members of the Remuneration, Selection and Appointment Committee require a broad management background with experience in the areas of remuneration and management issues in a corporate environment.

VolkerWessels' position as an unlisted company was the reason behind the decision not to separate the Appointments and Remuneration Committees, as provided for in the Code. In view of the Chairman of the Supervisory Board's position within the VolkerWessels structure, it was also decided that he or she should continue to chair the Remuneration, Selection and Appointment Committee.

The regulations for the Remuneration, Selection and Appointment Committee are published on the VolkerWessels website.

Auditors

The General Meeting of Shareholders appoints the group auditor and issues the instruction to audit the financial statements prepared by the Board of Management. At the General Meeting of Shareholders of 22 May 2008, the group auditor KPMG was reappointed for a term of three years.

For a number of years now the Supervisory Board, the Board of Management and the external auditors have been taking measures to ensure the objectivity and independence of the group auditors. The main measures are as follows:

- *VolkerWessels has opted to separate tax advice services from the auditing activities relating to the financial statements as far as possible;*
- *For reasons of efficiency, services connected with the auditing of the financial statements are carried out primarily by the group auditor. Activities in the area of acquisitions or divestments are carried out (on a non-exclusive basis) by the group auditor, based on quotations submitted in advance. Where VolkerWessels feels that there is a potential conflict of interests, other financial/professional service providers are used;*
- *In principle, the external auditors are not engaged for general advisory assignments.*

Please refer to page 117 for a summary of the group auditor's fees related to the audit of the financial statements.

The implementation of the above measures is regularly checked by the Supervisory Board, the Board of Management and the Audit Committee.

The auditors report to the Board of Management and the Supervisory Board on the measures they have taken to satisfy the professional and legal requirements of guaranteeing their independence from VolkerWessels. This includes regularly changing the auditors responsible.

Relationships with external interested parties

Although VolkerWessels is no longer a listed company, we recognise the importance and position of our company. VolkerWessels will therefore continue to publish its results and details of important events through press releases and on its own website.

Shareholders or depository receipt holders who together hold 1% of the issued capital may put forward motions relating to the items on the agenda for the General Meeting of Shareholders. These must be submitted to the company by 31 March 2009 at the latest.

Board of Management

The members of the Board of Management are members of this Board on a full-time basis. In addition to their individual management tasks, they are also responsible for the company as a whole.

The Board of Management exercises its authority as a body and therefore takes joint decisions on all matters of essential importance to the group. Within the framework of this collective task, each member of the Board of Management is responsible for an individual area. The Board itself decides how these areas are divided up, with the Supervisory Board's approval.

Board of Management



**Mr. G.J.A. (Gerard) van de Aast (1957),
Chairman.**

Appointed member of the Board of Management from 1 January 2009. Previously served as member of the Board of Reed Elsevier and CEO of Reed Business.

Mr. D. (Dick) Boers (1966)

Appointed member of the Board of Management in 2006. Joined the group in 1989 and until recently served as director of VolkerWessels Bouw & Vastgoed-ontwikkeling bv (Building & Property Development) in Rijssen.



Mr. A. (Alfred) Vos (1969)

Appointed member of the Board of Management from 1 January 2009. Previously served as the Chief Operating Officer Europe of AMB Property Corporation.

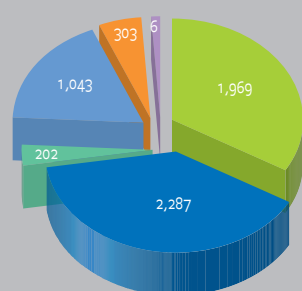
Mr. J.C. (Jan Kees) de Pagter (1954)

Appointed member of the Board of Management in 2006. Joined the group in 1976 and previously served as chairman-director of VolkerRail bv in Vianen.

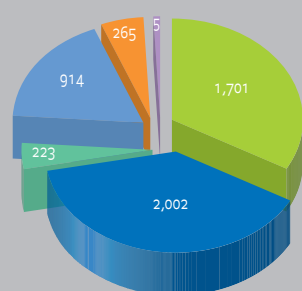


Report of the Board of Management

Operating revenues x € million

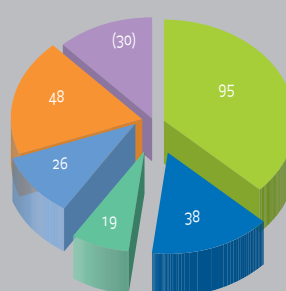


2008

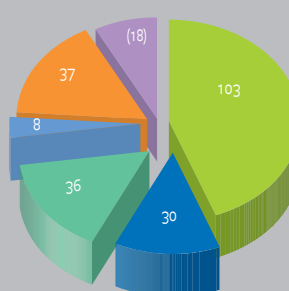


2007

EBIT x € million



2008



2007

■ Building and Property Development the Netherlands
■ Civil Engineering, Roads and Rail Europe
■ Infrastructure and Land Development USA/Canada

■ Infrastructure Technology and Telecommunications
■ Supplies and Services
■ Unallocated

(in miljoenen euro's)	Operating revenues		EBIT	
	2008	2007	2008	2007
Building and Property Development the Netherlands	1,969	1,701	95	103
Civil Engineering, Roads and Rail Europe	2,287	2,002	38	30
Infrastructure and Land Development USA/Canada	202	223	19	36
Infrastructure Technology and Telecommunications	1,043	914	26	8
Supplies and Services	303	265	48	37
Unallocated	6	5	(30)	(18)
Total	5,810	5,110	196	196
Less: Intercompany	(417)	(282)	—	—
Operating revenues/EBIT	5,393	4,828	196	196

Financial highlights

- Earnings before interest and tax of € 195.9 million (2007: € 195.5 million);
- Earnings before interest, depreciation and amortisation increased to € 210.4 million (2007: € 209.4 million);
- Net profit amounted to € 141.9 million (2007: € 145.9 million);
- A dividend is proposed of € 2.00 per share in cash (2007: € 2.00);
- The order book at year-end 2008 amounted to € 5,766 million (year-end 2007: € 5,870 million).

General

In 2008, there was a change in the general economic prospects which has also changed the prospects of VolkerWessels. While previous years have been characterised by frenzied market conditions, in the second half of 2008 it became evident that a global economic decline had set in, which has been worsened by the credit crisis that emerged in the final months of the year. During the course of 2008, the resulting uncertainty among consumers has led to a halving of the sales of newly built residences in the Netherlands. In 2008, sales of residential properties decreased by 30% in the Netherlands. Furthermore, economic developments were negatively affected by the reluctance of banks to finance businesses and projects as a consequence of the credit crisis. Some projects that had already started have stalled due to a lack of finance at principals, and others have been postponed or cancelled due to the financing problems facing buyers or principals.

Especially in the fourth quarter of 2008, the impact of this has also become evident for VolkerWessels' construction and property development activities. While the aforementioned developments have only had a limited impact on the development of VolkerWessels in 2008, they are of material importance in 2009.

In 2008, the changed economic prospects meant that VolkerWessels had to further tighten up its risk management with respect to new projects, as well as its operating capital management and the monitoring of the available capacity in relation to the staffing levels and possible cost reductions.

During the year under review, VolkerWessels completed the acquisition of Bruil, MJO, and Timmer-Verzijl, and acquired the remaining 50 percent of the shares of GrantRail. Thanks to these acquisitions, VolkerWessels further strengthened its market position. The results of the acquired companies were included in the 2008 consolidation. In the year under review, disposals were limited to the 40% participating interest held by VolkerWessels Netwerk Bouw bv in Holland Systemen bv and the reduction of the participating interest in Aveco de Bondt to 62.5%.

The changed economic climate also provides opportunities. The fall in the prices of raw materials and supplies creates opportunities for purchasing at lower rates.

Furthermore, VolkerWessels' healthy financial position, its order book and its wide range of activities provide a solid foundation for meeting the challenges and opportunities of the coming years.

Spearheads in the policy of VolkerWessels, including sustainability, innovation, safety and talent development, will continue to be high on its agenda. VolkerWessels will make no concessions with respect to these important issues.

The developments in 2008 produced:

- An increase of the operating income to €5,393 million (2007: €4,828 million);
- An increase of the result before interest, tax and amortisation to €210.4 million (2006: €209.4 million);
- Net profit of €141.9 million (2007: €145.9 million).

Operating income and order book

Operating income rose to €5,393 million in 2008 (2007: €4,828 million), representing an increase of €565 million.

At year-end 2008, the order book amounted to €5,766 million, compared to €5,870 million at year-end 2007.

Of this increase of the operating income, €53 million is the result of the consolidation of acquisitions completed in 2008.

The order book amounting to €5,766 million (2007: €5,870 million) includes €133 million resulting from the inclusion in the consolidated figures of acquisitions completed in 2008.

Results

The good results achieved by the majority of the VolkerWessels operating companies mean that, despite the losses incurred on a number of projects and the sometimes difficult market conditions, earnings before interest, tax and amortisation (EBITA) came to €210.4 million in 2008, which is €1.0 million higher than in 2007 (€209.4 million).

Earnings before interest and tax (EBIT) came to €195.9 million in 2008 (2007: €195.5 million). Net profit came to €141.9 million in 2008, a result that is almost the same as in 2007 (€145.9 million).

Operating revenues 2008/2007 can be specified as follows:*By sector*

(x € million)	2008	%	2007	%
Building and Property Development the Netherlands	1,969	34	1,701	33
Civil Engineering, Roads and Rail Europe	2,287	39	2,002	39
Infrastructure Technology and Telecommunications	1,043	18	914	18
Infrastructure and Land Development USA/Canada	202	4	223	5
Supplies and Services	303	5	265	5
Unallocated*	6	–	5	–
Total	5,810	100	5,110	100
Less: Intercompany	(417)		(282)	
Operating revenues	5,393		4,828	

Geographical

(x € million)	2008	%	2007	%
The Netherlands	4,346	75	3,781	74
United Kingdom	908	15	809	16
Other countries	556	10	520	10
Total	5,810	100	5,110	100
Less: Intercompany	(417)		(282)	
Operating revenues	5,393		4,828	

The order book at the end of 2008/2007 is composed as follows:*By sector*

(x € million)	2008	2007
Building and Property Development the Netherlands	2,984	3,279
Civil Engineering, Roads and Rail Europe	1,864	1,962
Infrastructure Technology and Telecommunications	900	647
Infrastructure and Land Development USA/Canada	267	299
Supplies and Services	94	94
Unallocated*	0	2
Total	6,109	6,283
Less: Intercompany	(343)	(413)
Order book	5,766	5,870

*including discontinued operations Germany

Geographical

(x € million)	2008	2007
The Netherlands	5,018	4,995
United Kingdom	636	738
Other countries	455	550
Total	6.109	6.283
Less: Intercompany	(343)	(413)
Order book	5,766	5,870

Earnings before interest and tax (EBIT)*By sector*

EBIT (x € million)	2008	2007
Building and Property Development the Netherlands	95	103
Civil Engineering, Roads and Rail Europe	38	30
Infrastructure Technology and Telecommunications	26	8
Infrastructure and Land Development USA/Canada	19	36
Supplies and Services	48	37
Unallocated*	(30)	(18)
EBIT total	196	196

Geographical

EBIT (x € million)	2008	2007
The Netherlands	207	187
United Kingdom	20	9
Other countries	(1)	18
Unallocated*	(30)	(18)
EBIT total	196	196

The composition of the operating margin (EBIT expressed as a percentage of operating revenues) is as follows:

EBIT (in percent)	2008	2007
Building and Property Development the Netherlands	4.8	6.1
Civil Engineering, Roads and Rail Europe	1.7	1.5
Infrastructure Technology and Telecommunications	2.5	0.9
Infrastructure and Land Development USA/Canada	9.4	16.1
Supplies and Services	15.8	14.0
Unallocated*	–	–
Group	3.6	4.0

* including discontinued operations Germany

Financial position

In the year under review, the balance sheet total increased by € 129 million to € 3.233 million (2007: € 3.104 million). Of this increase, € 69 million can be attributed to the inclusion of the acquisitions completed in 2008 and included in the consolidated figures.

At year-end 2008, the solvency ratio before the appropriation of profit was 30% (2007: 29%) and after the appropriation of profits 28% (2007: 27%) of the balance sheet total. In the coming years, the company aims to achieve a solvency ratio of 20% after deduction of the dividend payable for the financial year (after the appropriation of profit). This objective was easily achieved at year-end 2008.

Investments and acquisitions

VolkerWessels' growth strategy is based on sound, organic growth of the existing activities in the Netherlands and abroad, supplemented by acquisitions which reinforce regional market positions or fill specific market niches.

The objective is to optimise the regional distribution of VolkerWessels' activities in the markets in which it operates, in addition to striving for further diversification. In order to realise this strategy, we will actively seek opportunities for the realisation of further growth by means of partnerships.

The starting point for the assessment of potential acquisitions is that the candidate company must offer clear added value to the group as a whole and contribute to its strategic objectives. This also implies that activities which do not fit well with the chosen strategic direction may be considered for disposal.

In evaluating possible acquisitions, a great deal of attention is paid to the investment proposition's risk profile.

Acquisitions

Acquisitions completed in 2008:

- In March 2008, Bruil bv, a company specialising in regional road construction.
Turnover: € 36 million.
- Founter bv, a company focusing on the Smart Metering concept (energy meters). Turnover: € 1 million.
- M.J.O. Holding bv (Oomen), a company specialising in sewer inspection and maintenance.
Turnover: € 17 million.
- Timmer-Verzijl bv, a company active in the field of soil excavation and concrete and road construction that specialises in demolition work. Turnover: € 4 million.
- The remaining 50% interest in the shares of GrantRail Ltd, a company specialising in railway construction and renovation in the United Kingdom. Turnover: € 120 million.

Investments in tangible fixed assets

In 2008, net investments in tangible fixed assets amounted to € 108 million. (2007: € 108 million). Of this total, € 11 million concerns the acquisitions included in the consolidated figures for the year under review (2007: € 5 million). Depreciation of tangible fixed assets in 2008 was € 74 million (2007: € 68 million).

As in previous financial years, investments mainly related to the replacement and additional procurement of equipment and materials necessary for operations.

Financing

VolkerWessels meets its requirements for operating capital by raising external operating capital financing by means of a one central function. An internal funding structure has been created in this central treasury function.

The total operating capital requirement of the VolkerWessels companies is covered by financing arrangements with various banks. In addition, the opportunities offered by the money markets are actively pursued.

Project financing is obtained from various parties to fund individual projects at operating company level. Project financing is raised on the basis of non-recourse or limited recourse conditions.

In May 2007, VolkerWessels updated its financing arrangements. With this arrangement, VolkerWessels has a total of € 600 million at its disposal for operating capital requirements. No security has been provided from the operating companies for this financing. VolkerWessels comfortably satisfies the requirements of the covenants concluded for this financing. The interest rate over a principal sum totalling € 450 million is covered for the coming five years by means of a hedge fund.

Risk profile and risk management

In view of the rapidly changing external factors, risk management is an increasingly important aspect of VolkerWessels policy. The Board of Management is responsible for the design of the internal risk management and control systems and for ensuring that these are complied with.

In order to control the business risks as much as possible, and meet planned objectives, these internal systems need to be aligned with the company's decentralised organisational structure. Risk management systems need to be fit the nature and size of each operating company as well as taking into account the wide variety of activities and risk profiles present. This particularly means that we need to take anticipatory action and quickly respond to identified business risks. VolkerWessels is aware that no single system, however good, can offer the assurance that corporate objectives will be met or that every error can be prevented.

Dealing with project risks and managing business risks is an on-going process. In previous financial years, we started with the introduction of a process that automatically evaluates the internal risk management and control systems. This process should result in an annual internal self-assessment by the operating companies of the existing risk management and control systems.

In the year under review, a pilot project was implemented in which one of the larger operating companies identified its biggest business risks by means of a bottom up process. The identified risks were translated into control actions that have been clustered with the aid of aspects from the INK (Instituut Nederlandse Kwaliteit) model. The responsibility for specific follow-up actions has been assigned to individual members of the management team.

The experience gained from this project has been shared with other operating companies within VolkerWessels, and there will be further implementation of the method within the group.

VolkerWessels recognises the following major risk areas:

General risks

Reputation

VolkerWessels is aware of its public role and attaches great value to its reputation. As an organisation operating in very diverse market areas with a great many different operating companies, there is a risk that incidents at operating companies can have an impact on the reputation of VolkerWessels in its entirety.

Events within operating companies that may constitute a reputation risk are regularly reported to the Board of Management.

Integrity

VolkerWessels makes no concessions when it comes to its integrity policy. Compliance with the Code of Conduct, updated in 2003, is strictly monitored and further complemented by a compliance programme. Incidents are investigated and can have legal consequences for employees.

In addition, integrity is a standard topic for discussion between the Board of Management and the management of the operating companies.

Employees

Since the construction sector has the image of being a less attractive employer, the company faces the risk of not attracting sufficient professional staff and management.

VolkerWessels tries to overcome this risk as much as possible by providing internal training modules and career planning and by running targeted recruitment campaigns.

Market risks

The diversity of VolkerWessels' operations means that the risks involved with activities in the different markets also vary.

The geographic spread and the different operations of VolkerWessels reduces the company's vulnerability to changing market conditions.

VolkerWessels also recognises market risks associated with political decisions and tendering contract volumes for public and semi-public bodies. Delays or sudden changes in political decisions and fluctuations in the investment budgets of authorities can impact the operating income of VolkerWessels because a substantial part of the activities depends on public contracts.

To manage these risks, VolkerWessels is regularly in contact with various relevant political and governmental organisations to draw attention to the consequences of these actions.

Operating risks

Contract and project risks

The companies that form part of VolkerWessels carry out complex projects based on a large variety of contract types. A large proportion of the projects are subject to previously agreed, more or less fixed, prices. This poses the risk that design faults could lead to estimated project costs being considerably lower than actual operational costs, which cause negative cash flows.

Clear project specifications, properly documented agreements, technical project reviews and thorough cost estimates, together with legal assessment of contracts, form the basis for managing these risks.

To avoid undesirable risks being taken, proposals that exceed a certain threshold require prior written approval by the Board of Management. The risk assessment of the tender in question forms an important criterion in the Board's decision.

In the tendering phase, risk management committees are formed for projects of major importance, in which specialists advise on the possible risks and risk-free financing in consultation with the operating companies.

Liability risks

The complexity and size of the projects undertaken by VolkerWessels means that errors in the preparation and implementation could result in a serious financial liability.

Wherever possible, VolkerWessels insures general and specific design and implementation risks. Insurance agreements are concluded with trusted partners, with continuity and solvency forming key priorities. VolkerWessels further reduces this risk for the company by means of liability demarcation within its organisational structure.

Development risks

As part of its overall portfolio of operations, VolkerWessels also develops property for its own account and risk. Vacant properties and/or disappointing sales can lead to losses and an excessive burden on the operating capital. As a means of managing and avoiding these risks, the company has internal guidelines concerning pre-sales or pre-letting before starting the actual construction. Sales and/or lettings are reviewed every month and, where necessary, action is taken.

Investments in land and long-term commitments require prior approval by the Board of Management.

Financial risks*Liquidity and currency risks*

In view of the project-based nature of its operations, the use of operating cash reserves within VolkerWessels varies considerably.

VolkerWessels meets its operating capital requirements by centrally attracting external finance. An internal funding structure has been created in this central treasury function.

Based on internal credit ratings, the Board of Management releases funds from the central treasury department to the operating companies.

Securities are transferred internally to the central treasury function to cover the funds provided, while internal liabilities have been and will be reduced as far as possible.

External liabilities, in the form of the issue of 403 statements, are limited in number and a restrictive policy is maintained by the group or group companies in favour of the operating companies.

From the operating companies themselves no security is made available for the external group financing.

The credit facilities available to VolkerWessels are sufficient to cover the working capital requirements and are based on ratios which VolkerWessels must and does comply with.

IJkdijk (flood defence)

In Bellingwedde, a town in the province of Groningen, a 'testing flood defence' subsided according to plan in September 2008. This testing flood defence was used to test inspection techniques that enable a more accurate prediction of flood defence subsidence. For the purpose of the test, it was important that the subsidence would take place in line with a predetermined process. The six-metre high and 100-metre long flood defence on the test site operated by Stichting IJkdijk, the organisation established for this purpose, successfully subsided after the water level behind the flood defence was raised. The subsidence of the flood defence was meticulously monitored with sensors and cameras positioned in and near the flood defence. VolkerWessels Telecom and KWS Infra contributed to the test.



An active treasury policy ensures that VolkerWessels can manage its financial risks. Currency risks are prevented as much as possible by means of financing arrangements in local currencies. The central treasury function ensures access to the money and capital markets and provision of the required operating capital.

Meeting financial targets

The project-based approach of operations and the incurred risks mean that internally agreed financial targets might not be met.

Financial risks are controlled by extensive, systematic monthly financial and forecast reporting based on a 'bottom-up' budgeting process managed from within the projects. In addition, the financial progress of the major projects is regularly reported.

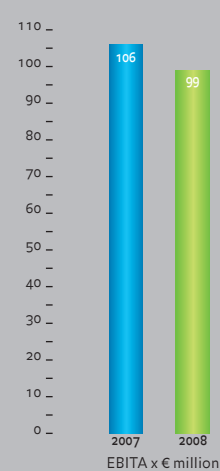
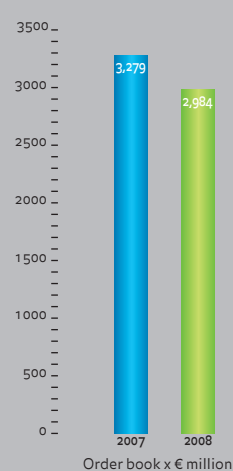
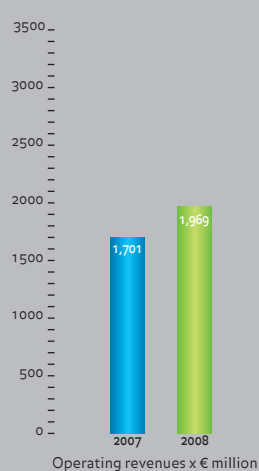
VolkerWessels' decentralised structure means that during the year these reports are regularly discussed by the Board of Management with the management of the group companies. Explicit attention is paid in these discussions to the way in which these companies manage their operating risks. Where necessary, central expertise available within the group is used at operating company level to manage risks.

Outlook for 2009

The rapidly worsening economic conditions and the stagnation that has set in, particularly in the construction and property market, due to the lack of proper financing opportunities and consumer confidence, mean that VolkerWessels will operate in volatile and uncertain market conditions in 2009. Due to these uncertain conditions, it is not yet possible to make a reliable forecast of the results. There will be particular pressure on the results of the building and property development activities in the Netherlands. However, stable results are expected from VolkerWessels' infrastructure activities.



BUILDING AND PROPERTY DEVELOPMENT THE NETHERLANDS



(x € million)	2008	2007
Operating revenues	1,969	1,701
Order book	2,984	3,279
EBITA	99	106
EBIT	95	103
Depreciation of tangible fixed assets	3	3
Amortisation	4	3
Net investments in tangible fixed assets	1	4
Net investments in intangible fixed assets	3	19
Capital employed	537	588
EBITA / capital employed	18.4%	18.0%
EBIT / capital employed	17.6%	17.5%
Operational margins:		
EBITA / operating revenues	5.0%	6.2%
EBIT / operating revenues	4.8%	6.1%
Average number of employees	3,200	3,200
Average operating revenues per employee (x € 1,000)	615	532

Market

2008 was a year of contradictions for the building and property development market in the Netherlands. The first half of the year saw a boom which, as the year progressed, turned around and lead into a serious economic decline. A lack of confidence among banks proved a serious obstacle to lending in the final months of 2008, which also had a negative impact on financing for the construction and property development sector.

As a result of the credit crunch, consumer and producer confidence took a turn for the worse, which also had a negative influence on the construction sector in the second half of the year. The sale of new and existing homes slowed down, businesses postponed investments in property, and property investors became very reticent to invest. The 2008 financial year started with a prosperous construction and property market, but ended on a negative note.

Despite the high construction volume during the first period of the year under review, the consequences of the sharp downturn were already noticeable in the final quarter of 2008. As a consequence of this development, the sharp increase in land prices and high employment costs caused by the boom, the costs for establishing new home construction projects steadily increased. The affordability of new homes had already been under pressure due to the strong increase in construction costs, the high cost of land and increased quality assurance demands. As a result, the number of new entrants to the market stagnated, which in turn meant that the number of homeowners moving on to more expensive segments of the market also dropped. During the year under review, the market conditions continued to get worse due to the bleak economic prospects and a financial system that had started and is continuing to falter. Banks are less keen to grant mortgages, while mortgage interest rates had increased substantially. The result is that sales of new homes halved in the final quarter of 2008 compared to the same period a year earlier.

Ultimately, for the whole of 2008, construction companies and project developers sold more than 25,000 newly built non-subsidised housing units, which represents a drop of 30% compared to the year before. The sharp increase in prices also made it increasingly difficult for investors and housing associations to realise profitable projects.

As a result, the total number of new homes remained around 55,000, whereas the Ministry of Housing, Spatial Planning and the Environment had reckoned on a production of 80,000 new homes in 2008.

A similar trend could be seen in the construction of shops, office buildings and commercial property in general.

The low rates on the capital market and the huge demand, both from tenants and investors, meant that these projects could be implemented successfully in recent years despite a strong increase in costs.

This situation changed in 2008. The banking crisis led to higher interest rates and a drop in the available financing. Moreover, because of the shrinking economy, the risk of properties being vacant had increased, leading to a sharp increase in required rates of return. Construction costs, which have now increased substantially, put additional pressure on the feasibility of these projects. These developments left deep scars on the market. Whereas investments in commercial property in the Netherlands peaked at € 11.5 billion in 2007, this dropped to some € 6.0 billion in 2008. Transactions still reached € 900 million in the third quarter, but then dropped to barely € 600 million in the last three months of the year.

These developments also had an impact on the construction sector. The sharp increase in costs and the downward trend in the prices of commercial property played an important part in the fact that projects in development no longer proved to be feasible.

As a result of the situation described above, the trend of an increase in major projects identified in the 2007 annual report took a turn for the worse. Increasingly, major projects will now only be realisable in phases.

Strategy

Despite the difficult market conditions, VolkerWessels maintains a good basic position to acquire projects and to enter into joint ventures in a range of areas. The sudden deterioration in market conditions, however, will also affect business in our building and property companies. Although at present VolkerWessels does not have an active policy with respect to acquisitions in the building and property development sector, the current situation offers opportunities.

VolkerWessels continues working on becoming more professional and on combating the costs of failure. The comprehensive portfolio of activities within the company enables us to offer our clients total solutions. This integrated approach, with design, engineering, financing, construction, maintenance and operations being provided by a single company offers clients many and considerable advantages. It provides good insight into the overall operating overheads of a building and thus offers a better balance between investment and operating costs.

'Closer involvement in all facets of the construction process.'

'One of us was already working for Van Hattum en Blankevoort, and then they asked us if we would like to go abroad to work on projects. Of course we would! We had already gained a great deal of experience abroad, including in Egypt, Kazakhstan and Grenada, but this was our chance to undertake an adventure together. The strong point of Van Hattum en Blankevoort is that they run projects both nationally and internationally. When you work abroad, you are much more directly involved in all facets of the construction process. We are now working together in Mexico on the first ever concrete immersed tunnel in Latin America. Working together on this is a unique experience.'

Bianca van der Meer (1971) and Danny Kruit (1972), Van Hattum en Blankevoort



In order to get to grips with the problems posed by the recession that is now biting, VolkerWessels is developing inventive concepts and financial instruments to maintain its position in the homeowners' market.

The importance of proper attention to sustainability is also fully endorsed by VolkerWessels and offers opportunities for technical and market innovation. In partnership with VolkerWessels Vastgoed, DEC ('Duurzame Energie Concepten' - sustainable energy concepts) successfully developed a concept in 2008 known as Climate Ready. This concept means that a home is prepared for a number of energy-saving concepts, such as a heat pump, solar boiler and heat retention. In addition, it basically offers a considerably improved energy performance (EPC of 0.72). The individual buyers then decide on the different components, enabling them to base their decision on the size and composition of the family (energy consumption), start-up costs and total cost of living. VolkerWessels intends in the long term to build all residential developments on this basis.

VolkerWessels also received a lot of attention in the past year for the so-called 'VolkerWessels Plus' home. This housing concept relies on efficient construction methods, clever logistics and the standardisation of technical solutions, which means home construction at affordable prices and, at the same time, enabling a wide range of home designs and architecture. In 2009, this home concept will also be expanded with the 'Climate Ready' concept under the motto: 'Betaalbaar, duurzaam bouwen' (affordable and sustainable construction).

Also in the field of commercial buildings, VolkerWessels has opted for sustainability, both from an energy-consumption and multi-functional point of view. During the year under review, the first CO₂-neutral commercial premises in the Netherlands was completed. It concerned a distribution centre for TNT, the postal and logistics company, for which VolkerWessels developed a balanced concept that can be applied to the whole Dutch distribution network of TNT.

VolkerWessels will also continue to commit to the use of sustainable building materials and the 'cradle to cradle' principle. This means that all the materials used can be gainfully re-used in another product at the end of their useful life. Experience with this approach is already being gained in some projects.

VolkerWessels is continuing to develop activities in the field of inner-city redevelopment and the revitalisation of deprived areas. In this context, VolkerWessels works closely together with WOM Nederland bv ('Wijk Ontwikkeling Maatschappij' - district development organisation) and other partners, both inside and outside the group. WOM Nederland bv, an initiative started by VolkerWessels, has specialist knowledge about how to approach and deal with problem areas and offers project and process management as part of their remit.

During the year under review, VolkerWessels became shareholder in the 'Nationale Maatschappij tot Behoud, Ontwikkeling en Exploitatie van Industrieel Erfgoed' (the national organisation for the maintenance, development and running of industrial heritage sites, BOEi). BOEi aims to acquire, redevelop and run industrial heritage sites, which fits in well with the ambition of VolkerWessels to play a part in the re-use of historic buildings.

Useful experience has already been gained with the Van Nelle complex in Rotterdam and, during the year under review, with 'De Lichttoren' (the lighthouse) in Eindhoven, a project involving the combination of sustainable energy and groundwater remediation.

Progress of business

The building and property development sector was characterised by a marked contrast during the year under review. While the market situation rapidly deteriorated during the year, 2008 as a whole still saw significant production with a corresponding shortage in the employment market. Organic turnover increased by € 268 million compared to 2007 and, compared to 2006, even by € 577 million to € 1.969 million.

The healthy order book in the sector meant that there was still considerable pressure on available capacity. Only in the final quarter did the already rapidly falling raw material prices start having a noticeable effect on the cost of materials and pressure on the capacity receded. As far as the financial year as a whole is concerned, it was not always possible to charge on the sharp increase in construction costs to clients.

Despite the economic downturn, VolkerWessels generated good results with the sale of new homes during this financial year. In spite of the difficulties mentioned above, good locations and well-developed homes usually prompted buyers to invest in a VolkerWessels home. For instance, in the third and the fourth quarter, good sales results were achieved, such as in Harmelen (30 apartments in the higher price category), Maarssen (single family homes and apartments) and Geldrop (also apartments and single family homes).

Together with De Nieuwe Unie, a Rotterdam housing corporation, VolkerWessels is going to participate in the redevelopment of the Katendrecht district. A unique part of this development is the European China Centre in Rotterdam. The concept includes offices, business premises, shops, restaurants and a hotel in a conference centre, as well as homes for elderly Chinese people living in the Netherlands.

The project is aimed at Chinese companies that are active on the European market.

VolkerWessels was successful in 2008 with operations on the market for rented homes on behalf of housing corporations. A considerable number of projects were completed, while numerous new projects were also taken on.

Since 2003, 1,662 VolkerWessels Plus homes have been completed and delivered. In 2008, 701 new homes were started, while a further 1,880 were in the preparation phase. In total, our construction companies completed 5,413 housing units in 2008 (2007: 3,940), of which 2,558 in own development (2007: 1,972).

Industrial construction

The market for industrial construction ('industriebouw') was favourable in 2008. VolkerWessels has managed to attain a position on the growing market for the construction of power plants and incineration plants. A clear distinction between public and private engagements became noticeable during the year under review. Projects from the public sector, such as schools, sport facilities and other general facilities continued unabated.

The credit crunch, however, did have a marked effect on the healthcare sector, on top of the increase in construction costs. A number of hospitals and other healthcare institutions therefore had trouble attracting adequate funding for new projects. Since 1 January 2008, healthcare institutions in The Netherlands no longer receive a fixed payment for their property. In addition, it is still not clear how regulations will develop, which makes it difficult for healthcare institutions to make decisions as far as investments are concerned. The healthcare sector remains a potentially interesting market for VolkerWessels. The efforts to create a role in this sector continued unabated in 2008.

Outlook

An essential precondition for a recovery of the property market is for the situation on the financial markets to return to normal. The lack of confidence banks have in one another will have to be repaired in order for credit provision to return. Interest rates were reduced considerably in the last months of the year under review through the intervention of the European Central Bank, but this reduction was accompanied by banks charging substantially higher surcharges.

In the longer term, VolkerWessels still believes that property remains a sound investment, for homeowners, for companies and for property investors. Making sound short-term forecasts about the development of the property market is impossible. However, for the coming year, VolkerWessels assumes that the construction and property market will be slow.

The housing market will see a greater emphasis on the development of affordable homes in the rented and owner-occupied housing sectors. The construction of homes for first time buyers is an important base for people moving on to more expensive homes in the future and forms a significant contribution to generating construction projects. The situation is even more difficult to predict for the commercial property market. Everything will depend on whether the banking crisis can be brought under control and whether the intervention of financial regulators and governments has the desired effect. In addition, support measures offered by governments, whether or not of a temporary nature, can offer a solution for the stagnating markets.

Despite the order book showing a healthy balance of € 3 billion, the construction volume for the coming year is expected to shrink. Investments in property by homeowners, companies and investors will drop in comparison to recent years.

Part of the strength of VolkerWessels is also the fact that the construction and development companies are spread across the whole of The Netherlands, with a strong basis in regional markets. The organisation has a horizontal structure, embracing a hands-on culture, which means that the company is flexible and can respond swiftly to changing demands. Both smaller and major projects can be implemented efficiently. Moreover, initiatives in the field of sustainability, urban renewal, innovative financial concepts and the well-filled order book offer a good foundation for the time ahead. Lower material prices, a more flexible employment market and improved productivity will help to accommodate shrinking market prices. VolkerWessels will continue to pay attention to cost control and the reduction of failure costs.

As explained above, and because of its solid market position, VolkerWessels is very confident that it will weather this difficult storm without damage.

Expansion of FC Twente stadium

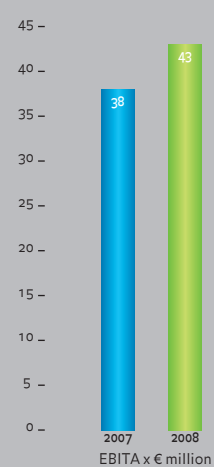
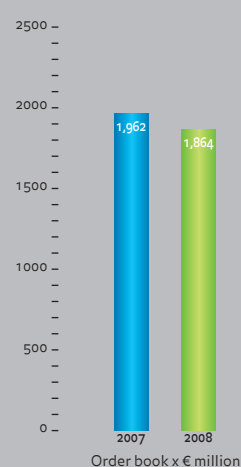
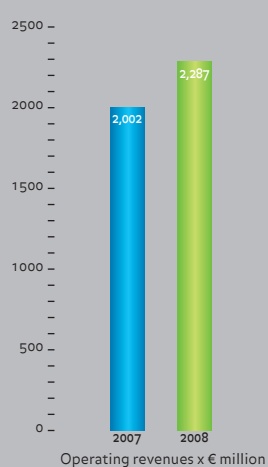
The addition of a second tier to the FC Twente stadium 'Grolsch Veste' was realised by Te Pas Bouw. Apart from additional seats, the new tier accommodates 24 new sky boxes and various facilities for players, businesses and the general public. The capacity of the FC Twente stadium was expanded from 13,500 to 23,500 seats. In the background you can see the new rink Twente, constructed by Systabo Turn Key Bouw.







CIVIL ENGINEERING, ROADS AND RAIL EUROPE



(x € million)	2008	2007
Operating revenues	2,287	2,002
Order book	1,864	1,962
EBITA	43	38
EBIT	38	30
Depreciation of tangible fixed assets	22	20
Amortisation	5	8
Net investments in tangible fixed assets	37	32
Net investments in intangible fixed assets	7	–
Capital employed	181	216
EBITA / capital employed	23.8%	17.6%
EBIT / capital employed	21.0%	13.9%
Operational margins:		
EBITA / operating revenues	1.9%	1.9%
EBIT / operating revenues	1.7%	1.5%
Average number of employees	7,900	7,200
Average operating revenues per employee (x € 1.000)	289	278

The Netherlands (Civil Engineering, Roads and Rail)

Market

A steady flow of major, medium-sized and smaller projects has led to a stable market in 2008 in both civil engineering and road construction activities.

The low prices from the previous years increased in both sectors during the year under review, but still failed to attain the desired level. Prices still face too much pressure from the past, despite the fact that over-capacity at the time had been reduced. Railway operations came under pressure in 2008 from foreign competition, with parties tendering under cost in order to gain a market share. It remains an ongoing challenge in the railway segment to find the ideal balance between human resources and material prompted by the aim to leave as little as possible of the available rails out of service.

The market for civil engineering, railways and road projects is largely driven by the public sector. There was little noticeable effect of a drop in demand due to the credit crunch, which many other sectors were affected by. In some cases, minor engagements with companies or municipal authorities were cancelled or postponed. Major clients are aware of the need to sustain continuity of engagements so as not to end up being confronted with unplanned capacity reductions in the future due to shrinkage or redundancies, an issue that has become a reality again as a result of the crisis. That is why both at home and abroad, many of the proposed incentive packages are intended for the sector in which VolkerWessels is active.

The earlier trend in the market of an integrated approach during tendering phases continued unabated in 2008. Growing traffic congestion is forcing policymakers and clients to focus on the issue of managing traffic flow rather than thinking in terms of roads and concrete. Everything is focused on allowing free traffic flow and avoiding the creation of obstacles. An integrated approach, with the contractor being responsible for all the work required on a certain road, is now a proven way to speed up projects and promote mobility. This market trend fits in well with the structure of VolkerWessels, where all the required disciplines, such as civil engineering, road construction, as well as equipment and traffic technology can be found under one roof, and where the companies involved are also used to working together closely.

Following on from this trend, major clients, such as the government and ProRail, increasingly demand an integrated approach to more complex projects, based on design and construct. In such a case, the contractor is not only responsible for the implementation, but also for the design of the entire project, usually on the basis of a number of practical and functional requirements. The technical expertise required in the design phase is also outsourced in this approach. At present, authorities only want to manage projects at a high and abstract level. This approach reflects the government's policy

to let the market play a decisive role in project tenders under the motto 'the market unless'. This practice continued distinctly in 2008, both in civil engineering and road construction. The aim to make the contractor also bear responsibility for the design led to some teething problems at VolkerWessels. We were too late to recognise and appreciate the complexity involved in setting up a fully-fledged design department that could carry out the necessary designs for the different phases in the construction process, varying from design sketches to implementation designs. VolkerWessels is now looking at the most optimal solution for managing this process.

Strategy

During 2008, VolkerWessels focused a lot of attention on the aim to set up a system of cross-border sharing of knowledge and expertise. Expertise and materials must be deployed on a wider scale, both in the new geographic market areas and in other market segments. Clear progress was made in this field during the year under review. For instance, exclusive and expensive equipment is increasingly being used in cross-border projects, in Germany, the UK and in the Baltic states and, where necessary, business units work closely together at technical and strategic level.

Cross-border sharing can lead to expansion abroad. Rail activities usually serve as a stepping-stone to new markets; where possible, road construction projects are set up as a follow-on from rail activities. The Estonian and Polish activities are a good example of this approach. During 2008, the focus in road construction was mainly on the further development of the organisation and the optimisation of quality in the Netherlands. As a follow-on, the growth strategy for this market segment will be gradually shifted abroad. In line with this vision, we did not compete in major projects in Germany or elsewhere in 2008, but instead focused all our attention on managing our business operations in The Netherlands.

In civil engineering and road construction projects, the strategy is aimed at achieving better nationwide cover in the Netherlands. Major projects can be implemented across the country without a problem. Our nationwide presence is not yet sufficient as far as smaller projects are concerned, and capacity in certain areas still has to be bought locally. This sometimes leads to problems, and the level of quality is not always consistent. VolkerWessels aims to have a nationwide presence, with respect to smaller projects, this is not only to improve services to clients, but also because experience shows that this type of work can lead to additional work.

Sustainable business parks in Middelharnis

Energy for the new De Compagnie business park in the town Middelharnis will be supplied on the basis of a number of sustainable concepts. A special storage system will supply heat and cold. All buildings will be connected to a closed energy system supplying hot and cold water. In summer, heat is transported by means of a source system to a water-retaining ground layer at great depth. In winter, cold is also transported by means of a cold source system. The energy building plays a central role in this system. An asphalt collector, de Zonneweg®, was also built as part of this concept. The paving of the new car park contains a special water-retaining layer. This generates heat in summer and cold in winter. The generated heat and cold are transported to the energy building. This energy is transferred to the source system by means of a special heat exchange unit.



In the context of achieving a greater presence across the country, the acquisition of the civil engineering activities of Bruil Ede Groep was completed during the year under review, thus strengthening the position of VolkerWessels in the market segment in Mid-Netherlands.

The requirement for new acquisitions is that they must have demonstrable added value. In 2008, VolkerWessels strengthened its position in the market segment for sewages and pipelines through the acquisition of M.J.O. Holding in Noord Brabant. The company, which employs 130 people, concentrates on specialist sewage technology and inspections. Inspection contracts often lead to new renovation projects.

As far as civil engineering activities are concerned, attracting clients in the private sector remains a major area of attention. Long-term maintenance in the primary process of the client is particularly interesting as a market. This involves essential business units, which a client cannot afford to neglect without automatically causing damage to its business, such as runways, harbours, flooring in the processing industry or internal rail networks. In this context, 2008 saw the acquisition of Timmer-Verzijl, which performs private contracts in the Europoort and Botlek area.

VolkerWessels not only strives to achieve greater expertise in design, but also to reinforce maintenance and to be less dependent on suppliers. Timmer-Verzijl also trades in broken rubble and thus strengthens the desired chain integration.

Progress of business

The activities of VolkerWessels in the civil engineering, roads and railways sector in the Netherlands presented an uneven picture in 2008. With a large number of projects, the roads market segment performed satisfactorily, especially in the north of the country, despite price pressure remaining considerable. Following a record year in 2007, asphalt production fell behind during the year under review, which is something that affected all asphalt producers. Although overall production dropped, VolkerWessels did manage to increase its relative share in asphalt sales. Civil engineering, also performed satisfactorily, despite the continuing pressure on prices. The result of the railways market segment again remained under pressure. This was caused by a drop in the available work and, consequently, lower tender prices.

During 2008, the civil engineering and steel works of Van Splunder and the foundation technology of Visser & Smit Bouw were merged into Volker Staal en Funderingen. The result of this combination in its first year of existence was satisfactory with numerous new market opportunities at home and abroad. All the foundation technology within VolkerWessels has now deliberately been moved to a central location in Rotterdam. Foundation work is exceptionally advanced in knowledge and technology, but at the same time also extremely risky. It is an essential part of civil engineering technology and often leads to new projects being acquired, but if something goes wrong in a project, it is often in the foundations. With this in mind, both the knowledge and equipment, as well as the implementation strength were brought together in the new company. The basic principle is to work more professionally, but by clustering activities, the risk profile is also reduced and greater capacity is created. VolkerWessels, in the meantime, has a leading position in this field and is unique in the combination of steel in waterside development and specialist foundation techniques, both onshore and offshore. For instance, heavy and complicated mooring facilities for vessels, such as

pile moorings, jetties, and braking and guiding systems. A range of these projects were successfully implemented during the year under review. During 2008, other parties on the market also made use of the expertise of VolkerWessels in the field of foundation technology involving a number of complex projects.

During the year under review, the entire civil engineering sector continued to have problems with the new tendering process and the corresponding contract forms, with the risks being allocated to the contractors. The responsibility for the design and the implementation of the entire project is increasingly borne by the contractors. This means that more estimates are required during the tendering phase. To keep the estimation risks at an acceptable level, tenders are elaborated in an extremely detailed way. Not only does this mean a sharp increase in the costs of a tender, but it also takes its toll on the already scarce capacity in engineering and preparations. The same projects are worked out by the different potential contractors up to an advanced stage. The civil engineering contractors are advocates of better 'funnelling'. The client consider the quality of desing at a much earlier phase, enabling a choise between contractors to be made earlier on in a project. During the year under review, the fist signs that major contractors are taking this issue seriously have become apparent. A dialogue has been set up between the department of public works and water management and the market to look at a better utilisation of the scarce capacity in both civil engineering projects and road works. VolkerWessels is positive about this development, where there is a willingness to think along construction flows. For instance, if one part of a road has to be widened a number of times, it should be sufficient to present a detailed plan for one section, after which the result can be extrapolated to the other parts of the road to be widened. This will produce the lowest costs and avoid unnecessary demands on the scarce capacity of engineers and other materials.

A major disappointment in the civil engineering sector is the early termination of the construction of a floating MPU Heavy Lifter designed for the lifting, transporting and disassembling of offshore platforms taken out of service. Although the building of this advanced vessel went according to plan, and the design satisfied all the technical specifications, the work had to be terminated prematurely during the year under review due to financial problems facing the Norwegian client. VolkerWessels was aware of the financial risks throughout the project and always acted accordingly.

VolkerWessels has been aiming for some time now to achieve a greater share in long-term maintenance contracts in the portfolio. In acquiring these contracts, we rely on the knowledge and expertise gained in the railway infrastructure sector. Track maintenance is traditionally complex because of the strict conditions under which the work must be performed. These tough requirements now also play an important part in 'asset management', the common term used in the infrastructure sector for road maintenance. In 2008, the rail and road activities of VolkerWessels worked closely together to be jointly awarded the long-term maintenance contract for the Schiphol airport tunnels and the Zeeburger tunnel. Following a public tender, it has also been agreed with the department of public works and water management that VolkerWessels will manage all the equipment and materials in the water board district of North Holland for a period of five years. All the mechanical and electrical systems of the locks in the North Sea canal in Amsterdam and IJmuiden, as well as the pumping plant in IJmuiden and the jetties used by the Den Helder-Texel ferry service fall under this contract.

Finding inventive ways to keep traffic flowing now plays an essential and growing role in public tenders. During the year under review, different innovations were introduced for both working on the rails and road construction to promote smooth traffic flow. For instance, an inspection train was introduced in 2008 which combines different sophisticated inspection techniques, with work being carried out without affecting regular train services. A machine developed in-house was also brought into operation, which enables VolkerRail to put down rail silencers very quickly and safely. The first maintenance experiments were carried out in 2008 with the earlier introduced mobile work platform, such as the replacement of a rail track section without having to disrupt services.

During the year under review, the first railway maintenance contracts were awarded by public tender. In view of the outcomes and the price levels, the result was disappointing.

Work on the railways includes maintenance and renewal. In the tenders for maintenance, the contracts were awarded at rock-bottom prices. The maintenance staff at VolkerRail traditionally see themselves in the role of delegated railway managers. However, putting pressure on the contracts like this means that the loyalty of the staff is tested who are expected to work by day, by night and at weekends to ensure free traffic flow. Tenders for the renewal contracts were also low, which means that companies with high capacity costs, such as VolkerRail, are at a disadvantage. During the first period of 2008, a number of these contracts were awarded to German tenders for the first time. As a result of all these developments, work on the railways in The Netherlands again fell behind in 2008. The result was under-capacity of both people and equipment and a lower financial result.

During 2008, VolkerWessels was active day and night on various sections of the busy A2 motorway. The A2 Hooggelegen project includes the design and construction of the widening between Leidsche Rijn and the Oudenrijn intersection, with various viaducts, detours, reconstructions and fitting noise barriers. This work is carried out in an alliance with the department of public works and water management. With respect to the section of the A2 between Holendrecht and Maarssen, instructions to speed up the work were received in 2007, which means that the '2x5' carriageway will have to be completed in 2010, and not in 2012. The work around 's-Hertogenbosch, which had been stopped for a while, was restarted in 2008 with a renewed effort, and will probably also have to be completed ahead of time.

Road activities abroad

Road construction in Germany had a good year. This was partly thanks to the first public-private partnership (PPP) in Germany involving the German road construction company Trapp Infra Wesel. This involves a so-called DBFMO (Design, Build, Finance, Maintain and Operate) contract. The consortium assumes responsibility for all these elements in the widening of an important stretch of the A8 motorway between Augsburg and Munich. The costs involved in this project will eventually have to be recouped through toll fees charged to heavy lorries. It is expected that a number of new DBFMO contracts will again be agreed in 2009 for motorway widening. Trapp Infra concluded a new five-year maintenance contract in 2008 with energy provider Vattenfall in Wertheim. At the moment, VolkerWessels is involved in road-building projects in Germany, mainly in Wesel and in North-Rhine-Westphalia. In view of the positive result achieved in 2008, further expansion looks promising.

Rail activities abroad

The rail activities in the UK take place through GrantRail, a joint venture between Corus and VolkerWessels. In 2007, Corus was taken over by the Indian steel company, Tata Steel LTD. As a result of this takeover, VolkerWessels acquired the remaining 50% of the shares in GrantRail. In 2007, a major contract for GrantRail with Network Rail in the field of track renewal came to an end. During the year under review, this loss of projects was fully compensated, and GrantRail succeeded in adding a distinct new face to the market with a number of major integrated projects. The company started 2009 with a healthy and profitable order book. Network Rail showed great interest in 2008 in the innovative technology used in the Netherlands, such as the mobile work platform and the butt-welding of railway tracks in combination with a super puller.

Together with a Swedish partner, GrantRail participates in the extension of the underground to the east of London. This rail link, the Docklands Light Railway (DLR), is vital for future major events in London. In addition to the extension work, seven metro stations have to be built or renovated. Increasingly GrantRail uses equipment on the continent for these activities, which means increased capacity utilisation of this expensive equipment. With the exception of signalling, VolkerWessels was satisfied with all the activities in the United Kingdom. There is not enough work in signalling to gainfully engage the highly qualified specialists. Because of the local technology involved, it is not possible to deploy these staff cross-border elsewhere in Europe.

With lots of players in the market and a lack of direction from the most important client, the German railway market remained difficult in 2008. During the year under review, the railway activities were concentrated in Wesel, where they are accommodated with Trapp Infra, which means all the activities are concentrated at one location. The parties can now benefit from each other's capacity and shared knowledge and skills. A long-term railway maintenance contract was

Installation of girders for the A2 motorway

Commissioned by Rijkswaterstaat Noord-Brabant (the Noord-Brabant service of the Public Works and Water Management Department), the construction consortium InfraA2 (a collaboration between KWS Infra, Van Hattum en Blankevoort and Vialis) is designing and constructing the A2 by-pass around 's Hertogenbosch. Between the Meuse and Vught, the A2 is being widened from a three-lane to a four-lane dual carriageway. Almost all the bridges and viaduct on this section will be modernised, and the Empel and Hintham junctions will be completely rebuilt. On the A59 motorway between Hintham junction and the Berlicumseweg viaduct, InfraA2 is constructing two new bridges that will span the future rerouted Zuid-Willemsvaart canal. For the bridges, box girders with a length of 53 metres were installed.





renewed, and in Cologne an attractive tram order was obtained. VolkerWessels is only active in track work in Germany; the market for overhead cables, equipment and traffic technology is too competitive there to achieve a profitable position.

In Poland, VolkerRail has now gained a solid footing in the market with a thorough organisation deemed capable of extending its activities with the first tentative steps in road construction. High-quality work was acquired during the year under review, and activities were expanded to work on overhead cabling. In Estonia, a maintenance and renewal contract was lost in 2008 to the Finnish state railways. Despite this loss, VolkerRail succeeded in the course of the year to conclude sufficient replacement and other engagements, thus maintaining its market position. Equipment was also increasingly shared in Lithuania, Estonia and Finland, where wide-gauge tracks are used everywhere. These countries contributed to the successful cross-border deployment of human resources and equipment, which VolkerRail clearly pursued in 2008. The rail activities in Poland and the Baltic states are all commissioned by the EU and are largely funded by Brussels. VolkerRail therefore does not expect to be affected by the payment problems faced by these countries as a result of the credit crunch. VolkerRail is also active in Sweden, where VolkerWessels has been working with the German Leonhard Weiss under the name of VolkerWeiss Nordic since 2007. This joint venture was again successful during the year under review.

Outlook

Following years of debate, the 'Spoedwet Wegverbreding' (road widening priority act) came into effect at the beginning of January 2009. The first proposal to speed up the normal legislative procedures by two years dates back to 2003. There were legal objections to the proposal. In 2008, minister Eurlings of Transport and Water Management proposed to amend the priority legislation whereby the legal objections were removed.

After a positive ruling by the Council of State, the Lower Chamber of Parliament accepted the legislation and also amended the 'Tracéwet' (delineation act) at the beginning of 2009. Thanks to the new legislation, accelerated peak traffic lanes and other road widening projects can now be implemented at 30 sites.

'An exciting place to work and above all a very diverse one'

'I worked as a trainee at KWS Infra in 2000. I have now been working for the company for seven years, and have been working at Schiphol airport for the past eighteen months. I can see the runway from my site office. Sometimes I work on a tender in the morning, but then in the afternoon I might visit the aircraft maintenance site to assess a malfunction. It is an interesting place to work and very diverse. Ultimately I would like to further advance my career and attain a supervisory position at the operations office.'

Jos Otten (1979), KWS Infra



A number of them will be launched as soon as possible in 2009 in order to shoulder the current economic situation. The remaining bottlenecks will be dealt with in 2010. This accelerated process offers VolkerWessels good prospects for the order book.

As a result of the freezing conditions in January 2009 and the damage it caused to the roads, asphalt production is expected to increase again. All areas of the infrastructure sector in the Netherlands offer VolkerWessels good opportunities for the future.

In the Dutch railway market, prospects for 2009 and 2010 are not favourable due to the limited work available. The changing market conditions have led to the optimisation of the organisation and improvement of efficiency.

United Kingdom (Civil engineering, Roads and Construction)

Market and Strategy

Following years of growth and sharp increases in the prices for residential and commercial properties, the UK economy ran into serious problems during the final months of 2008. The financial crisis and the many redundancies brought about by it caused consumer and producer confidence to fall. Consequences of this are high unemployment, a sharp drop in the value of the British pound and a steep decline in the residential and commercial property market.

Whereas capacity limits were still reached on many fronts in 2007, there were clear signs of a better balance in the market and the price of raw materials and labour rapidly returned to normal. In general, the UK operating companies of VolkerWessels succeeded in staying on their feet and performing to expectations despite the difficult market conditions.

VolkerWessels's largest company in the UK is Fitzpatrick. While originally a civil engineering contractor, in recent decades its civil engineering activities have been expanded to a broad spectrum of related activities. At the moment, more than half the turnover of almost € 500 million is generated by the construction and property development market segment. In this market segment, Fitzpatrick focuses exclusively on industrial/commercial construction mainly in industry, education, healthcare and leisure. The geographic area of work traditionally includes the southeast of England and the Midlands. The area of work has been substantially expanded in recent years due to specific engagements. In the past, the company took a clear new direction with sustainable construction and the aim to actively reduce CO₂ emissions. This led to a number of prizes being awarded in 2008, including the 2008 Sustainability Award for the company's new head office, which reduced CO₂ emissions by two thirds. For the second year in a row, Fitzpatrick was named the best employer in the construction sector.

After the floods of 2007, the UK saw a number of major projects coming onto the market for water defences. This development did not continue during the year under review. In contrast, the market for other civil engineering projects exceeded expectations, especially in the east of London, where the Olympic Games will be staged in 2012. In 2008, Fitzpatrick was awarded the maintenance contract for the roads in and around the Olympic village. At Fitzpatrick work for this sporting event has compensated for the general decline in the civil engineering market.

Compared to this general picture, the civil engineering activities in the Midlands presented a negative picture in 2008. Because this situation will not improve in the short term, it prompted Fitzpatrick to think about the organisational structure of the civil engineering activities.

By merging companies and cutting overheads, the costs have been brought more into line with the market situation. The result of the highway services in London has not been so good for a number of years in a row. The reorganisation project that followed, with the cost structure coming under close scrutiny, was successful, and the year was ended with a positive result. Meanwhile, various small loss-making activities have been sold.

The organisational adjustments implemented in the United Kingdom result from acquisitions in previous years. In line with this, VolkerWessels started in 2008 with the greater centralisation of the management of the UK companies and a start was made with increasingly positioning the companies on the market under a single brand. After acquiring the remaining shares in GrantRail, the first steps were also taken towards increasing the synergy between the rail and construction companies. In the past, clients have signalled their need for closer cooperation. VolkerWessels therefore also has good expectations for this development.

The aim to accelerate growth in the United Kingdom by means of acquisitions is still being pursued. During the year under review, as in 2007, there were no acquisitions in the civil engineering, roads and construction sectors, except for the acquisition of the remaining 50% shares in GrantRail from Corus. Acquisition prices are still at a level where they do not satisfy the criteria that VolkerWessels sets for acquisitions. However, as a result of the worsening economy, there appear to be new opportunities on the acquisition market. VolkerWessels is particularly looking for opportunities in the south of the United Kingdom.

Although in 2008 the economy in the United Kingdom was badly affected by the international financial crisis, the prospects for the market segments in which the UK subsidiaries of VolkerWessels operate do not appear unfavourable. The order books of most of the operating companies are reasonably or well filled, and at some companies, the order book for 2010 is already developing above expectations.

Progress of business

The UK operating companies of VolkerWessels performed according to expectations in 2008. Fitzpatrick again produced a good result, and the rail division succeeded in posting the same good figures as in the previous year. The activities of the civil engineering division equally produced a good result. The construction division achieved higher than had been forecast, but the result lagged, partly as a consequence of setbacks on construction projects.

One of the specialities of Fitzpatrick is the construction of large distribution centres. Despite expectations that this market would decline there has not yet been any evidence of this, and so, in 2009, it is expected that this will continue to be an important contribution to turnover. However, as a result of the financial crisis, uncertainty on the market is on the increase.

The results of the Laser Group were again disappointing in 2008. The company is primarily active in the Midlands and in the east of Wales. The problems facing the construction division, partly as a result of the settlement of old projects, were brought under control during the year under review. The size of this division has now been brought into line with the market conditions. The civil engineering division, mainly active in the field of access roads, traffic junctions and infrastructure projects for private developers, faced a shortage of work due to the general weakness of the market under heavy pressure from price levels. The results of this division were disappointing. Laser Special Projects again performed above expectations. In recent years, this division has developed into a

frequently consulted specialist for the repair of construction damage and waterproofing. The division now operates across the whole country and in Ireland.

The road maintenance company, Crowley, successfully invested a lot energy in optimising the operational management. Crowley developed from a road construction company to a broad service provider on and along roads, including activities such as asphaltting, road marking, paving of local roads, shopping areas and maintenance. The results for 2008 were positive and the order book is healthy.

The joint venture with Gabriel is prospering. Gabriel is active in London and the southeast of England in smaller civil engineering projects. In recent years, the company has actively targeted clients in the private sector and, at the moment, more than half the turnover is generated in this market. Given the quality of the order book, the prospects for Gabriel are also good.

Volker Stevin is a nationwide contractor concentrating on a range of activities, such as infrastructure, harbour works, bridges, remediation, regeneration and flood defence. In 2008, the company was named contractor of the year in the medium-sized enterprises sector. During the year under review, Volker Stevin constructed a new lock and water control structures at Prescott Channel in the east end of London. The lock is important as an access point for the transport of building materials for the construction of the Olympic village. Growth in the construction division of Volker Stevin in 2008 was slower than expected due to too little work being available. However, the results of the projects that were implemented were satisfactory.

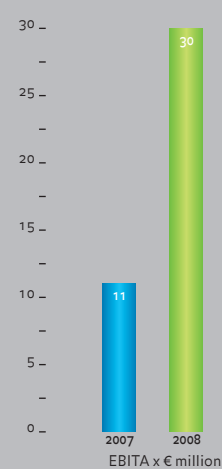
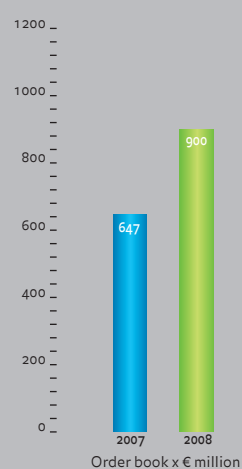
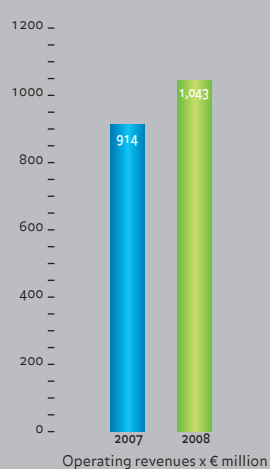
During the year under review, Volker Stevin continued the construction of a by-pass around a small town in Northumberland which included three bridges and a multi-span viaduct. Volker Stevin Marine was awarded the contract to construct a new road tunnel under the River Tyne.

In 2008, Volker Stevin Marine completed the construction of a 300 m jetty on the Isle of Grain. The project is part of the renovation and redesign of an existing mooring and storage for liquid gas. The new jetty means a sharp increase in the load and unload capacity at the terminal for Liquefied Natural Gas (LNG).

In Wales, operating company Volker Stevin Construction Europe was involved with the construction of another LNG terminal, participating in a joint venture. During construction, this project suffered a series of setbacks, such as additional design specifications, long delivery times, disappointing purchase prices and problems with the trade unions involved. Shortly before the end of the year, therefore, agreement was reached with the client to stop interference by the construction combination with the actual work. It has been agreed that the client will be responsible for completing construction during the final phase of the project. Regrettably, the result achieved on the work was disappointing.

The transport and transfer of liquefied natural gas remains a growth market and offers Europe the opportunity to reduce its dependence on gas from Russia. In order to develop new initiatives in this field, VolkerGas was established in the past. This company mainly concentrates on the realisation of LNG terminals.

INFRASTRUCTURE TECHNOLOGY AND TELECOMMUNICATIONS



(x € million)	2008	2007
Operating revenues	1,043	914
Order book	900	647
EBITA	30	11
EBIT	26	8
Depreciation of tangible fixed assets	7	6
Amortisation	4	3
Net investments in tangible fixed assets	5	5
Net investments in intangible fixed assets	4	10
Capital employed	205	219
EBITA / capital employed	14.5%	5.0%
EBIT / capital employed	12.6%	3.7%
Operational margins:		
EBITA / operating revenues	2.9%	1.2%
EBIT / operating revenues	2.5%	0.9%
Average number of employees	4,000	3,900
Average operating revenues per employee (x € 1,000)	261	234

Market, strategy and progress of business

Networks (cables and pipelines)

VolkerWessels has a leading position with respect to laying cables, overhead and underground lines and pipelines for energy, water and communication, including the relevant equipment, both onshore and offshore. Clients include utility companies, industrial companies, telecommunications companies and government authorities at home and abroad. The company that accommodates all this expertise is the now more than 100-years-old Visser & Smit Hanab, with offices in the Netherlands, Belgium, the UK, Germany, France and Hungary.

Visser & Smit Hanab changed its focus from traditional distribution projects to other sectors, such as oil pipelines, the construction of large industrial plants, including waste incineration, and the market for the underground storage of gas and CO₂. Distribution, such as providing residential connections, is a competitive market resulting in low prices and little innovation. Oil transportation and energy, on the other hand, are growth markets in which VolkerWessels now occupies a leading position, especially in the offshore segment.

The company extends its market position by keeping up to date with the rapid technological developments in the different sectors. For instance, the company has developed innovative underground drilling techniques, which are essential in a country that is crisscrossed by canals, flood defence, railway lines, motorways and existing cable and pipeline networks. Precision underground drilling, which spares the upper soil layers, offers a solution. This knowledge can also be marketed successfully abroad. In addition to the role of a traditional construction company, Visser & Smit Hanab is playing a growing role in not only the design, but also the development of projects.

During the year under review, Visser & Smit Hanab profited significantly from the offshore industry sector, which has been gathering strength for some years now. As a consequence of high energy prices and growing environmental awareness, the construction of wind farms has accelerated. The company focuses primarily on near-shore or 'shallow-water' activities. Combined with the knowledge and the maritime equipment of its sister company Stemat, Visser & Smit Hanab sets up the connections between the turbines and a substation, and from there the major connections to the shore.

Governments and authorities have committed themselves to achieving certain targets in the field of sustainable energy. This offers good opportunities for companies active in the area of wind power. Visser & Smit Hanab mainly concentrates on complex projects, such as seaside landing sites. A major project was implemented in Dubai during the year under review, with connections between newly created islands and the mainland being completed. In the Westerschelde, various electricity connections were replaced during 2008 by using complex drilling techniques, for example, between Terneuzen and Ellewoutsdijk.

The Netherlands has set itself the goal of playing a major part within Europe as far as gas transport is concerned. Transport, drilling and marine, responsible for major transport lines at Visser & Smit Hanab,

was involved in 2008 in the expansion of the gas distribution network. Not only Russian and other gas should be distributed through this network; in the long term, it must also include the distribution of liquid gas that arrives via the LNG terminals in the different Dutch seaports and the Maasvlakte. As part of this, orders have now also been received from France and Belgium, and in the future these activities are also likely to extend to Germany and Poland. For example, a start was made in 2008 at the request of Gaz de France with the construction of a 40km gas transport pipeline in Alsace. Because of the difficult underground and the many obstacles above ground, virtually all the available drilling techniques have to be deployed to save vineyards and population centres.

VolkerWessels is also active in the construction of waste incineration plants. These activities are well-suited to the company, since it has years of experience with industrial boiler kettle and incineration systems. Visser & Smit Hanab is involved in the construction of the cross-border EVI (Europark Verbrennungs Installation) in Coevorden, where the Netherlands and Germany are co-operating to construct several waste incineration plants. This project was completed in 2008. During the year, construction started on a fifth incineration system in Dordrecht, for which the contract was awarded in 2007.

Another distinct growth market is underground gas storage. VolkerWessels supplies the extensive equipment used to store gas underground. These projects often run into tens of millions of euros, with the market distinguishing between two types of storage. There is the relatively short-term storage in small volumes, mainly intended for responding to price fluctuations in the market. Then there is strategic storage in large volumes, which is primarily intended for the long term. Advanced plans are now underway for such a storage facility at Alkmaar. In 2008, Visser & Smit Hanab was awarded the contract to expand the underground storage capacity at Epe in Germany by three extra caverns at a depth of 1,200 metres and for a total of 80 million cubic metres of natural gas.

A market on which the reversal in the economic cycle in 2008 did have an impact was the industrial market. VolkerWessels is mainly active in the petrochemical industry, which slowed down markedly in the year under review: investments were postponed and the waiting time for projects increased. The forecast turnover was achieved in 2008, but a lower production is expected for 2009. During the year, a project to increase the jetty capacity in the Botlek area was completed for the terminal complex of Odffjell, the Norwegian shipping company for petrochemical products. At the request of British Petroleum, a start was made with the expansion of the fuel terminal in Amsterdam, with existing moorings being adapted and new ones being constructed for both inland and ocean-going vessels. Visser & Smit Hanab is responsible for the pipelines between the jetties and the storage tanks.

A niche market that has drawn a lot of attention in the past is the OCAP project, this involves CO₂ being transported via an extensive network from the Botlek area to the Westland for use in greenhouses. During the year under review, this project was repeated in the province of Zeeland. A new area for greenhouse cultivation is being developed around Terneuzen, where the residual heat and CO₂ from a chemical fertiliser plant will be used. Farmers taking part in this WarmCO₂ project in the area of 400 hectares save some 90% on energy in comparison to traditional greenhouses. The difference with the OCAP project is that, in this case, not only CO₂, but also residual heat is used in the greenhouses. Other market opportunities in this field include heat/cold storage and deep geothermal drilling. The heat/cold storage technology is not suited for individual homes; however, it is suited for entire residential districts. To achieve synergy benefits, Visser & Smit Hanab is working closely together on this issue with the construction companies of VolkerWessels.

Visser & Smit Hanab was also successful abroad during the year under review. The Belgian operations had a difficult year in 2007. A reorganisation took place during the year under review, and the company was more selective with respect to the tender markets.

The Belgian operations posted a good result in 2008. During 2008, the existing drinking water pipeline from the UK mainland to the Isle of Wight was successfully replaced. Both sides required four drill holes and two pipelines with a diameter of four metres, which were subsequently linked to each other. With its specialist knowledge, Visser & Smit Hanab is getting more and more involved in projects of UK sister companies.

The prospects for Visser & Smit Hanab are good. The order book is filled such that capacity limits are looming for 2009. In the long term, new legislation concerning the splitting of the current energy suppliers into a network and an energy company can lead to new activities. At the moment, the energy suppliers still have their own maintenance services. After the split, a regulated market has to be created with everyone having the opportunity to supply electricity using the same network. This situation offers opportunities for the outsourcing of maintenance activities, as happened in the past during the privatisation of KPN and parts of the Dutch National Railways (NS). VolkerWessels gained experience from these outsourcing contracts.

Networks (Telecommunications)

A number of significant developments took place in the telecommunications sector in 2008. The earlier trend of the consolidation of mobile telephone networks continued. There was hardly any growth in this market, because the need for new networks continues to shrink. At the same time, fibreglass networks appear to be gaining a definite position in the market after telecom provider KPN and fibreglass manufacturer Reggefiber decided to join forces. Together, the two companies want to have a nationwide fibreglass network at around 2015. Areas not covered will be served by wireless alternatives, such as Wimax and WiFi. Through the direct fibreglass connection, households will be offered new possibilities with respect to telephony, broadband, HDTV and video-on-demand. This development offers VolkerWessels Telecom good opportunities in the market. In mid-2008, a start was made with laying fibreglass in the Amersfoort district of Nieuwland. Eventually, 5000 homes in this district will be connected to a 40-km-long fibreglass network.

VolkerWessels Telecom is mainly a telecom infrastructure company. In addition, this division designs, develops, maintains and manages fixed, mobile and wireless networks. In this context, it works closely together with other business units in the group, such as the road and railway companies, the fittings contractor HOMIJ, Vialis with its traffic technology, and the house building companies. The company operates in a dynamic market with technological developments happening at an extremely rapid pace. The new networks already use higher transmission speeds, both in the ether and in underground landline connections.

The strategy pursued by VolkerWessels Telecom is aimed at lengthening the production chain. In many fibreglass projects, the current involvement is limited to engineering activities and project management. VolkerWessels aims to increase its capacity so that in the future it will lay cables, thus preventing efficiency loss by having to share knowledge and responsibility with third parties. Lengthening the chain and avoiding duplication can improve profitability in the rapidly growing fibreglass market. Moreover, VolkerWessels owns a number of specific licences for the laying of fibreglass that work better than the classic method. Using this technique, a 100 kilometre long fibreglass network was laid successfully along the A2 motorway.

In 2008, the closed circuit network used by the national emergency services of the police, fire service and ambulances was extended by dozens of new set-up points, providing a greater range. In Amsterdam, a new phase in the extension of the city's telecom tower was completed with the construction of a temporary mast of 150 metres for the current antenna systems. With the arrival of the hanseatic railway line ('Hanzelijn'), the current railway station in Lelystad has to be renovated. All the telecommunication facilities will therefore have to be doubled in phases before 2011. This project also started in 2008.

Each year, hundreds of millions of euros' worth of damage is suffered in the Netherlands because of the excavation activities for laying cables. In order to reduce this cost item, the 'Wet Informatie-uitwisseling Ondergrondse Netwerken' (information exchange on underground networks act) (WION) was implemented. In the future, companies are required to make the position of their cables available in digital format to third parties. During the year under review, VolkerWessels Telecom started to assist companies to make an inventory of their cables and pipelines. One of the biggest Dutch cable companies, asked Telecom to present its entire file of drawings and plans of its cable networks in digital format during the year under review.

VolkerWessels is also active in the construction of data centres. This is partly as a result of new legislation which requires internet providers to store requested internet sites and email correspondence for years, which has increased the demand for storage capacity. During the course of 2008, the CyberCentreFlevoland (CCF) data centre at Almere, designed and completed by VolkerWessels Telecom, was delivered to the end user. The integrated approach, with design and construction being under one roof, clearly produced a shorter completion time. This project involved close cooperation with other VolkerWessels companies.

The reorganisation project started at Telecom in 2007 led to good annual results in 2008. The company outsources more and more drawing work to India. In Belgium, operations continued to make a loss due to insufficient control and focus on the market dynamics. Typically for Telecom, the old markets are disappearing rapidly to make room for new ones, responding to this trend successfully makes the difference. A process of reorganisation and a limitation of activities in Belgium has started and the first benefits are already evident. In Germany, the organisation was adapted in 2008 to fit in better with the trend of one large European internal market. In the fields of internet and mobile telephone services, Germany and the United Kingdom are lagging behind the rest of Europe, but both countries have now started working on that, which offers new opportunities.

Traffic and rail technology

The traffic technology sector also benefits from the aim to achieve an improved traffic flow on Dutch roads. At VolkerWessels, the services and products that have to promote and improve mobility and safety on roads, railways and on public transport are accommodated with Vialis. Over recent years, this company has been transformed from a product supplier to a broad service provider.

One of the main priorities for Vialis in 2008 was the introduction of the national chip card for public transport. The rollout of this project was repeatedly delayed as there were fears that security features on the card were not good enough.

On 1 January 2009, Rotterdam was the first municipal authority to introduce the public transport (OV) chip card. Due to the delay in the introduction of the OV chip card, maintenance contracts were also delayed, which had a negative impact on the turnover and financial results of Vialis.

First heavy tailor-made level crossing installed in Winschoten

The first Zware Overweg Op Maat (ZOOM), a heavy tailor-made level crossing, was installed in the municipality of Winschoten. Thanks to this prefabricated slab fitted with rails, the time required for constructing the crossing is reduced by eight hours, reducing the time trains are out of service. In addition, the quality of the crossing on the Groningen-Nieuweschans section was significantly improved.



In the long term, virtually all the public transport companies will use the card. The chip card also suitable for numerous other applications, including a replacement for or complimentary to current debit cards, as a means of access control in buildings, a parking permit or as an entry ticket to events. Because of the unique code contained in the chip, the card is far less susceptible to fraud than generally assumed. Day-to-day usage of the card has proven this.

In order to strengthen the position on the market for traffic control equipment, fellow company in the sector, TPA, was acquired in the past. The integration of this company in 2008 went well. The acquisition will lead to much lower development costs. During the year under review, Vialis focused a lot of attention on countries such as Indonesia and China, the benefits of which can be seen in the results. Vialis has high expectations for a new radar system, with traffic speed no longer being measured by sensors in the road. The new system, which is already operational, has been installed above the road and can measure the speed in each traffic lane. The new radar is not only cheaper, but also easier to fit and better to maintain. Vialis expects that the system will offer significant opportunities for journey information systems, which are installed on more and more motorways.

In 2008, Vialis was awarded the contract for a number of major traffic systems, such as for the A10 motorway and the N302 provincial road near Harderwijk. On the N302, lane signalling, route information, parking directions, traffic control equipment, a weather station and the possibility of identifying overloaded lorries will run from a central traffic control centre in the future. The system must be up and running in 2010. Vialis will be responsible for the ongoing functioning of the system for the next 15 years. During the year under review, dozens of equipment were placed along the feeder roads to the A10 motorway, which control traffic access to the motorway. In 2008, the public works and water management department took possession of the first of two traffic control centres developed by Vialis, which will control all the equipment in the region. The remaining two plants were delivered in 2009. In Sweden, two important tunnels to the north of Stockholm became operational, which Vialis delivered all the traffic systems for.

Providing information is a vital tool in combating traffic congestion and easing traffic flow. In the year under review, the bus stations of several municipalities were fitted with displays showing current departure times. Information panels showing up-to-date traffic information were set up in various locations in the country, including at the Zeeland Bridge and on the A9 motorway. For the same purpose, Vialis delivered 100 panels during the year under review, showing traffic information near the various leisure parks, zoos, and the beach at Hoek van Holland. A website in the Haaglanden region now makes it possible to see at a glance which mode of traffic will get the traveller to his or her destination the quickest: bicycle, car or public transport. Countries abroad are also discovering the added value created by information provision. Dynamic information screens were erected at the Belgium sea lock at Wintam, for example. The Belgian city Gent commissioned Vialis for a traffic control system.

Since the Dutch government decided to stop funding these projects through the Ministry of Development Cooperation, rail activities in the Far East are being wound down. For instance, in 2008 Vialis delivered an entire train safety system to Indonesia for the biggest train depot in south east Asia that offers room for up to 224 trains. The activities in Indonesia also had a positive effect on the activities in Australia.

The prospects for Vialis for the coming years are favourable. The rollout of the OV chip card is gathering pace, and both at home and abroad, there is a lot interest in improving the traffic infrastructure.

Fitting technology

The fittings contractor, HOMIJ, again had a good year. The company not only benefited from the large amount of work available, but also successfully implemented the acquired projects without any problems, as a result operational losses on projects were kept to a minimum.

The emphasis of the work of HOMIJ Technische Installaties is on projects in the field of electrical and mechanical engineering. The company comprises three divisions each with its own specialist field. Utilities concentrate on equipment and facilities for, among other things, healthcare, education and cultural institutions. In addition to provisions for roads and railways, Infra and Industry also focuses on water-management projects, such as sewage plants and pumping stations. The Technical Facility Management division, is responsible for the maintenance and administration of offices, hospitals, public buildings and equipment.

In 2008, the new premises of the construction division of the public works and water management department in Utrecht were officially delivered with numerous technical innovations for which HOMIJ provided the mechanical equipment. Thanks to the good operation of this project, a contract was awarded for the new fittings and facilities of the ministries of Justice and the Interior in The Hague. In the future these two departments will have the biggest government building in the Netherlands. Among other things the building will conserve energy by means of underground heat and cold storage. HOMIJ will be jointly responsible for the electronic facilities and the ventilation technology, including the data and ICT infrastructure. Construction is due for completion in 2012.

During the year under review, HOMIJ was also involved in the renovation and extension of the Rijksmuseum in Amsterdam. The company is responsible for all the technical fittings and equipment and the data infrastructure. The contract includes an ingenious lighting arrangement, to exhibit the pieces of art as naturally as possible. To this end, roof panels that let through light will be equipped with mobile shading blinds and variable neon lighting, which adapt to each different season. This prestigious project must be completed in 2011. HOMIJ is now a familiar name for unusual projects. In partnership with two other companies of the VolkerWessels group, the construction company Ufkes and engineering firm Aveco de Bondt, a new distribution centre for TNT Post was completed in 2008, which is completely CO₂-neutral.

HOMIJ and Vialis worked together on two tunnel projects during the year under review. In The Hague, the longest urban tunnel in the Netherlands, the Hubertus tunnel, was made operational in 2008. The 1.6 kilometres traffic tunnel will be part of the northern ring road in The Hague. Construction was started in 2004. Work on the A73 motorway at the Swalmen and Roermond tunnels again faced delays in 2008 due to the complexity of the equipment used, which is the result of new European rules on safety in tunnels. The systems have now been fitted and they will enter the final phases in 2009, after which the tunnels will be ready for use.

The prospects for HOMIJ Technische Installaties for the coming years are good. There will be a lot of focus on the renovation of the Haringvliet and Volkerak lock systems. This comprehensive contract was awarded in 2007 by the department of public works and water management. The engineering for this project was completed in 2008 and then the actual work started.

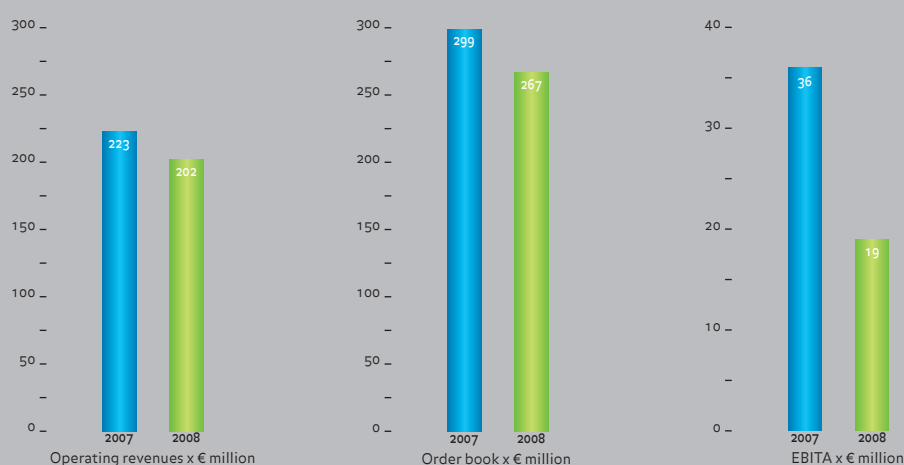
WarmCO₂

WarmCO₂ is a project by Visser & Smit Hanab involving the conversion of residual heat and CO₂ in environmentally-friendly and sustainable greenhouse farming. WarmCO₂ supplies heat and CO₂ to market gardeners relocating to the Biopark Terneuzen, a new greenhouse area. As a result, it will be the most sustainable greenhouse area in the Netherlands.





INFRASTRUCTURE AND LAND DEVELOPMENT IN THE USA/CANADA



(x € million)	2008	2007
Operating revenues	202	223
Order book	267	299
EBITA	19	36
EBIT	19	36
Depreciation of tangible fixed assets	5	5
Amortisation	–	–
Net investments in tangible fixed assets	3	11
Net investments in intangible fixed assets	–	–
Capital employed	136	130
EBITA / capital employed	14.0%	27.7%
EBIT / capital employed	14.0%	27.7%
Operational margins:		
EBITA / operating revenues	9.4%	16.1%
EBIT / operating revenues	9.4%	16.1%
Average number of employees	900	1,000
Average operating revenues per employee (x € 1,000)	224	223

Market and strategy

In 2008, the companies of VolkerWessels in the United States and Canada were only partly successful in avoiding the impact of the global financial crisis.

The infrastructure market in the Canadian province of Alberta remained at a high level as a consequence of the investment budgets freed up for this field during the preceding period. This is in contrast to land development in the United States, where the slowdown this time also hit the economically relatively strong Seattle region, where VolkerWessels is active. The amount of work in infrastructure in the US remained reasonably on target, but competition increased sharply.

Canada

The economic developments in the Alberta province in Canada strongly depend on the oil industry. The oil price fluctuated sharply during 2008. The beginning of the year saw record levels of more than USD 140 a barrel, with a subsequent drop to around USD 40 at the end of the year. This price drop had a direct impact on oil production in Alberta. The Athabasca Oil Sands in the northeast of the province contain enormous oil reserves, but extracting oil from these bituminous sands is an expensive and labour-intensive process. To make extraction profitable, the oil price must be at least between USD 50 and USD 60. Due to the record oil prices in recent years, the bituminous sands could be developed without a problem, but following the price drop in 2008, new investments were halted immediately. This caused a slowdown in economic activities and slower growth in Alberta. As a result of the slower growth, the labour market eased back into more normal conditions, but it is nevertheless still difficult to recruit qualified staff.

The centre of the oil trade is in Calgary, Alberta. Thanks to the oil industry, tourism and a booming service sector, this city has grown at neck-break speed over the last decades. The rapid population growth led to a permanent shortage on the home market, with the result of very high prices. This high price level started to turn on itself in 2008 because the homeownership market became out of reach for a growing group of residents. Construction companies responded to this market trend by switching to cheaper types of homes, especially flats and apartments. This development has an impact on the land development activities of VolkerWessels, which mainly focus on plots for immobile homes.

The strategy in Canada is aimed at consolidating the traditionally strong position of Volker Stevin Contracting in Calgary and the surrounding region. In the past, a shortage of qualified staff in this dynamic region was an important issue.

In the current situation, with its dwindling growth, the challenge facing us is to retain staff by means of creative solutions to also ensure that we have good and loyal staff in the longer term when the economy picks up again.

United States

In 2008, the impact of the financial crisis and the rapid downturn in the housing sector was felt right across the United States. With the activities in the field of land development, VolkerWessels is mainly active in the Seattle region in Washington state. With major employers, such as Boeing and Microsoft, established in the area and the attraction that these companies have for high-quality suppliers, Seattle is less sensitive to the economic cycle, but this region, too, could not escape the impact of the global credit crunch in 2008. Boeing suffered a two-month strike by tens of thousands of employees. Moreover, the company was hit by the falling oil prices, leading to a drop in the demand for fuel-efficient aircraft. The redundancies that followed increased uncertainty among the population of the region.

The result was that residential construction, and in its wake, land development came to a complete standstill. The interest charges on the acquired land at the same time put pressure on the results. VolkerWessels was forced by the situation in the US to partly shut down the development department of land development in anticipation of the recovery of the market.

The infrastructure projects for Washington state dropped only slightly in 2008, but as a result of the stagnating private market, construction companies and contractors shifted their focus to the public market, which means that prices in this segment came under severe pressure.

Progress of business

The demand for infrastructure improvement continues in Canada

In and around Calgary, VolkerWessels is involved in infrastructure projects, such as the construction and maintenance of roads and land development in the area and the suburbs of the city. VolkerWessels usually buys tracts of land in partnership with third parties, divide this land into plots, obtain the necessary planning permission and other permits and subsequently prepare the area for building by constructing all the necessary roads and utility provisions. VolkerWessels leaves the actual building of the homes to third parties. In 2008, demand on this market slowed down.

With the exception of land development activities, the Canadian companies of VolkerWessels again performed up to expectations. In 1996, Volker Stevin Contracting agreed the first contracts with the authorities of Alberta for road maintenance. At present, this independent division manages the maximum allowed by the authorities of seven areas with a total of 8,000 kilometres of motorway and local roads. The infrastructure division, concentrating on road construction and waterworks, such as sewage works, also posted good results in 2008. The land development department still managed to achieve a small positive result.

Innovation award for KWS Infra

The noise-reducing Konwé FT surface developed by KWS Infra won the 2008 Innovation Award at the Congres Geluid, Trillingen en Luchtkwaliteit in Nederland (conference on noise, vibration and air quality levels in the Netherlands). Auction carts can produce a very high level of noise in auction halls and warehouses. To reduce these, a special surface was developed that is very resistant to the relatively high pressure exerted by the small wheels. This innovation reduces noise levels by 8 decibels.



This result was negatively affected not only by the current market situation, but also by the high sales volume during the final weeks of 2007, which had a negative effect on the figures for 2008. Land development and the related activities clearly face less pressure in Canada than in the United States. Expectations therefore are that there will be a slight improvement in the market in 2009. In view of the overall market situation, the order book for the remaining activities gives reason for satisfaction.

Stagnating land sales and increasing financing costs in the United States

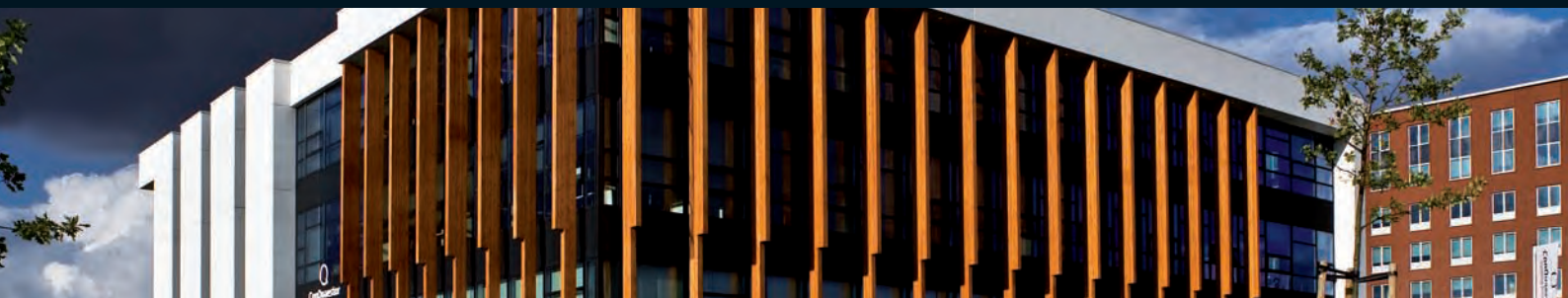
The good results of VolkerWessels subsidiary MidMountain Contractors in the US were unable to compensate the not so positive results in land development. As a consequence, the US activities as a whole ended the year with a negative result. The US land development activities are accommodated at YarrowBay Group and GraniteBay Development. Both these companies faced stagnating land sales and increasing financing costs. This situation does not look like changing in 2009 either. VolkerWessels expects some recovery in the market in 2010. In anticipation of this recovery, cuts were made in the development department in 2008. Thanks to projects in the public sector, the order book MidMountain Contractors is also well filled for 2009.

Road maintenance Canada

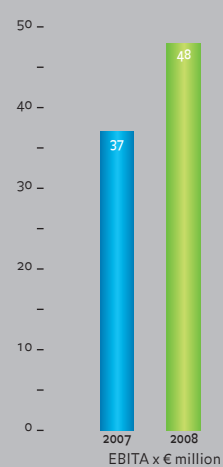
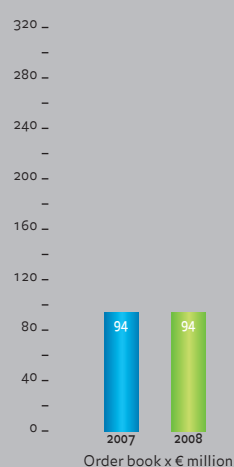
Volker Stevin Contracting employees at work in Canada. In the province of Alberta, VolkerWessels is performing road maintenance on more than 8,000 kilometres of roads under a long-term road maintenance contract.







SUPPLIES AND SERVICES



(x € million)	2008	2007
Operating revenues	303	265
Order book	94	94
EBITA	48	37
EBIT	48	37
Depreciation of tangible fixed assets	31	29
Amortisation	–	–
Net investments in tangible fixed assets	43	49
Net investments in intangible fixed assets	–	–
Capital employed	159	149
EBITA / capital employed	30.2%	24.8%
EBIT / capital employed	30.2%	24.8%
Operational margins:		
EBITA / operating revenues	15.8%	14.0%
EBIT / operating revenues	15.8%	14.0%
Average number of employees	1,700	1,600
Average operating revenues per employee (x € 1,000)	178	166

Market, strategy and progress of business

The Supplies and Services sector benefited in 2008 from the fact that many construction companies achieved a high level of production. This meant not only high capacity utilisation in the renting out of equipment, but also that supply companies themselves were able to produce at full capacity. The results of the industrial supply companies, the maritime activities and the equipment services far exceeded expectations in the year under review due to the positive market conditions.

About two thirds of the work of the companies in the Supplies and Services sector is done for external clients; in addition, they have a vital supporting role in the other activities of VolkerWessels. VolkerWessels has numerous supply companies. De Groot Vroomshoop provides permanent and semi-permanent accommodation for education, healthcare and the corporate world. Furthermore, the company is active in the field of wooden frame construction, roof and façade components and glued wooden constructions. In the field of prefab wooden storage space, De Groot Vroomshoop is the market leader. Timmerfabriek de Mors Rijssen and Westo Prefab Betonsystemen also posted a good result in the positive market conditions. With the production of almost half a million doors and frames per year especially for utility constructions, Reinaerd Deuren is one of the larger manufacturers in Europe. During the year under review, the company succeeded in increasing its market share in the Netherlands. With the production of white lacquered doors for home construction, it also entered a new market segment. The German subsidiary, EDCO Türen, which in the past faced cheap competition from Poland, adapted its production in 2008 to the new market conditions. The favourable conditions for the supply companies seem to have largely disappeared in 2009. It therefore appears justified to expect that it will not be possible to maintain the high margins from the year under review and that the results of the supply companies will come under pressure in comparison to 2008.

VolkerWessels organised the management of equipment according to the different forms of service provision. With scaffolding, cranes and supporting equipment, VolkerWessels Bouwmaterieel focuses primarily on construction, while, with asphalt mixers and specialised digging and drilling equipment, Volker Stevin Materieel mainly serves infrastructure companies. Finally, with its fleet of more than 50 specialised vessels, Stemat supports the maritime activities. All three these companies had a good year in 2008. With high capacity utilisation, building materials also benefited from the high construction production. Volker Stevin Materieel not only posted good results due to the high capacity utilisation, but also because of its ongoing aim to improve its operating processes.

Stemat rented out a lot of vessels to the dredging industry in 2008 and also benefited significantly from the sharp increase in demand for offshore wind turbines. Due to the high oil prices until the middle of 2008, the offshore market has been on the up for some years now. This development also led to high capacity utilisation of equipment and machinery and a corresponding good price level. The strength of VolkerWessels in this segment lies in good equipment in combination with qualified staff.

Engineering and advisory firm Aveco de Bondt again posted a good result in 2008. This was partly thanks to the high capacity demand in the construction industry as a whole. Increasing rewards are also being reaped from the early response to the market for sustainable buildings and efficient energy consumption. The increasing complexity of the construction projects and plan developments also had a positive impact on the demand for advisory services provided by Aveco de Bondt. The worsening market conditions will also affect the order book at Aveco de Bondt. The outlook for 2009 for Aveco de Bondt does not look as rosy as during the year under review.

Parkeer Combinatie Holland (PCH) responds to the growing trend among municipal councils to privatise services in the field of parking management. At the moment, the company is still mainly active in and around Amsterdam, but is working on the necessary critical mass in other parts of the country. The so-called DBFMO (Design, Build, Finance, Maintain and Operate) contracts are continuing to gain ground in the market. In this context, contractors not only take responsibility for the design and construction of property, but also all the facets of management in a later stage. Part of PCH is the Munt Centrale Holland. The money transports of this company fit in with the aim to expand facility management for parking garages and super markets, in which large cash flows are involved every day. In 2008, PCH started managing cash points in super markets. A vital consideration in this type of service provision is the relative immunity to economic cycles.

'Result-oriented and innovative'

'To imagine something and then observe how it gets realised outside. I can really become enthusiastic about this. What counts at Rottinghuis are result and quality, but it is also a socially-minded and honest business with respect for people and environment. Moreover, I have the room to develop and educate myself. During three years, I have already been technical planning supervisor, buying agent and planner. I think you can fit in well here if you are solution-minded and innovative. A good mixture of professionalism and creativity.'

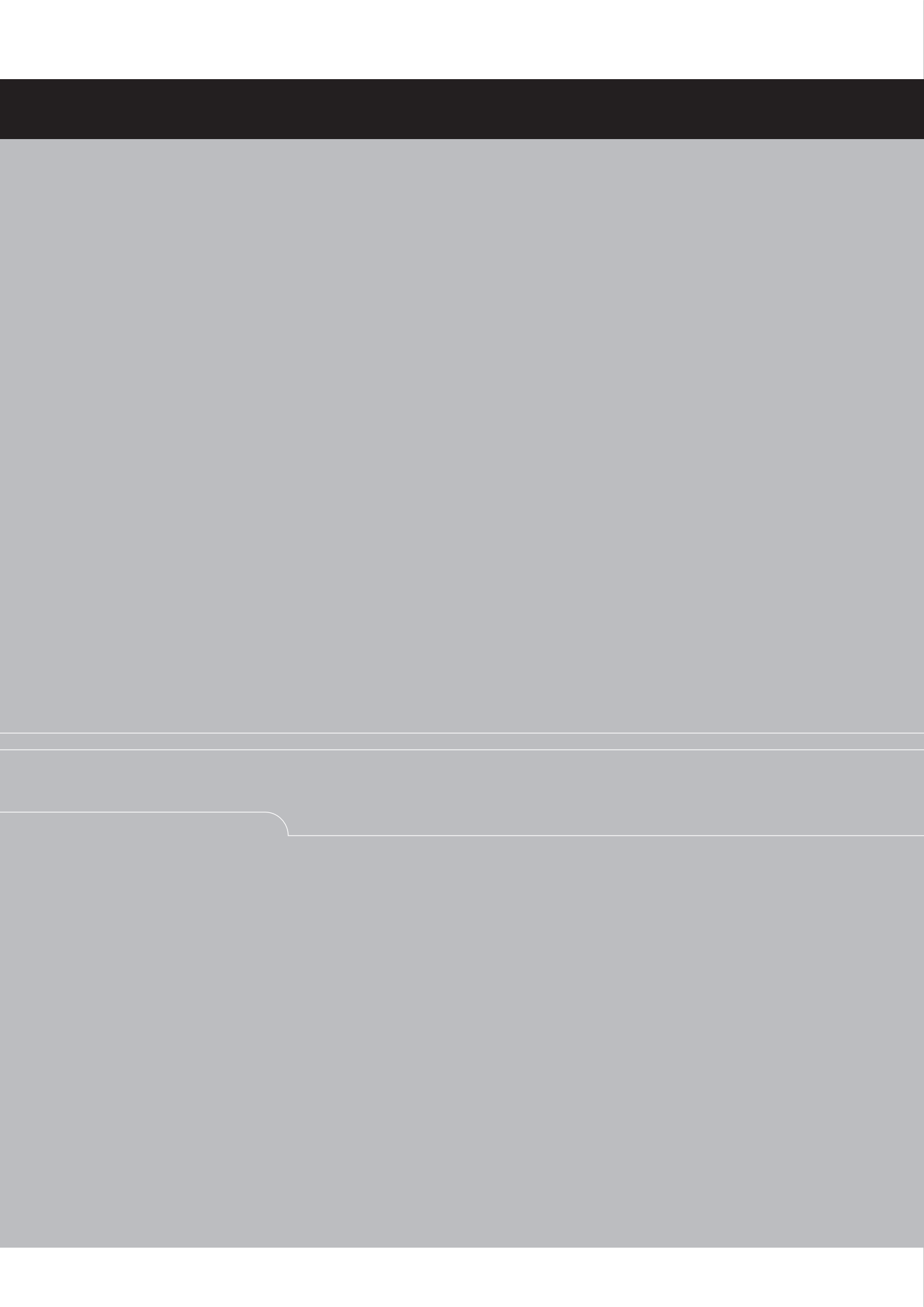
Sandra Eitens (1982), planner at Rottinghuis'



Anchor Handling

Stemat's Sidi-C is used for anchor handling of platforms, such as in the case of wind farms. What is special about this ship is that it can also be used perfectly in shallow water.





Financial statements 2008

Consolidated balance sheet

Before proposed appropriation of profits			
All amounts x € 1,000	Note	31 December 2008	31 December 2007
Fixed assets			
Intangible fixed assets	(1)	77,629	81,361
Tangible fixed assets	(2)	451,760	428,516
Financial fixed assets	(3)	351,101	362,959
		<u>880,490</u>	<u>872,836</u>
Current assets			
Land	(4)	442,067	462,303
Real estate held for sale	(5)	20,079	20,893
Stocks	(6)	83,494	82,337
Work in progress	(7)	153,965	188,335
Receivables	(8)	1,244,616	1,161,069
Cash at banks and in hand	(9)	408,413	316,705
		<u>2,352,634</u>	<u>2,231,642</u>
Current liabilities			
Bank loans and overdrafts	(10)	279,651	363,029
Other liabilities	(11)	1,383,968	1,169,303
		<u>1,663,619</u>	<u>1,532,332</u>
Balance of current assets and current liabilities		<u>689,015</u>	<u>699,310</u>
		<u>1,569,505</u>	<u>1,572,146</u>
Long-term liabilities	(12)	423,875	431,363
Provisions	(13)	177,282	229,526
Minority interests	(14)	3,073	4,467
Shareholders' equity	(15)	965,275	906,790
		<u>1,569,505</u>	<u>1,572,146</u>

Consolidated profit and loss account

All amounts x € 1,000	Note	2008	2007
Operating revenues	(16)	5,392,658	4,828,154
Operating expenses			
Cost of raw material and supplies		(1,470,413)	(1,360,302)
Cost of contracted work and other external costs		(2,644,024)	(2,240,957)
Wages, salaries, pension charges and social security contributions	(17)	(918,008)	(906,014)
Amortisation		(14,539)	(13,941)
Depreciation of tangible fixed assets	(18)	(74,369)	(67,919)
Other operating expenses		(88,634)	(58,334)
		(5,209,987)	(4,647,467)
Result of participating interest after tax	(19)	13,203	14,776
Operating result		195,874	195,463
Financial income and expenditure	(20)	(10,781)	(5,662)
Result from ordinary operations, before tax		185,093	189,801
Tax	(21)	(42,495)	(44,735)
Result from ordinary operations, after tax		142,598	145,066
Minority interests		(746)	795
Profit after tax		141,852	145,861
Operating result before depreciation (EBITDA)		284,782	277,323
Depreciation of tangible fixed assets		(74,369)	(67,919)
Operating result before amortisation (EBITA)		210,413	209,404
Amortisation		(14,539)	(13,941)
Operating result after amortisation (EBIT)		195,874	195,463

Consolidated cash flow statement

All amounts x € 1,000	2008	2007
Cash flow from operational activities		
Profit after tax	141,852	145,861
Amortisation	14,539	13,941
Depreciation of tangible fixed assets	74,369	67,919
Results of non-consolidated participating interests, after deduction of dividend	4,232	(13,516)
Movements in land / real estate held for sale	2,750	(89,728)
Movements in stocks / work in progress	39,533	(38,698)
Movements in receivables	(21,474)	(45,865)
Movements in other liabilities	174,363	28,423
Movements in provisions	(58,721)	(11,062)
Cash flow from operational activities	371,443	57,275
Cash flow from investment activities		
Investments in intangible and tangible fixed assets	(122,650)	(132,450)
Disposals of tangible fixed assets	30,653	15,639
Acquisition / sale of group companies	(40,631)	(17,830)
Investments in / divestments of non-consolidated participating interests	9,480	(16,812)
Loan granted to Victor Holdings bv	-	(225,000)
Movements in other receivables	2,849	(6,649)
Cash flow from investment activities	(110,299)	(383,102)
Cash flow from financing activities		
Long-term loans drawn down	44,132	371,014
Redemption of subordinated loans	-	(1,901)
Redemption of long-term loans	(45,430)	(77,090)
Dividend paid	(67,074)	(43,934)
Exchange differences shareholders' equity	(16,293)	(2,664)
Other movements	(1,393)	621
Cash flow from financing activities	(86,058)	246,046
Movement in cash		
Cash position as at 1 January	(46,324)	33,457
Cash flow from operational activities	371,443	57,275
Cash flow from investment activities	(110,299)	(383,102)
Cash flow from financing activities	(86,058)	246,046
Cash position as at 31 December	128,762	(46,324)
Composition of cash position as at 31 December		
Cash at bank and in hand	408,413	316,705
Bank loans and overdrafts	(279,651)	(363,029)
	128,762	(46,324)

Statement of total recognized income and expense

All amounts x € 1,000								2008	2007
Shareholders' equity	Issued share capital	Share premium reserve	Exchange difference	Statutory reserve	Statutory reserve	Other reserves	Undistributed profits	Shareholders' equity	Shareholders' equity
				participating interest	development costs				
Balance as at 1 January	83,844	67,339	(4,731)	47,629	2,533	564,315	145,861	906,790	814,093
Adjustment due to change in accounting principles									(6,566)
	83,844	67,339	(4,731)	47,629	2,533	564,315	145,861	906,790	807,527
Addition to reserves						78,787	(78,787)	-	-
Dividend for 2007/2006							(67,074)	(67,074)	(43,934)
Result 2008/2007							141,852	141,852	145,861
Other movements				(2,825)	1,221	1,604		-	-
Exchange differences			(16,293)					(16,293)	(2,664)
Balance as at 31 December	83,844	67,339	(21,024)	44,804	3,754	644,706	141,852	965,275	906,790

Accounting principles

GENERAL INFORMATION

Reporting entity

Royal Volker Wessels Stevin nv is a company registered and established in the Netherlands.

The 2008 consolidated financial statements include the financial data of the company and its subsidiaries as well as its share in joint ventures.

Statement of compliance

The financial statements are prepared in accordance with generally accepted accounting principles for financial reporting in the Netherlands. With reference to the company profit and loss account of Royal Volker Wessels Stevin nv, use has been made of the exemption pursuant to Section 2, Book 2 of the Netherlands Civil Code.

Change in accounting principles

The Guideline for Annual Reporting 290 'Financial Instruments' took effect from 1 January 2008. Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, trade debts, derivative financial instruments and other payables. VolkerWessels opts for cost price hedge accounting, a choice included in this guideline. This change in accounting principles has not resulted in changes in equity.

CONSOLIDATION PRINCIPLES

The consolidation comprises VolkerWessels and its group companies. These concern all the companies with which VolkerWessels forms an organisational and economic entity. Participating interests in which decisive control can be exercised in policy matters are consolidated in full. This generally concerns companies in which the participating interest exceeds 50%. Participating interests in contracting business combinations, in which the influence in policy matters is similar to that exercised by each of the other partners, are consolidated on a proportional basis, irrespective of such a business combination's duration and/or legal status. In the event that contracting combinations are practised in the form of a general partnership, joint and several liability is only recognised if and in so far as this is prompted by the financial status of the combination itself and/or that of one or more partners.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of group companies in non-euro countries are translated at exchange rates prevailing at the balance sheet date. The profit and loss account items of such businesses are translated at the average exchange rate during the year under review. Exchange differences ensuing from the translation of equity of such companies are processed directly in shareholders' equity. Receivables and liabilities denominated in foreign currency are translated at exchange rates prevailing at the balance sheet date or at the original forward date if forward exchange contracts were concluded to hedge exchange risks. The resulting exchange differences are processed in the profit and loss account.

VALUATION PRINCIPLES

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, trade and other payables.

Financial instruments are also included in derivative financial instruments (derivatives) embedded in contracts. The company splits these from the host contract and recognises them separately if:

- the economic characteristics and risks of the host contract are not closely related to the embedded derivatives;
- If a separate instrument with the same conditions as the derivative embedded in the contract should satisfy the definition of a derivative; and
- the combined instrument is not carried at fair value with changes in value being accounted for in profit and loss.

Accounting principles

Financial instruments, including the derivative financial instruments separated from the host contracts, are accounted for at fair value when first recognised. If instruments are not carried at fair value with changes in value being recognised in the profit and loss account, then any directly attributable transaction costs are included in the initial valuation.

Financial instruments embedded in contracts that are not accounted for separately from the host contract are recognised in accordance with the host contract.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses.

Investments in equity instruments

The group's investments in shares, provided these are listed, are carried at fair value following their initial recognition. Until realisation, changes in the fair value are taken directly to equity to the extent that the result of the individual investment is cumulatively positive. If the investment is derecognised, the cumulative result recognised in equity is transferred to the profit and loss account. Any cumulative decrease in value to below cost will be accounted for in the profit and loss account.

The group's investments in unlisted shares are carried at cost.

Other financial commitments

Financial commitments that are not part of a trading portfolio are carried at amortised cost on the basis of the effective interest rate method.

Derivative financial instruments

The company uses forward exchange contracts to hedge exchange rate risks arising from purchasing and sales transactions. The company applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the forward foreign exchange contract and the hedged receivable or payable in the profit and loss account.

The application of cost price hedge accounting leads to the following exception to the above-mentioned accounting principles for financial instruments.

Forward exchange transactions are initially carried at cost. As long as the forward exchange contract concerns the expected future transaction, the forward exchange contract will not be restated. As soon as the hedged position of the expected transaction leads to the recognition of a financial asset or financial liability, the profits or losses associated with the forward foreign exchange contract are recognised in the profit or loss account in same period in which the asset or liability affects the profit or loss.

The results from the non-effective part of the hedge relationship are included in the profit and loss account.

If a forward exchange contract no longer qualifies for hedge accounting, expires or is sold, the hedging relationship is terminated. The cumulative profit or loss that has not been included in the profit and loss account is recognised as accruals and deferrals on the balance sheet until the expected transaction has taken place. Should the transaction no longer be expected to take place, the accumulated profit or the accumulated loss is transferred to the profit and loss account.

Accounting principles

Intangible fixed assets

Goodwill, which is calculated at the time of acquisition of a company as the difference between the acquisition price and net asset value in accordance with the company's accounting principles, is capitalised and amortised in a straight line with effect from 2001. The amortisation period is determined on the basis of the estimated economic useful life. The treatment of goodwill paid before 2001 has not been changed. Other intangible assets are valued at their acquisition price less amortisation.

Tangible fixed assets

Tangible fixed assets are valued at their acquisition price less depreciation. Depreciation of tangible fixed assets is calculated according to a fixed percentage of the acquisition price based on the expected useful economic life. Tangible fixed assets are depreciated down to residual value.

Financial fixed assets

Participating interests where substantial influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. The company's accounting principles are applied to determine the net asset value. Participating interests with a negative net asset value are valued at nil. If a company stands surety for the relevant participating interest's debts, a provision is formed. The provision is formed primarily at the expense of the amounts owed by the participating interest and for the rest under the provisions amounting to the share in the loss suffered by the participating interest.

Participating interests, in which no significant influence is exercised, are valued at acquisition price or permanently lower realisable value.

The principles for other financial fixed assets are recognised under the 'financial instruments' heading.

Land

Land owned by the company and for which the company has entered into unconditional commitments are valued at the acquisition price plus the cost of development and other costs ensuing from ownership, less such provisions for development risks as considered necessary. Interest is not capitalised.

Real estate held for sale

Real estate held for sale is carried at cost or lower realisable value.

Inventories

Inventories are stated at cost or, should this be lower, at their realisable value as at 31 December. 'Cost' represents the acquisition or manufacturing price using the first-in, first-out (FIFO) method. Provisions are made for obsolescence and other risks.

Work in progress

Work in progress is valued at full cost, including direct costs, allocated indirect costs, interest income and expenditure and the profit recognised on the project in proportion to the progress made with respect to the works. For valuation purposes, project progress is determined based on the progress of production. Expected losses are recognised in full as soon as they become apparent. Profit on VolkerWessels-managed real estate development is attributed based on the progress of production and the sales realised. Instalments invoiced are deducted from work in progress.

Receivables

The principles for the valuation of receivables and securities are described under the 'financial instruments' heading.

Accounting principles

Cash at bank and in hand

Cash at bank and in hand is carried at nominal value.

Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under equity. Payments to holders of these instruments are deducted from equity less any related income tax gain.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are accounted for in the profit and loss account as costs or revenues.

Minority interests

The third-party minority interests are valued at third-party share in the net asset value which is determined where possible in accordance with the company's accounting principles.

Long-term and current liabilities

Financial commitments that are not part of a trading portfolio are carried at amortised cost on the basis of the effective interest rate method.

Provisions

The provision for deferred tax liabilities ensues from differences between the book value and fiscal value of specific assets and liabilities where such differences will be taxable or deductible at some future date. The provision has been calculated on the basis of the prevailing tax rates.

Employee benefits

Within VolkerWessels there are both defined contribution plans and defined benefit plans. The liabilities associated with contributions to pension plans on the basis of defined contributions are included in the profit and loss account as an expense when the contribution is due. The defined benefit plans are financed by the payment of an annual contribution to the pension fund. A provision for pension commitments is created or a receivable included on the balance sheet for the balance of the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets. When the balance of the receivable or commitment is calculated, the unrecognised actuarial gains and losses at the balance sheet date are taken into account. If the cumulative actuarial gains and losses for the defined benefit plans amount to more than 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, whichever is higher, the amount of the excess is recognised in the profit and loss account over the expected average remaining period of service of the active participants. The pension expense for the defined benefit plans is calculated actuarially on the basis of expectations concerning the development of the present value of the defined benefit obligation and the plan assets over the financial year in question and the share of the cumulative actuarial gains and losses to be allocated to the current financial year.

When the calculation results in a positive balance for the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any currently available future refunds from the fund or lower future pension premiums.

The provision for long-service awards refers to the cash value of payments made to employees in respect of their anniversaries. The provision was calculated taking into account the likelihood of employees leaving the company.

The other provisions are based on the expected ultimate outflow of funds.

Accounting principles

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Net turnover

Turnover comprises the proceeds of works completed and the proceeds of goods and services supplied during the year under review. Turnover is stated exclusive of value added tax and of intercompany transactions.

Operating revenues

Operating revenues represent the balance of production in any year at net realisable value, including profits attributed to work in progress and/or provisions made for losses.

Turnover is stated exclusive of value added tax and of intercompany transactions.

Profit recognition

Profit on works is recognised in proportion to the progress made with respect to the projects. For complex projects, profit is not recognised until the progress that has been made is sufficient to allow the Company to make a reliable estimate.

Operating expenses

Operating expenses comprise the direct and allocated indirect costs attributable to the operating revenues realised.

Result of participating interests

The group share in the after-tax results of non-consolidated participating interests and the result on the sale of participating interest are stated under 'Result of participating interests'.

Financial income and expense

Interest receivable from or payable to third parties for the financial year is classified as interest income and expenditure respectively.

Tax

The tax burden is calculated on the result achieved for the financial year, taking account of tax facilities and non-deductible amounts. Account is taken of deferred tax liabilities.

Minority interests

This item represents the third-party share in the results of group companies.

CASH-FLOW STATEMENT

The cash flow statement is prepared using the indirect method. The cash position in the cash flow statement comprises cash at bank and in hand, less bank loans and overdrafts.

Exchange differences are recognised directly under the relevant items. The cost of acquired group companies and the selling price of disposed group companies are classified under the heading 'Cash flow from investment activities'. Any cash in divested or acquired group companies is deducted from the selling or acquisition price respectively. Investments in tangible fixed assets are stated after deducting the commitments pursuant to fixed assets on order, as classified under 'Other liabilities'. Transactions that involve no transfer of funds are excluded from the cash flow statement.

Accounting principles

MAJOR ESTIMATES AND ASSESSMENTS IN THE FINANCIAL STATEMENTS

The estimates and assessments are constantly evaluated and are based on past experiences and other factors, including expected future events that can reasonably occur in view of the circumstances. VolkerWessels applies estimates and assumptions with respect to the future. The actual results may differ from these estimates.

Profit recognition

Profit on works is recognised in proportion to the progress made with respect to the projects. For complex projects, profit is not recognised until the progress that has been made is sufficient to allow the company to make a reliable estimate. Loss provisions are recognised on projects as soon as it is clear that the projects costs will exceed its revenues. The project leader and the management of the relevant operating company assess this on a regular basis for each project. This assessment is made primarily with reference to the project files, the project accounting and the knowledge and experience of those involved. Using estimates is an inherent part of this process. The actual results can differ from these estimates.

Provisions

Provisions formed are based on the expected ultimate outflow of funds.
The actual results can differ from these estimates.

Defined benefit plan

When determining the provision for defined benefit plans, account is taken of a number of actuarial assumptions, such as discount rate, expected return on plan assets and future salary increases. These actuarial assumptions contain a degree of estimation, which could affect the level of the provision.

SEGMENT INFORMATION

Segment information is provided for the business and geographic segments of VolkerWessels. The primary reporting format (business segments) reflects the managerial and internal reporting structure of VolkerWessels.

Business segments

A segment is a business unit that delivers similar products or services and of which the return and risk profile differs from other business units.

The group's segments include the following sectors: Building and Property Development The Netherlands; Civil Engineering, Roads and Rail Europe; Infrastructure Technology and Telecommunications, Infrastructure and Land Development USA/Canada and Supplies and Services. Transfer pricing between the segments is based on commercial, objective principles.

Geographical segments

For the presentation of geographical segment information, results achieved are allocated on the basis of the geographical location of the company. Transfer pricing between the segments is based on commercial, objective principles.

UNIT OF ACCOUNT

Unless stated otherwise, amounts included in these notes are expressed in thousands of euros.

Notes to the consolidated balance sheet

(1) Intangible fixed assets			2008	2007
	Goodwill	Other intangible fixed assets	Total intangible fixed assets	Total intangible fixed assets
Balance as at 1 January				
Cost	128,763	6,995	135,758	115,630
Accumulated amortisation	(53,984)	(413)	(54,397)	(46,207)
Book value	74,779	6,582	81,361	69,423
Movements				
Paid goodwill with amortisation period of 10 years	6,465		6,465	22,068
Paid goodwill with amortisation period of 5-10 years	8,438		8,438	869
Paid goodwill with amortisation period of 1-5 years	-		-	-
Paid goodwill with amortisation period of 1 year	215		215	2,006
Consolidated	1,232		1,232	-
Deconsolidated	(58)		(58)	-
Restitution	(474)		(474)	-
Investments	-	2,587	2,587	5,717
Divestments	(2)	(169)	(171)	(1,120)
Amortisation	(13,168)	(1,371)	(14,539)	(13,941)
Exchange differences	(7,427)		(7,427)	(3,661)
Total movements	(4,779)	1,047	(3,732)	11,938
Balance as at 31 December				
Cost	133,306	9,198	142,504	135,758
Accumulated amortisation	(63,306)	(1,569)	(64,875)	(54,397)
Book value	70,000	7,629	77,629	81,361
The amortisation period is determined on the basis of the estimated economic useful life.				
The paid goodwill in 2008/2007 relates to:				
M.J.O. Holdings bv (100% interest)			5,517	-
GrantRail Group Limited (remaining 50% interest)			3,788	-
Credo bv (remaining 20% interest)			2,049	-
Bruil Ede Groep bv (100% interest)			991	-
Timmer Verzijl bv (100% interest)			791	-
G&S Bouw bv, The Netherlands (100% interest)			-	9,000
G&S Vastgoedontwikkeling bv, The Netherlands (30% interest)			-	7,500
TPA Traffic & Parking Automation bv, The Netherlands (100% interest)			-	3,630
TNS bv, The Netherlands (100% interest)			-	1,938
Other			1,982	2,875
			15,118	24,943

Notes to the consolidated balance sheet

(2) Tangible fixed assets					2008	2007
	Land and buildings	Plant and equipment	Other fixed operating assets	Assets under construction/ prepayments	Total tangible fixed assets	Total tangible fixed assets
Balance as at 1 January						
Cost	265,748	575,993	99,785	6,477	948,003	880,379
Accumulated depreciation	(95,455)	(352,937)	(71,095)	–	(519,487)	(491,044)
Book value	170,293	223,056	28,690	6,477	428,516	389,335
Movements						
Reclassification	385	1,098	79		1,562	–
Consolidated	1,758	8,958	723		11,439	5,466
Deconsolidated	(11,842)	(7,821)	(284)		(19,947)	(6,296)
Investments	19,949	83,765	13,875	9,241	126,830	117,268
Divestments	(2,675)	(6,309)	(890)		(9,874)	(8,044)
Taken into use	1,536	7,079	40	(8,655)	–	–
Depreciation	(9,427)	(52,784)	(12,158)		(74,369)	(67,919)
Impairment	(27)	(83)	(19)		(129)	(179)
Exchange differences	(6,294)	(5,236)	(450)	(288)	(12,268)	(1,115)
Total movements	(6,637)	28,667	916	298	23,244	39,181
Balance as at 31 December						
Cost	268,039	618,410	104,072	6,775	997,296	948,003
Accumulated depreciation	(104,383)	(366,687)	(74,466)	–	(545,536)	(519,487)
Book value	163,656	251,723	29,606	6,775	451,760	428,516

The following depreciation rates - based on estimated economic useful life - have been applied:

Buildings	2 – 10
Plant and equipment	5 – 50
Other fixed operating assets	20 – 33
Land is not depreciated.	

The current value of land and buildings is determined based on valuations and as at 31 December 2008 amounts to approximately € 290 million (2007: € 290 million). The current value of plant and equipment, determined with the help of price lists etc., is approximately € 296 million (2007: € 264 million).

The tangible fixed assets include assets with a book value of approximately € 10 million (2007: € 7 million) that have been financed by means of financial lease contracts. The legal ownership of these assets is vested with third parties. The associated commitments are included under the current and long-term liabilities.

Notes to the consolidated balance sheet

(3) Financial fixed assets	2008	2007
Participating interests	68,969	73,533
Receivables from non-consolidated participating interests	26,341	30,792
Other receivables	30,791	33,634
Amounts receivable from parent company	225,000	225,000
	<u>351,101</u>	<u>362,959</u>
<i>Participating interests</i>	<i>2008</i>	<i>2007</i>
Balance as at 1 January	73,533	49,788
Acquisitions	4,724	19,259
Disposals	(1,759)	(2,801)
Consolidated	4,135	(1,479)
Share in result (after tax)	924	14,629
Dividends received	(5,156)	(1,113)
Goodwill	-	(7,500)
Impairment	(250)	-
Other movements	(2,238)	2,853
Exchange differences	(4,944)	(103)
	<u>68,969</u>	<u>73,533</u>
<i>Receivables from non-consolidated participating interests</i>		
Generally the receivables have been made available on a long-term basis for the business operations.		
<i>Other receivables</i>		
This item includes the debt arrangements made in respect of Nigerian trade receivables, which have been settled in the form of interest-bearing USD denominated Promissory Notes, issued by the Nigerian Central Bank. Payments of capital and interest will take place in quarterly instalments of 2% of the principal through to the fourth quarter of 2009 (that is \$ 5.9 million per annum). The fair value is some € 6 million (2007: € 9 million).		
<i>Amounts receivable from parent company</i>		
On 16 May 2007, a € 225 million loan was granted to Victor Holdings bv. This loan has a term to 31 December 2010 and has a 5% interest rate.		
(4) Land	2008	2007
The Netherlands	386,060	398,383
Other countries	56,007	63,920
	<u>442,067</u>	<u>462,303</u>
This item mainly represents sites which have been acquired with a view to developing them into building locations in the near future, while the remainder represents land for the purpose of sand extraction for infrastructural projects. Approximately 70% is expected to be taken into development within the next three years. Risks related to market developments have been taken into consideration for the valuation. Land classified under "Other countries" mainly pertains to sites acquired in Canada and America.		
(5) Real estate held for sale	2008	2007
Let	16,256	17,147
Unlet	3,823	3,746
	<u>20,079</u>	<u>20,893</u>
The item "Real estate held for sale" includes a number of let and unlet apartment buildings, houses and a complex with central utilities for a recreational project.		

Notes to the consolidated balance sheet

(6) Stocks	2008	2007
Raw materials and supplies	60,575	55,914
Finished products and goods for resale	22,919	26,423
	<u>83,494</u>	<u>82,337</u>
(7) Work in progress	2008	2007
Full cost of works including result realised in proportion to progress, less provisions	5,943,661	5,503,145
Instalments invoiced	(5,789,696)	(5,314,810)
	<u>153,965</u>	<u>188,335</u>
Work in progress with positive balance after deduction of instalments invoiced	616,445	515,103
Work in progress with negative balance after deduction of instalments invoiced	(462,480)	(326,768)
	<u>153,965</u>	<u>188,335</u>
The division between third-party contracts and VolkerWessels development can be analysed as follows:		
<i>Third-party contracts</i>		
Full cost of works including result realised in proportion to progress, less provisions	4,924,777	4,604,880
Instalments invoiced	(4,950,179)	(4,592,700)
	<u>(25,402)</u>	<u>12,180</u>
<i>VolkerWessels development</i>		
Full cost of works including result realised in proportion to progress, less provisions	1,018,884	898,265
Instalments invoiced	(839,517)	(722,110)
	<u>179,367</u>	<u>176,155</u>
Work in progress under VolkerWessels development includes €41 million relating to projects which are currently under construction but have not yet been sold (2007: €21 million).		
(8) Receivables	2008	2007
Trade debtors	826,438	762,605
Receivables from consolidated contracting combinations	165,764	159,403
Other receivables	224,608	192,911
Prepayments and accrued income	27,806	46,150
	<u>1,244,616</u>	<u>1,161,069</u>
(9) Cash at bank and in hand	2008	2007
Deposits	181,721	87,308
Cash and bank balances	226,692	229,397
	<u>408,413</u>	<u>316,705</u>
The deposits have a residual term of no more than one month and are callable at any time. Cash at banks and in hand includes cash resources of contracting combines in the amount of €91 million (2007: €78 million), that are not fully at the disposition of the Company. The cash resources of foreign group companies which are subject to transfer restrictions are of minor significance		

Notes to the consolidated balance sheet

(10) Bank loans and overdrafts	2008	2007
Bank loans and overdrafts	279,651	363,029
Guarantees are issued for project financing on the basis of non-recourse or limited recourse conditions, such as: Mortgage registrations on immovable property, or a positive/negative mortgage pledge.		
(11) Other liabilities	2008	2007
Mandatory loan redemption	16,317	10,069
Advance payments received in respect of works	7,709	17,628
Trade creditors	627,340	516,810
Other accounts and costs payable	296,998	236,368
Owed by consolidated contracting combinations	191,916	170,537
Owed to non-consolidated participating interests	5,372	3,720
Tax and social security premiums	98,286	58,042
Unconditional commitments in respect of land	18,220	36,520
Accruals and deferred income	121,810	119,609
	1,383,968	1,169,303
(12) Long-term liabilities	2008	2007
Financial Lease	6,149	5,373
Other loans	385,994	411,828
Long-term loans of combinations	48,049	24,231
	440,192	441,432
Redemption in 2009/2008	(16,317)	(10,069)
	423,875	431,363
Redeemable after one year but within the next five years	396,489	384,477
Redeemable after the next five years	27,386	46,886
	423,875	431,363

On 16 May 2007, VolkerWessels reached an agreement with a banking consortium for the granting of a committed funding amount not exceeding € 600 million for expansion and partial replacement of existing lines of credit and project finance. This funding consists of € 300 million loan with a term of five years. In addition, there is a cash loan amounting to € 300 million for five years.

The interest is based on Euribor.

The following financial covenants apply to the above-mentioned committed funding:

The leverage ratio is the sum of the net debt divided by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), in accordance with the definitions for net debt and EBITDA agreed upon with the banking consortium. The interest cover ratio is the sum of the EBITDA divided by the interest paid. These covenants are complied with.

Redemptions falling due within one year have been stated under Current Liabilities. The weighted average of the interest amounts to 5.3% (2007: 5.2%). The market value of the loans approximates to their book value.

Notes to the consolidated balance sheet

((13) Provisions*Movements*

	Balance as at 1 January	Exchange differences/ other	Addition	Interest	Expenditure	Release	Balance as at 31 December
Deferred tax liabilities	62,955	(759)	14,692		(36,651)	(8,500)	31,737
Personnel-related commitments	35,213	(328)	4,444	657	(3,291)	(3,540)	33,155
Warranty commitments	59,089	(58)	14,570		(13,070)	(6,014)	54,517
Environment	7,854		27		(102)	(39)	7,740
Organisational changes	3,617	(22)	3,383		(2,957)	(396)	3,625
Negative value of participating interests	11,693		476		(3,843)		8,326
Provision for expected losses on projects	18,172		162		(4,511)		13,823
Provision for repair costs	768		28		(48)		748
Provision for onerous contracts	3,220	(324)	1,049		(399)	(2,550)	996
Other provisions	26,945	(286)	3,304		(5,351)	(1,997)	22,615
	<u>229,526</u>	<u>(1,777)</u>	<u>42,135</u>	<u>657</u>	<u>(70,223)</u>	<u>(23,036)</u>	<u>177,282</u>

With effect from 16 May 2007, Royal Volker Wessels Stevin nv has formed a tax entity with Storm Investments bv. By virtue of this tax entity, the company is jointly and severally liable for the tax liabilities of the tax entity as a whole.

The provisions for deferred tax liabilities concern future tax liabilities arising from differences between the commercial and taxable valuation of specific assets and liabilities.

The tax liabilities of operating companies forming part of the Royal Volker Wessels Stevin nv fiscal entity are calculated on the basis of the taxable result of the operating company in question, as if it were independently liable for taxation. In the Netherlands, the provisions for deferred tax liabilities are calculated at 25.5%.

The provisions for personnel-related commitments comprise a provision for long-service awards and a pension provision. No account is taken of future salary increases in the calculation of the provision for long-service awards. The discount rate is 5.2% (2007: 4.75%).

Notes to the consolidated balance sheet

Pension plans in the Netherlands

The majority of employees in the Netherlands participate in an industry-wide pension plan or are covered by Stichting Pensioenfondsen Royal VolkerWessels Stevin.

Royal Volker Wessels Stevin Pension Foundation

During the 2005 financial year, the VolkerWessels pension commitment was converted from a defined benefit plan to a defined contribution plan. The pension rights accrued within the Stichting Pensioenfondsen Royal VolkerWessels Stevin are fully funded.

Pension fund for the construction industry and the pension fund for the metal and engineering industry

Both funds employ an index-linked average pay plan.

These defined benefit plans are recognised as defined contribution plans because the funds' accounts are not designed to provide insight into the part of the pension liabilities and plan assets belonging to the group. For these plans, the group is obliged to pay the previously defined contribution. The group cannot lay any claim to any surplus and is not liable for the settlement of any deficit other than by means of future adjustments to the contribution.

The coverage ratio of Pensioenfondsen voor de Bouwnijverheid as at 31 January 2009 is 98.5%.

As a result of the decrease in the coverage ratio for Pensioenfondsen Metaal en Techniek to 87% as at 31 December 2008, the sector has decided to increase the contribution by 1% and to refrain from indexing the pension entitlement.

Railway Pensions fund

In 2005, employers and employee representatives in this sector reached agreement on a new pension plan. This new plan came into effect on 31 December 2005 and qualifies as a defined contribution plan for the financial accounts. The distinguishing characteristic of this pension plan is that the company is obliged to pay a defined annual contribution. The contribution that has been agreed with the Spoorwegpensioenfondsen is an annually increasing percentage of the payroll total. The percentage increases from 11.56% in 2006 to a break-even level of 14%. Once the defined contribution has been paid, the group is not liable to pay any additional amounts in the event of a fund deficit. Likewise, the VolkerWessels group companies are not entitled to lay claim to any fund surpluses. The actuarial risks and the investment risks rest with the pension fund and its members. The coverage ratio as at 31 December 2008 was 124%.

Notes to the consolidated balance sheet

Pension plans in the United Kingdom

The company has a number of defined benefit plans for in the United Kingdom who entered employment before 1 January 2005. The accrual of these defined pension plans was terminated as at 31 December 2007. These pension entitlements are fully financed by means of an annual contribution to the pension fund.

Personnel-related commitments

	2008	2007
Defined benefit plans in the United Kingdom	458	741
Provision for transitional arrangement for early-retirement and pre-pension	14,874	19,411
Other pension plans	17,823	15,061
	<u>33,155</u>	<u>35,213</u>

Defined benefit plans in the United Kingdom

	2008	2007
Present value of the defined benefit obligation	(26,448)	(38,031)
Fair value of plan assets	23,688	36,101
	<u>(2,760)</u>	<u>(1,930)</u>
Shortfall in the fund		
Unrecognized actuarial gain and losse	979	(2,175)
Transitional liability not yet amortised	1,323	3,364
	<u>(458)</u>	<u>(741)</u>
(Net) pension provision		

Movements in (net) pension provision in the United Kingdom

	2008	2007
Net pension liability as at 1 January	(741)	(492)
Exchange differences	169	43
Payment of contribution	1,730	2,541
Pension expense included in the profit and loss account	(1,616)	(2,833)
	<u>(458)</u>	<u>(741)</u>
Net pension liability as at 31 December		

Pension expense

	2008	2007
Interest cost on the defined benefit obligation	1,672	2,115
Current service cost	126	1,614
Expected return on plan assets	(1,520)	(2,206)
Employee contribution	-	(475)
Curtailment	12	-
Amortisation of transitional liability	1,326	1,785
	<u>1,616</u>	<u>2,833</u>
Pension expense		

Main actuarial assumptions for 2008/2007

	2008	2007
Discount rate	6.40%	5.80%
Expected return on plan assets	4.80%	6.30%
Future salary increases	2.80%	3.30%
Indexation of pension payments	2.90%	3.40%

Notes to the consolidated balance sheets

The provision for warranty commitments is to cover potential commitments within the warranty periods in relation to completed works. The additions to the provision are based on a percentage of turnover, determined in line with past experience. An amount of approximately € 13 million (2007: approximately € 16 million) was employed by virtue of guarantee commitments.

The provision for environmental requirements has been made to cover possible expenditure on environmental modifications.

Some € 0.1 million was spent on soil and site remediation, among other things, in 2008 (2007: € 0.3 million).

The provision should be regarded as long-term in nature.

The provision for organisational changes covers expenditure on changes to the operational structure that may be needed in order to respond to changing market requirements. Approximately € 3.4 million was added to the provision and approximately € 3.0 million was used in 2008.

The provision for other risks serves diverse purposes, including hedging possible liabilities arising from supplementary disability (WAO) and sickness benefits, as well as competition penalties. An appeal has been lodged against the European Commission's ruling concerning bitumen.

These provisions are predominantly long term.

(14) Minority interests

2008

2007

Third-party share in group companies

3,073

4,467

(15) Shareholders' equity

2008

2007

Issued shared capital

83,844

83,844

Reserves

739,579

677,085

Undistributed profits

141,852

145,861

965,275

906,790

Reference is made to the Notes to the company balance sheet for the more detailed composition of and movements in shareholders' equity.

Off balance sheet commitments

Guarantees	2008	2007
Guarantees relating to performance of works	692,000	694,000
Guarantees relating to advance payments received	43,000	24,000
Guarantees issued to North American based customers*	63,000	63,000
	<u>798,000</u>	<u>781,000</u>
* In contrast to European practice, guarantees are issued to customers for the full contracting price in North America.		

Other off balance sheet commitments	2008	2007
Lease contracts	74,485	77,000
Tenancy agreements	100,260	71,000
Leaseholds	4,105	4,300
Conditional commitments for the purchase of building sites	131,929	114,300
Miscellaneous	6,006	15,000

Commitments pursuant to lease contracts mainly concern vehicles. Commitments pursuant to tenancy agreements mainly concern properties. The spread of commitments for operational lease and rent in nominal amounts is as follows:

	2009	2010	2011	2012	2013	na 2013
Lease contracts	27,253	20,421	13,816	8,187	3,467	1,341
Tenancy agreements	21,679	16,244	12,495	10,365	8,136	31,341

Land purchase commitments have been entered into in the Netherlands to the amount of € 132 million (2007: € 114 million) partly subject to change of designated use and/or planning permission to the granted.

The Company has issued and deposited with the Trade Registers statements of joint and several liability for debts ensuing from legal acts undertaken by a number of its Dutch group companies. Furthermore, a number of operating companies have undertaken joint and several liability vis-à-vis certain banks in respect of commitments of the Company.

In the event that contracting consortia operate in the form of general partnerships, joint and several liability is only recognised if and in so far as this is prompted by the financial status of the consortium itself and/or that of one or more partners.

Transactions with related parties

VolkerWessels recognises the following related parties: group companies, the Management Board, the Supervisory Board, Stichting Pensioenfonds Royal Volker Wessels Stevin and Reggeborgh bv and its group companies. Transactions with related parties are settled at the same prices applied to transactions with third parties.

Board of Management

The remuneration of the Members of the Board of Management in 2008 amounts to: €3,598,432 (2007: €2,940,672).

Supervisory Board

The remuneration of the Members of the Supervisory Board amounts to: €160,000 (2007: €212,402).

No advances or guarantees were issued to the Board of Management and the Supervisory Board

Royal Volker Wessels Stevin Pension Foundation

VolkerWessels is affiliated to the Royal Volker Wessels Stevin Pension Foundation.

The pension fund's main task is the administration of the pension plans for employees, former employees and retired employees of VolkerWessels. During the year under review, VolkerWessels paid €50 million in contributions.

Transactions with related parties

Interest rate risk management

Derivatives are used primarily to convert variable interest rates into fixed rates. These instruments are only used for the purpose of covering risks. Control procedures apply to all financial instruments. The use of leveraged instruments is not permitted. In the 2007 financial year, interest rate swaps were concluded on a principal sum totalling € 500 million for the coming five years in connection with the committed funding. The value of these interest swaps at year-end 2008 amounts to € -25.1 million (2007: € -1.9 million). In addition, the group concluded various interest swaps with a total fair value of € 4.2 million.

Exchange rate risk management

The company enters into forward exchange transactions and currency swaps with the aim of hedging risks ensuing from its ordinary business operations. The central aim of this policy is to protect the company against the risk of the ultimate cash flow being affected negatively by exchange rate fluctuations. The total of outstanding transactions as at the balance sheet date is modest in relation to the total company's size. The fair value of the concluded currency swaps as at 31 December 2008 amounts to € 2.5 million.

Credit risks

This risk relates to the potential loss suffered if counterparties were to default on their contractual commitments as at the balance sheet date.

With respect to standard debtor risks, use is made of information provided by reputable institutions specialised in the provision of credit information to control this risk. Financial instruments (derivatives) are only taken out with first-class banks.

The liquid funds available are invested in the short term in first-class securities or with various banks.

As at balance sheet date, there were almost no significant concentrations of credit risk. The carrying amount of the financial assets represents the maximum credit risk and, as at balance sheet date, amounts to the following.

2008

Receivables from non-consolidated participating interests	26,341
Long-term receivables	30,791
Receivable from parent company	225,000
Trade accounts receivable	826,438
Other accounts receivable	418,178
Cash at bank and in hand	408,413
	<hr/>
	1,935,161

Notes to the consolidated profit and loss account

(16) Operating revenues (all amounts x € million)					
				2008	2007
Net turnover				4,952	3,933
Change in total cost of work in progress				441	895
Operating revenues				5,393	4,828
Operating revenues for 2008 by sector and region:					
	The Netherlands	U.K.	Rest of Europe	Outside Europe	Total
Building and Property Development The Netherlands	1,969	–	–	–	1,969
Civil Engineering, Roads and Rail Europe	1,132	896	259	–	2,287
Infrastructure and Land Development USA/Canada	–	–	–	202	202
Infrastructure Technology and Telecommunications	949	12	82	–	1,043
Supplies and Services	296	–	7	–	303
Unallocated (including discontinued operations in Germany)	–	–	6	–	6
	4,346	908	354	202	5,810
Less: Intercompany transactions	(391)	(18)	(8)	–	(417)
Operating revenues	3,955	890	346	202	5,393
As a percentage	73%	17%	6%	4%	100%
Operating revenues for 2007 by sector and region:					
	The Netherlands	U.K.	Rest of Europe	Outside Europe	Total
Building and Property Development The Netherlands	1,701	–	–	–	1,701
Civil Engineering, Roads and Rail Europe	992	799	211	–	2,002
Infrastructure and Land Development USA/Canada	–	–	–	223	223
Infrastructure Technology and Telecommunications	830	10	74	–	914
Supplies and Services	258	–	7	–	265
Unallocated (including discontinued operations in Germany)	–	–	5	–	5
	3,781	809	297	223	5,110
Less: Intercompany transactions	(260)	(13)	(9)	–	(282)
Operating revenues	3,521	796	288	223	4,828
As a percentage	73%	16%	6%	5%	100%

A further segmentation per sector and per geographical region is set out on pages 108 through 113.

Notes to the consolidated profit and loss account

(17) Wages, salaries, pension charges and social security charges	2008	2007
Wages and salaries	(735,714)	(726,367)
Pension charges	(78,165)	(72,403)
Other social security charges	(104,129)	(107,244)
	<u>(918,008)</u>	<u>(906,014)</u>

(18) Depreciation of tangible fixed assets	2008	2007
Land and buildings	(9,427)	(8,983)
Plant and equipment	(52,784)	(48,147)
Other fixed assets	(12,158)	(10,789)
	<u>(74,369)</u>	<u>(67,919)</u>

(19) Results of participating interests, after tax	2008	2007
Results of non-consolidated participating interests	924	14,629
Result from sale of participating interests	12,279	147
	<u>13,203</u>	<u>14,776</u>

(20) Financial income and expenditure	2008	2007
Interest income (long-term receivables)	12,978	10,032
Interest income (short-term receivables)	17,504	25,353
Proceeds from Nigerian Promissory Note	4,029	4,541
Interest expenditure (long-term liabilities)	(17,179)	(17,834)
Interest expenditure (short-term liabilities)	(23,201)	(24,711)
Exchange differences	(1,984)	(589)
Other financing results	(2,928)	(2,454)
	<u>(10,781)</u>	<u>(5,662)</u>

The above exchange differences relate to translation differences and results from currency hedging and forward transactions.

(21) Tax	2008	2007
Tax on ordinary operations	(54,134)	(53,260)
Tax benefits from losses made on liquidation and deductible losses	11,639	8,525
	<u>(42,495)</u>	<u>(44,735)</u>

The tax charge on the result from ordinary operations has been included under this head
The effective tax charge is 23.0%.

VolkerWessels has approximately € 10 million in unvalued possible tax benefits at its disposal both in the Netherlands and abroad. The utilisation of the loss available for set-off against tax depends on future taxable profit.

Results per sector

RESULTS 2008

All amounts x € million, unless otherwise stated

Building and Property Development The Netherlands	Civil Engineering, Roads and Rail Europe
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Operating revenues

1,969	2,287
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Operating expenses

(1,871)	(2,222)
---------	---------

Depreciation of tangible fixed assets

(3)	(22)
-----	------

Result of participating interests after tax

4	0
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EBITA

99	43
----	----

Amortisation

(4)	(5)
-----	-----

EBIT

95	38
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Financial income and expenditure

Result from ordinary operations,
before tax

Tax

Result from ordinary operations,
after tax

Minority interests

Profit after tax

RESULTS 2007

All amounts x € million, unless otherwise stated

Building and Property Development The Netherlands	Civil Engineering, Roads and Rail Europe
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Operating revenues

1,701	2,002
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Operating expenses

(1,596)	(1,945)
---------	---------

Depreciation of tangible fixed assets

(3)	(20)
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Result of participating interests after ta

4	1
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EBITA

106	38
-----	----

Amortisation

(3)	(8)
-----	-----

EBIT

103	30
-----	----

Financial income and expenditure

Result from ordinary operations,
before tax

Tax

Result from ordinary operations,
after tax

Minority interests

Profit after tax

* Including discontinued operations in Germany

Infrastructure and Land Development USA/Canada	Infrastructure Technology and Telecommunications	Supplies and Services	Unallocated*/ eliminated	Total
202	1,043	303	(411)	5,393
(179)	(1,009)	(229)	388	(5,122)
(5)	(7)	(31)	(6)	(74)
1	3	5	0	13
19	30	48	(29)	210
-	(4)	0	(1)	(14)
19	26	48	(30)	196
				(11)
				185
				(42)
				143
				(1)
				142

Infrastructure and Land Development USA/Canada	Infrastructure Technology and Telecommunications	Supplies and Services	Unallocated*/ eliminated	Total
223	914	265	(277)	4,828
(195)	(896)	(199)	266	(4,565)
(5)	(6)	(29)	(5)	(68)
13	(1)	0	(2)	15
36	11	37	(18)	210
-	(3)	0	0	(14)
36	8	37	(18)	196
				(6)
				190
				(45)
				145
				1
				146

Other information per sector

OTHER INFORMATION 2008

All amounts x € million, unless otherwise stated

Building and Property
Development
The Netherlands

Civil Engineering,
Roads and Rail
Europe

Order book	2,984	1,864
Assets	1,036	826
Liabilities	499	645
Capital employed	537	181
Participating interests	14	10
Net investments in tangible fixed assets	1	37
Net investments in intangible fixed assets	3	7
Average number of employees	3,200	7,900
Average operating revenues per employee (x € 1,000)	615	289
EBITA / capital employed	18.4%	23.8%
EBIT / capital employed	17.6%	21.0%

OTHER INFORMATION 2007

All amounts x € million, unless otherwise stated

Building and Property
Development
The Netherlands

Civil Engineering,
Roads and Rail
Europe

Order book	3,279	1,962
Assets	1,104	798
Liabilities	516	582
Capital employed	588	216
Participating interests	18	4
Net investments in tangible fixed assets	4	32
Net investments in intangible fixed assets	19	-
Average number of employees	3,200	7,200
Average operating revenues per employee (x € 1,000)	532	278
EBITA / capital employed	18.0%	17.6%
EBIT / capital employed	17.5%	13.9%

* Including discontinued operations in Germany

[illegible]

Results geographically

RESULTS 2008

All amounts x € million, unless otherwise stated

	The Netherlands**	UK	Other countries	Unallocated*/ elimination	Total
Operating revenues	4,346	908	550	(411)	5,393
Operating expenses	(4,089)	(879)	(542)	388	(5,122)
Depreciation of tangible fixed assets	(54)	(5)	(9)	(6)	(74)
Result of participating interests after tax	12	0	1	0	13
EBITA	215	24	0	(29)	210
Amortisation	(8)	(4)	(1)	(1)	(14)
EBIT	207	20	(1)	(30)	196
Financial income and expenditure					(11)
Result from ordinary operations, before tax					185
Tax					(42)
Result from ordinary operations, after tax					143
Minority interests					(1)
Profit after tax					142

RESULTS 2007

All amounts x € million, unless otherwise stated

	The Netherlands**	UK	Other countries	Unallocated*/ elimination	Total
Operating revenues	3,781	809	515	(277)	4,828
Operating expenses	(3,542)	(789)	(500)	266	(4,565)
Depreciation of tangible fixed assets	(48)	(5)	(10)	(5)	(68)
Result of participating interests after tax	4	0	13	(2)	15
EBITA	195	15	18	(18)	210
Amortisation	(8)	(6)	0	0	(14)
EBIT	187	9	18	(18)	196
Financial income and expenditure					(6)
Result from ordinary operations, before tax					190
Tax					(45)
Result from ordinary operations, after tax					145
Minority interests					1
Profit after tax					146

* Including discontinued operations in Germany

** Including export projects

Other information geographically

OTHER INFORMATION 2008

All amounts x € million, unless otherwise stated

	The Netherlands**	UK	Other countries	Unallocated*/ elimination	Total
Order book	5,018	636	455	(343)	5,766
Assets	2,101	305	344	493	3,233
Liabilities	1,135	243	144	565	2,087
Capital employed	966	62	190	(72)	1,146
Participating interests	25	0	39	5	69
Net investments in tangible fixed assets	73	7	9	19	108
Net investments in intangible fixed assets	9	5	0	4	18
Average number of employees	12,400	2,800	2,500	100	17,800
Average operating revenues per employee (x € 1,000)	350	324	220	–	303
EBITA / capital employed	22.3%	39.6%	–	–	18.4%
EBIT / capital employed	21.4%	32.5%	–	–	17.1%

OTHER INFORMATION 2007

All amounts x € million, unless otherwise stated

	The Netherlands**	UK	Other countries	Unallocated*/ elimination	Total
Order book	4,995	738	548	(411)	5,870
Assets	2,111	291	355	347	3,104
Liabilities	1,067	233	155	509	1,964
Capital employed	1,044	58	200	(162)	1,140
Participating interests	24	–	45	5	74
Net investments in tangible fixed assets	68	13	20	7	108
Net investments in intangible fixed assets	29	–	–	1	30
Average number of employees	11,900	2,400	2,600	100	17,000
Average operating revenues per employee (x € 1,000)	318	337	198	–	284
EBITA / capital employed	18.7%	25.9%	–	–	18.4%
EBIT / capital employed	17.9%	15.5%	–	–	17.2%

* Including discontinued operations in Germany

** Including export projects

Company balance sheet and profit and loss account

COMPANY BALANCE SHEET

Before profit appropriation

All amounts x € 1,000

	Note	31 December 2008	31 December 2007
Fixed assets			
Financial fixed assets	(1)	726,580	626,284
Current assets			
Receivables	(2)	266,538	295,353
Tax payable		–	12,161
Cash at banks and in hand		1,187	1,035
		<u>267,725</u>	<u>308,549</u>
Current liabilities			
Tax		19,127	–
Other liabilities		940	10,384
		<u>20,067</u>	<u>10,384</u>
Balance of current assets and current liabilities		247,658	298,165
		<u>974,238</u>	<u>924,449</u>
Provisions	(3)	8,963	17,659
Shareholders' equity			
Issued share capital		83,844	83,844
Share premium reserve		67,339	67,339
Exchange difference reserve		(21,024)	(4,731)
Statutory reserve for participating interests		44,804	47,629
Statutory reserve for development costs		3,754	2,533
Other reserves		644,706	564,315
Undistributed profits		141,852	145,861
	(4)	<u>965,275</u>	<u>906,790</u>
		<u>974,238</u>	<u>924,449</u>

COMPANY PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

	2008	2007
Results of group companies	124,289	154,463
Other income and expenditure, after tax	17,563	(8,602)
Profit after tax	<u>141,852</u>	<u>145,861</u>

Notes to the company balance sheet and profit and loss account

General

Reference is made to the Notes to the consolidated financial statements in addition to the notes below.

The option of preparing an abridged profit and loss account, offered pursuant to Section 402 Book 2 of the Netherlands Civil Code, has been taken up in drawing up the Company profit and loss account.

(1) Financial fixed assets

	2008	2007
Group companies	726,580	626,284
<i>Group companies</i>	<i>2008</i>	<i>2007</i>
Balance as at 1 January	626,284	625,612
Acquired/sold	-	(2)
Share premium payments	27,300	140,000
Share in result	124,289	154,463
Dividend received	(35,000)	(284,559)
Change in accounting principles	-	(6,566)
Exchange differences	(16,293)	(2,664)
	<u>726,580</u>	<u>626,284</u>

Pursuant to the relevant legal requirements, a list of the group companies and other participating interests of the Company has been deposited with the Rotterdam Commercial Register.

(2) Receivables

	2008	2007
Group companies	266,246	295,100
Other receivables	292	253
	<u>266,538</u>	<u>295,353</u>

The group companies item includes receivables in connection with dividends, corporation tax and other receivables.

(3) Provisions

This involves the provision for deferred tax liabilities.

	2008	2007
Balance as at 1 January	17,659	6,738
Release	(8,500)	-
Expenditure	(211)	-
Addition	15	10,921
Balance as at 31 December	<u>8,963</u>	<u>17,659</u>

Notes to the company balance sheet and profit and loss account

	2008							2007
All amounts x € 1,000								
(4) Shareholders' equity	Issued share capital	Share premium reserve	Exchange difference	Statutory reserve	Statutory reserve	Other reserves	profits verdeelde	Shareholders' equity
				Participating interest	Development costs			Shareholders' equity
Balance as at 1 January	83,844	67,339	(4,731)	47,629	2,533	564,315	145,861	906,790
Adjustment due to change in accounting principles								(6,566)
	83,844	67,339	(4,731)	47,629	2,533	564,315	145,861	906,790
Addition to reserves						78,787	(78,787)	-
Dividend for 2007/2006							(67,074)	(67,074)
Result for 2008/2007							141,852	141,852
Other movements				(2,825)	1,221	1,604		-
Exchange differences			(16,293)					(16,293)
Balance as at 31 December	83,844	67,339	(21,024)	44,804	3,754	644,706	141,852	965,275

Change in accounting principles

With effect from 1 January 2007, the Dutch Guideline for Annual Reporting 271 (Employee benefits) has been applied with respect to jubilee payments. This change in the accounting principles has resulted in a decrease of the equity by € 6.6 million as at 1 January 2007.

Share capital

The authorised share capital totals € 300,000,000 and comprises 119,999,998 ordinary shares and 2 priority shares, each with a nominal value of € 2.50. The issued share capital consisted of 33,537,103 ordinary shares (2007: 33,537,087) and 2 priority shares. 33,525,158 shares are held by Victor Holdings bv. The shares of Victor Holdings bv are held by the financial holding company Storm Investments bv.

Profit appropriation for 2007

At the Annual General Meeting of Shareholders held on 22 May 2008, a resolution was passed to distribute € 67,074,000 as a dividend and to add € 78,787,000 to other reserves

Exchange differences

Any exchange differences arising from the translation of shareholders' equity of foreign participating interests are credited or charged directly to the exchange difference reserve.

Statutory reserve for the participating interest

The statutory reserve for the participating interest concerns retained profits from participating interests that the company cannot distribute without the cooperation of third parties.

Statutory reserve for development costs

The statutory reserve for development costs comprises the part of the capitalised development costs that has not yet been written down.

Tax-Exempt Share Premium

The tax-exempt share premium as at year-end 2008 has been determined at approximately € 12 million (2007: € 12 million).

Notes to the company balance sheet and profit and loss account

The KPMG Accountants nv fees as charged to the company, its subsidiaries and other fully consolidated companies, as referred to in Section 2:382(a) of the Netherlands Civil Code, are as follows:

	KPMG Accountants nv 2008	Other KPMG network 2008	Total KPMG 2008
Audit of the financial statements	2,055	839	2,894
Other audit engagements	93	2	95
Tax-related advisory services	–	231	231
Other non-audit services	584	295	879
	<u>2,732</u>	<u>1,367</u>	<u>4,099</u>

	KPMG Accountants nv 2007	Other KPMG network 2007	Total KPMG 2007
Audit of the financial statements	1,899	855	2,754
Other audit engagements	94	2	96
Tax-related advisory services	–	125	125
Other non-audit services	82	126	208
	<u>2,075</u>	<u>1,108</u>	<u>3,183</u>

Off balance sheet commitments

Guarantees

2008

2007

Guarantees

581,209

778,253

The above total of guarantees issued varies from the amount stated in the Notes to the consolidated balance sheet. This is due to the guarantees provided by the Company for credits, included in the consolidated balance sheet under liabilities, and guarantees independently provided by the subsidiaries

Rotterdam, 12 March 2009

The Board of Management

G.J.A. van de Aast

D. Boers

J.C. de Pagter

A. Vos

The Supervisory Board

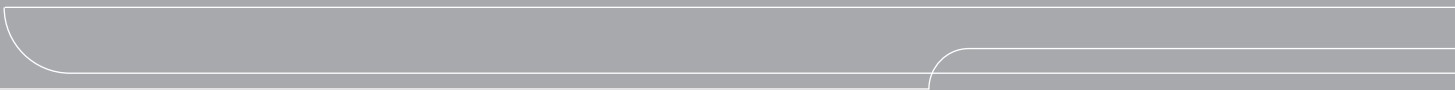
A. Baan

H.G.J. van Berckel

L.R.J. van Rappard

D. Wessels

Other information



To: the shareholders of Royal Volker Wessels Stevin nv

AUDITOR'S REPORT

Report on the financial statements

We have audited the 2008 financial statements of Royal Volker Wessels Stevin nv in Rotterdam, comprising the consolidated and company balance sheet as at 31 December 2008 and the consolidated and company profit and loss account for the year then ended, including the notes.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code (BW). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Royal Volker Wessels Stevin n.v. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 BW.

Report on other legal requirements

Pursuant to the legal requirement under 2: 393(5)(f) BW, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required by 2:391(4) BW.

Rotterdam, 12 March 2009

KPMG ACCOUNTANTS N.V.

P.W.J. Smorenburg RA

PROPOSED PROFIT APPROPRIATION 2008

It is proposed to the General Meeting of Shareholders that a sum of € 67,074,000 of the profit should be earmarked for pay-out of a cash dividend in the amount of € 2.00 per share, while the remaining € 74,778,000 should be transferred to "Other reserves".

PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING PROFIT APPROPRIATION

Articles 32 and 33 of the Company's Articles of Association contain provisions concerning profit appropriation.

32.1. Subject to Supervisory Board approval, the Board of Management shall submit a proposal to the General Meeting of Shareholders concerning the portion of the profit that is to be released to the reserve and the portion that is to be paid out.

32.2. The profit that remains following the release of profit to the reserve will be used first of all, provided that the level of profit so allows, to pay out a dividend on the priority shares (based on a percentage of the nominal amount paid up on these shares) that is equal to the statutory rate of interest that applied on the last day of the past financial year. The profit remaining after application of the above is made available to the Annual General Meeting of Shareholders, on the understanding that no further payments will be made on the priority shares.

32.3. In the event that the General Meeting of Shareholders resolves to proceed with full or partial pay-out, as referred to in section 1, such pay-out shall be effected to the holders of ordinary shares in proportion to their ordinary shareholdings, without prejudice to the provisions of section 4 of article 33 hereinafter.

32.4. The Company may only effect payments to the shareholders and to such other persons as have an entitlement to the distributable profit in so far as its shareholders' equity exceeds the value of the paid-up and called portion of the capital plus such reserves as are required by law to be maintained. Resolutions by the General Meeting of Shareholders regarding the liquidation of reserves in whole or in part shall be subject to the approval of the Board of Management and the Supervisory Board.

33.4. Subject to the approval of the Supervisory Board and the General Meeting of Shareholders, the Board of Management shall be authorised to resolve that a dividend on ordinary shares should be paid out in the form of ordinary shares rather than cash, or that the holders of ordinary shares should be offered a choice between taking their dividend either in cash or in the form of ordinary shares, with the proviso that the Board of Management should have been designated, in accordance with the provisions of article 5, as the corporate body authorised to resolve to issue such shares or, alternatively, in so far as the General Meeting of Shareholders so resolves. Subject to Supervisory Board approval, the Board of Management shall lay down such secondary conditions as govern such a choice.

REPORT OF THE SHARE TRUST OFFICE FOUNDATION

In accordance with the provisions of article 11 of the trust conditions of the Royal Volker Wessels Stevin n.v. Share Trust Office Foundation, we hereby report on the 2008 financial year.

No meetings of the Board of the Foundation were held.

The buyout procedure that was initiated in 2004 by Victor Rijssen bv to acquire all the shares in VolkerWessels, on which procedure the Enterprise Section of the Amsterdam Court of Appeal issued a judgement on 20 December 2007, has not been fully completed.

The judgement states that shareholders and/or holders of depository receipts for shares of VolkerWessels must transfer the unencumbered title to their shares in the capital of Royal Volker Wessels Stevin nv to Victor Holdings bv, against payment by Victor Holdings bv of the sum of € 41 per share (price on 30 June 2006), increased by the statutory interest rate as from 30 June 2006 until the date of the transfer or until the date of the consignment of the price including interest less the dividend paid for the 2007 financial year, in accordance with the provisions of Section 2:92a(8) of the Netherlands Civil Code.

By means of an advertisement published in NRC Handelsblad on 24 February 2009, Victor Holdings bv requested shareholders and holders of depository receipts for shares that had not yet transferred their holdings to comply with the judgement of the Enterprise Section of the Amsterdam Court of Appeal no later than on 7 March 2009.

As no shares or depository receipts for shares were offered on 7 March 2009, the amount due will be paid to the consignment office on 16 March 2009, after which the shares are deemed to have been transferred unencumbered to Victor Holdings bv.

The management of the Stichting will cooperate in the implementation of the judgement insofar as necessary and insofar as it is able.

Balance of shares having been taken into administration as at 31 December 2005 (nominal value)	€	575,965
Changes in 2008	(€	543,645)
Balance as at 31 December 2008	€	32,320

A total of 12,928 depository receipts, each with a nominal value of € 2.50, were outstanding, corresponding to 0.4% of the subscribed ordinary shares in Royal Volker Wessels Stevin N.V.

After the balance sheet date, 2,565 shares were decertified, as a result of which 10,363 shares with a value of €2.50 were registered under the name of the Stichting as at 14 January 2009, for which the same number of depository receipts for shares were issued.

The current composition of the Foundation's Board is as follows:

R. Pieterse, "B" member (Chairman)
P van Duursen, "B" member
A.G. van Leersum, "B" member
L.M. van Leeuwen, "B" member
H.J. Hazewinkel, "A" member
M.C. van Veen, "A" member

Rotterdam, 12 March 2009

The Board of the Share Trust Office Foundation,

R. Pieterse

Other financial information

Five Year Overview of VolkerWessels

derived from the consolidated financial statements

All amounts x € million, unless stated otherwise

2008

Profit and loss account

Operating result before amortisation of goodwill (EBITA)	210
Amortisation	(14)
Operating result after amortisation of goodwill (EBIT)	196
Financial income and expenditure	(11)
Result from ordinary operations, before tax	185
Tax	(42)
Result from ordinary operations, after tax	143
Extraordinary results, after tax / minority interests	(1)
Profit after tax	142

Balance sheet

Intangible fixed assets	78
Tangible fixed assets	452
Financial fixed assets	351
Total fixed assets	881
Land	442
Real estate held for sale / Stocks / Work in progress / Receivables	1,502
Cash at banks and in hand	408
Total assets	3,233
Issued share capital	84
Reserves	739
Undistributed profits	142
Shareholders' equity	965
Subordinated and other loans / minority interests	427
Provisions	177
Current liabilities	1,664
Total liabilities	3,233

Key ratios

Current ratio (current assets / current liabilities)	1.41
Solvency (shareholders' equity / total assets)	0.30
Return on equity (profit after tax / shareholders' equity as at 1 January)	15.6%

Other information

Operating revenues	5,393
Actual order book	5,766
Investments	138
Disposals	(30)
Net investments	108
Net investments in intangible fixed assets	18
Average number of staff	17,800

2007	2006	2005	2004
210	170	140	118
(14)	(20)	(15)	(10)
196	150	125	108
(6)	0	4	2
190	150	129	110
(45)	(37)	(58)	(47)
145	113	71	63
1	(3)	(4)	(1)
146	110	67	62
81	69	75	68
429	389	374	357
363	109	138	109
873	567	587	534
462	363	378	298
1,452	1,358	1,338	1,119
317	240	247	262
3,104	2,528	2,550	2,213
84	84	84	86
677	620	588	546
146	110	67	62
907	814	739	694
436	138	121	67
229	233	237	275
1,532	1,343	1,453	1,177
3,104	2,528	2,550	2,213
1.46	1.46	1.35	1.43
0.29	0.32	0.29	0.31
17.9%	14.9%	9.7%	9.3%
4,828	4,488	4,157	3,865
5,870	5,626	4,861	4,185
122	112	94	104
(14)	(27)	(13)	(23)
108	85	81	81
30	13	21	33
17,000	16,400	16,700	16,600

Land and residential units

Land

The total order portfolio as at 31 December 2008 is determined, among other things, by the building sites for which the legal title rests with the Company, plus conditional/unconditional commitments to purchase building sites and building rights pursuant to agreements.

Potential holdings of building sites as at 31 December, in the Netherlands, in hectares	2008	2007
The Netherlands	870	874
The following developments are generally being envisaged for these sites:		
	2008	2007
Residential units	15,700 units	16,100 units
Commercial space	773,000 m ²	1,015,000 m ²
Residential units		
<i>Numbers of residential units under construction in VolkerWessels-managed development projects:</i>	2008	2007
Under construction	3,452	4,545
Sold	(2,787)	(3,677)
Not yet sold	665	868
<i>Analysis of numbers of residential units completed during the year under review</i>		
	2008	2007
VolkerWessels development	2,558	1,972
On behalfe of third parties	2,855	1,968
Total	5,413	3,940

Definitions

Capital employed

Shareholders' equity + minority interests + provisions.

Cash flow

Profit after tax + depreciation of tangible fixed assets + amortisation of intangible fixed assets.

Current ratio

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

Curtailment result

Result arising from the curtailment or termination of the pension plan.

EBITA

Earnings Before Interest, Taxes and Amortisation.

EBIT

Earnings Before Interest and Taxes.

Goodwill

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

Net turnover

Revenues from works completed in the year under review, and revenues from goods and services supplied in the year under review. Turnover is exclusive of value-added tax and intercompany transactions.

Operating revenues

Net turnover plus movements in work in progress and movements in capitalised profit in work in progress.

Quick ratio

Consists of the ratio of current assets less land and stock to current liabilities less unconditional commitments on land.

Return on equity

Profit after tax / shareholders' equity as at 1 January.

Solvency

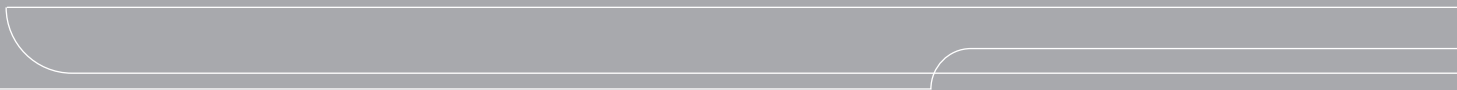
Shareholders' equity as a percentage of total long-term capital.

Total long-term capital

Fixed assets + current assets.



Operational structure VolkerWessels



Building and Property Development

VolkerWessels Bouw & Vastgoedontwikkeling bv

D. Boers, director building & property development
L. Elmendorp, director building & property development
L.F.J. Bruggink, head of legal affairs
B. Dijkhuis, head controlling

VolkerWessels Bouw & Vastgoedontwikkeling Nederland bv

A.H.M. de Koning, director integral projects
Biesterbos Planontwikkeling bv * T. Biesterbos
Bouwontwikkeling Jongen bv C.P.H. Küller
Credo Integrale Planontwikkeling bv H.A.J. Neerhof, B. Storm, J.A. van der Veer
Credo Real Estate Development España SL * P.M.J.M. Jacobs
ID Planontwikkeling bv * H.T.J.M. Roelofs
Kondor Wessels Vastgoed bv W.A. Gaymans, R.H.K. Elbersen
Kondor Wessels Projecten bv N.H.W. de Boer, R.A. Werger, A. Walvoort
Maapron bv M.S. Wieringa, N.N.E. Schols
De Koning Wessels Vastgoed bv R.P. Biesheuvel, J. Sanner
Kontour Vastgoed bv * J. van der Mijl
Loostad bv D.H. Spikker, H. Driesen
Holding De Nieuwe Combinatie bv * B.C.C. Wijnings
Planoform Vastgoedontwikkeling bv M.H. Schipper, H. Vis
Kondor Wessels Ontwerpfabriek R. Overdam
Stam + De Koning Vastgoed bv F.P.M. Gremmen
VolkerWessels Vastgoed bv H.D. Werner, A. Schelling, A. Abee, P.J. Benes, H. Borsje, P.H. van Hemmen, W.M. Rademaker, J. Sakkers, J.C. de Wolf
ZorgID bv R.M.Th. Goossens

VolkerWessels Bouw & Vastgoedontwikkeling Noord-Oost bv

H.D. Vissers
Bouwonderneming Goossen Almelo bv A.J.H. Büter, C.G.J. Kole
Koenen Bouw- en Aannemingsmaatschappij bv P.L. Wigboldus, M.H. Luchjenbroers
Te Pas Bouw bv J.H.B. Schotman, G.T. Logtmeijer
Bouwbedrijf Reitsma bv L. Douma
Rottinghuis' Aannemingsbedrijf bv J. Zandvoort, J. Dobben
Systabo bv R.M.C. van Hoof, C.T. de Groot
Timeco bv J.D. Arling
Bouwmaatschappij Ufkes Apeldoorn bv P.G.M. Bekhuis, S.A.A. Weghorst
Bouwonderneming De Veluwezoom bv H.A. Dekker, D.H.C. van der Hulst
Bouwbedrijf Wessels Rijssen bv G.J. Boers, C.J. Knoot

VolkerWessels Bouw & Vastgoedontwikkeling West bv

A.J. Zwoferink
Bébouw bv E.P. van den Bergh, A.B.J.M. Pompe
Boele & van Eesteren bv P.A. van Hoeven, F.H. Knops
Bouwbedrijf Boender en Maasdam bv G. van Maanen
G&S Bouw bv H. Huisman, M. Coffeng, P.J. van der Thiel
IBB Kondor bv J.A. Messemaker
Gebr. van Kessel Bouw bv M.J.A.M. van Zon
Kondor Wessels Amsterdam bv F.R. Knotter, F. Aalders
Aannemingsbedrijf Joh. Kroon & Zn. bv C. Kroon
Stam + De Koning Zwijndrecht bv M.J.F. Cosijn
Bouwbedrijf Wessels Zeist bv P.H.H. Bos, J. Schellevis

VolkerWessels Bouw & Vastgoedontwikkeling Midden bv

L.H.P. Horsthuis
Aannemersbedrijf Van Agtmaal bv J.A.C. Snepvangers
Aannemersbedrijf Van Bergen Beuningen bv (Aannemersbedrijf Van Bergen Geldrop bv)
W.J.M. Willems, H.T.M. van Boxmeer
de Bonth van Hulten bv C.C.J.M. de Bonth, H.J.C. Pleging
Aannemersbedrijf Van der Poel bv R.M. van Pamelan, M. van der Staal
Stam + De Koning Bouw bv J.A. Michels, A.G. van Tilburg
Aannemersbedrijf Van de Ven bv A.G.M. van Loon, J. Snoeren, A. Krekels

VolkerWessels Bouw & Vastgoedontwikkeling Zuid bv

F.W.J. Zuthof

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(VolkerRail Engineering bv, VolkerRail Logistics bv, VolkerRail Materieel bv, VolkerRail SAFAC bv, VolkerRail Heat Solution, Van der Worp Civiël, VolkerRail Trading bv, VolkerRail R&D, VolkerRail Consultancy, VolkerRail SuperWeld)

Rail infrastructure (other countries)

VolkerRail International bv A.P. van Kleef

VolkerRail Group Ltd., United Kingdom G. Edwards, R. Taylor, D. Moreland, *M. Hawley*

(VolkerRail Ltd. , VolkerRail Projects, VolkerRail Plant Ltd. , VolkerRail Welding Ltd. , VolkerRail Power Ltd. , VolkerRail Signalling Ltd. , VolkerRail Developments, VolkerMatrix Ltd. , ALH Rail Coatings)

VolkerRail Deutschland GmbH, Germany A.P. van Kleef, B. Sager

(VolkerRail Dario Martinez GmbH, VolkerRail Gleisbau Sabrodt GmbH, ARGE GUN *, MGW GmbH & Co. KG *, Deutsche Gleisbau Union GmbH & Co. KG *)

VolkerRail RTE AS, Estonia K. Sirk

VolkerRail Viater Ehitus AS, Estonia K. Sirk

VolkerRail Lietuva UAB, Lithuania K. Grodberg

VolkerRail Polska SP.z.o.o., Poland A.P. van Kleef, B. Sager

VolkerWeiss Nordic AB *, Sweden M. Hallman

F.C. Trapp Tief- und Gleisbau GmbH *, Germany K. Wandel

Civil Engineering, Roads and Building UK

Fitzpatrick Ltd. A. Robertson

John Crowley Ltd. P. Hyde

Gabriel Contractors Ltd. N.G. Wilson

Laser Group Ltd. A. Wilbram, M. Weaver

Volker Stevin Ltd. P.A. Roebuck M.I.C.E., J. McNeilly

(Steel Foundations Ltd, Brooks Contracting Co. Ltd)

Infrastructure and Land Development USA/Canada

VWS U.S. Corp, USA K.M. Quinn

Volker Stevin Contracting Ltd. , Canada K.M. Quinn, M. Festa, K. Briscoe

Mid-Mountain Contractors Inc. , USA K.M. Quinn, J. Levere

Infrastructure Technology and Telecom

Networks (Cables and pipelines)

Volker Stevin Netwerken bv

Visser & Smit Hanab bv J.J.L.M. de Moel, *H. Herremans, A. Jansen, A.J.A. La Haye, L.R.P. van Vliet, L.F. Wartna, J.M. Winkelman, J. van Wijnen*

Visser & Smit Hanab GmbH, Germany J. Taubitz, K.H. Görgemans

VolkerInfra Ltd., United Kingdom J.J.L.M. de Moel, *J.S. Wattel*

Visser & Smit Hanab nv, België V.E. van Esbroeck

Pipeline Control bv J.J.L.M. de Moel

M.J.O. Holding A.M.M. Oomen

Networks (Telecom)

Volker Wessels Telecom bv A.A. Meijer, *M.P. van der Sluijs, H.K.A. den Hartigh*

Volker Wessels Telecom Infra bv H.M.D. Lever

Volker Wessels Telecom Aansluitingen bv

Volker Wessels Telecom Infratechniek bv A.W.J. van Kippersluis

Trilink bv A. van Kampen

Volker Wessels Telecom Network Solutions

Volker Wessels Telecom TNS bv D.C. van der Toorn Vrijthoff

Volker Wessels Telecom Vecotech bv J.H. van den Hoven

Volker Wessels Telecom Wireless bv J.H. van den Hoven

Volker Wessels Telecom Datacenters bv M.H. Linde

Volker Wessels Telecom Belgium nv

Volker Wessels Telecom System- und Richtfunktechnik GmbH R.B. den Burger

Traffic engineering

Vialis bv J.H. Sweers, J.H.M. van Kleef, *S. Burley, F.M. van der Valk*

(**Vialis Traffic bv**, **Vialis-TPA bv**, **Vialis Public Transport bv**, **Vialis Railway Systems bv**, **Vialis Combonet bv**, **Vialis Polska Sp. Z o.o.**, **Vialis Belgium nv**, **Vialis Asia Pacific Ltd.***, **Vialis Australia Ltd.***, **TPA North America***, **East-West e-ticketing bv***, **Verkeersradar bv***)

Vialis Infratechniek bv* *B. Monster*

Holland Systemen bv* *R.A.L. Hijdra*

Volker SafeGuard bv* *E. Vredeveld*

Mechanical/Electrical Installations

HOMIJ Technische Installaties bv *L.P.M.J. Canjels, A. Navarrete Gelde*

Divisie Utiliteit, regio Noord *M.J.L. Heikamp*

Divisie Utiliteit, regio Midden *G. Groenewegen*

Divisie Utiliteit, regio Zuid *J.P.M. Egelmeers*

Divisie Utiliteit, HOMIJ Networks *J.M. Jansen*

Divisie HOMIJ Technisch Facility Management *T.M. Koelewijn*

Divisie Infra & Industrie *T.E. Wiersma*

Veiligheid Door Sprinklers bv *A. Navarrete Gelde*

Supplies and Services

Equipment and services

Aveco de Bondt bv* *H.G.B. Spekhorst, G.J. Paalman, D.A. Jonkers, G. Wessels, E.P.W. Koenis*

Aveco de Bondt België nv* *H.G.B. Spekhorst, G.J. Paalman, G. Ceulemans*

de Bondt Trencin sro* *H.G.B. Spekhorst, J. Butora*

Archiment bv* *H.G.B. Spekhorst*

Con-tura Architekten + Ingenieure GmbH* *H.G.B. Spekhorst, D. Schöder*

DEC bv *G.J. Paalman, L.P.M.J. Canjels, M.T.P.M. Muurmans*

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

Volker Stevin Materieel bv *W. Snijders, P.R. Mos, W. Veenje*

Romers Transport bv *W. Snijders, J.R. Burg*

Stemat bv *W. Snijders, J.W. Dijkshoorn*

Parkmanagement and services

PCH Holding bv *M. Toering*

(**Parkeer Combinatie Holland bv**, **PCH Amsterdam Oud-Zuid bv**, **PCH Parkmanagement bv**, **AFBP Parkmanagement bv**, **Bedrijfsbeveiliging Holland bv**, **PCH Facility Management bv**, **Munt Centrale Holland bv**)

Industrial and building construction

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

Timmerfabriek de Mors Rijssen bv / De Mors Houtbouw bv *G. Winkel, J. Nijkamp*

Building materials and supply

Reinaerdt Deuren bv *E.H. Ufkes, C.A. Wilmer*

EDCO Türen GmbH *E.H. Ufkes*

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

Westo Prefab Betonsystemen bv* *G.J. Boers, K.R. ten Berge*

BVF Projectmanagement bv* *L. van Straaten*

* denote a less than wholly-owned subsidiary.

The names of the constitutionally appointed executive management members of the operating companies have been rendered in regular typeface whereas those of the management members have been rendered in *italics*.

BOARD OF MANAGEMENT

G.J.A. van de Aast, chairman
D. Boers
J.C. de Pagter
A. Vos

CORPORATE STAFF

L.A.M. Verweij, chief financial officer
H.W.R.A.M. Janssen, general counsel/lawyer
J.D. Knoester, director HRM
L.C. van Dijke, public affairs
J.F.G. Waltmans, corporate communications manager
Mw. M.L. Esveld, company secretary

ROYAL VOLKER WESSELS STEVIN PENSION FOUNDATION

R.J.J. Kragten

CENTRAL WORKS COUNCIL

F.T.M. Engelen, chairman
R. Scipio, secretary

EUROPEAN WORKS COUNCIL

M. van der Sluijs, chairman
F. Bierkant, vice-chairman

Customizing to the quay

Asphalting work for the Odfjell project in the Rotterdam Botlek area. The terminal complex of this Norwegian company that ships petrochemical products has been extended with an additional jetty, necessitating changes to the quay.



Colofon

art direction

Dedato ontwerpers en architecten

textual contribution

Clemens Graafsma

photography/illustrations

Archive VolkerWessels

Birdview

Carel Kramer

lithography and printing

Mouthaan Grafisch Bedrijf

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internet

www.volkerwessels.com

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In case of textual contradictions, the Dutch version shall prevail.

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