VolkerWessels

Annual report 2017

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Profile, activities and markets

Koninklijke VolkerWessels is a leading integrated and diversified listed construction group with a "think global, act local" mindset. VolkerWessels' operating model combines a local sales and client focus with a control and support structure at divisional level that optimises scale and expertise across its operating companies. VolkerWessels operates primarily in the Netherlands, the United Kingdom, North America and Germany. Operationally, its business is organised in six segments. In the countries in which VolkerWessels operates it has over 120 local operating companies, which have national and regional offices and management.

The Netherlands

Construction & Real Estate Development

- Construction and renovation for residential and non-residential real estate including industrial and logistic facilities
- Real estate development
- In-house technical installations services capabilities
- Industrial production and supply of construction materials, including pre-fabricated building supplies

Infrastructure

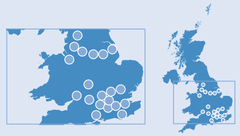
- Road construction service and maintenance and asphalt production
- Railway construction, services and maintenance
- Civil engineering activities for roads, waterways and rail
- Multi-disciplinary project management for complex projects
- Traffic management for road and railway installations

Energy & Telecoms Infrastructure*

- Construction and maintenance of energy infrastructure for underground and above ground pipelines and cables for energy and water transport and production and industrial processes
- Construction and maintenance of telecoms infrastructure including fibre-optic and wireless networks

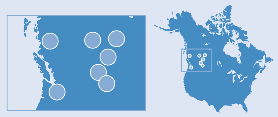
* Segment includes Belgium.

United Kingdom



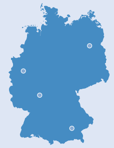
- Industrial and Commercial building and infrastructure construction
- Civil engineering and infrastructure
- Railway infrastructure renewals and enhancements, rail systems and maintenance
- Construction and maintenance of water and energy infrastructure including ports and harbour infrastructure, flood risk management, utilities and waste facilities
- Highway and airport infrastructure construction and maintenance

North America



- Active particularly in the Alberta and British Columbia provinces with focus on municipal road and highways maintenance and underground utilities (sewage and water construction)
- Active in the north-west of the United States (broader Seattle area) in roadwork construction and maintenance, civil engineering (such as bridge construction and flood risk management) and underground utilities
- Asphalt and gravel production

Germany



- Construction for residential housing
- Real estate development
- Focus on selected major urban areas in Germany, in particular Berlin, North Rhine-Westphalia, Frankfurt and Munich regions

Preface

To our shareholders:

Dik Wessels
On 21 November 2017 we were informed that our founder, Mr. Dik Wessels, passed away at the age of 71. We are very grateful to him for his never ending support of VolkerWessels; his entrepreneurship, vision and craftmanship are – and will continue to be – the bedrock of our company. His passing is a great loss for all of us and he will be held in our memories with great respect and gratitude.

Review of the year
2017 was an important year for VolkerWessels as we floated successfully on Euronext Amsterdam. We announced our plans to explore an Initial Public Offering on 11 January 2017 and successfully floated on Euronext on 12 May 2017.

Financially, 2017 proved to be a year of growth and – overall - positive developments. Our net result from continuing operations increased by €39 million to €142 million over the reporting period. Of the €39 million improvement versus 2016, €9.5 million is the net result of the change in our capital structure at the end of 2016 (resulting in lower interest charges) and €29.5 million is the net result of improved operational performance. All our segments contributed positively to our results in 2017. 63% of our EBITDA and 73% of our revenue are generated in the Netherlands while 37% of EBITDA and 27% of our revenue is generated in our international home markets (the United Kingdom, North America and Germany).

We believe in sustainable innovations that mutually reinforce and enhance each other. Successful examples in 2017 are the materials passport and the opening of our DigiBase in December 2017.

We benefited from gradually improving market conditions in 2017. This led to an increase in both revenue and EBITDA in 2017: our revenue increased by 4.1% and our EBITDA by 4.3% from €254 million to €265 million. Our EBITDA margin was stable at 4.6%. Our free cash flow increased from €198 million to €231 million and the return on capital employed increased by 420 bps to 21.8%.

OpenIJ
It is clear that the setback at the construction of the sealock at IJmuiden (project OpenIJ) resulted in a significant negative impact on the results of our Infrastructure segment in the Netherlands and subsequently on the results of our company as a whole. The Management Board and the Supervisory Board have conducted a deep-dive into the root causes of the issues in order to ensure that the organization learns from its mistakes and any necessary improvements can be made in our organizational set-up to prevent these events from happening again. Reducing our failure costs continues to be a top priority of the Management Board.

Construction & Real Estate Development Netherlands
EBITDA for the Construction & Real Estate Development segment in the Netherlands increased €14 million to €93 million (excluding €13 million third party result). The trends witnessed in the first half of 2017 have continued in the second half of 2017. Increasing prices in the real estate market continue to have a positive effect on our development companies. The positive trend in real estate development is partly off-set by rising costs of construction. This trend is however becoming less significant as recently acquired work is contracted in line with market developments. Our companies active in the supply chain continue to benefit from the trend of rising prices of supplies, although at a more moderate pace than in H1 2017.

Infrastructure Netherlands
In the Infrastructure Netherlands segment we experience a continued improvement in our local markets, proven by the fact that this segment remained profitable despite the provision of €67.5 million for OpenIJ, a clear sign of the underlying strength of our Infrastructure business. EBITDA decreased €21 million to €52 million in this segment. Due to the approval of additional work and the completion of larger projects such as SAAone and the A9 Motorway at Badhoevedorp, resulting in additional result of €35 million, the negative impact of the OpenIJ project was partly compensated in 2017.

Where the market for local infrastructure projects is improving, we notice a continued highly competitive market for large, multidisciplinary infra projects (> €150 million). The combination of high unrecoverable tender costs for lost tenders and the unattractive DBFM contract form, warrant an even more selective approach vis-à-vis these projects.

Energy & Telecoms Infrastructure Netherlands
In Energy & Telecoms Infrastructure Netherlands, our EBITDA increased €1 million to €32 million, where Energy contributed better compared to 2016 and Telecoms performed below 2016, mainly because of the different composition of work carried out for one of its largest clients. Our Belgian operation contributed well to the operational result of this segment.

United Kingdom
We are very pleased with the developments in our international segments. In the UK, despite the Brexit issues, our EBITDA increased in local currency by 7% from GBP 27 million to GBP 29 million in 2017. In euro terms, the UK segment contributed €33 million to our EBITDA, almost making up for the fall in the GBP:EUR exchange rate (€34 million in 2016).

North America
In North America our operations did well resulting in an increase of our EBITDA of €9 million (from €46 million to €55 million). Our operations performed well because of continued strong market developments in Seattle region, favourable weather conditions and the recovery in Fort McMurray after the wildfires in that region in 2016. Furthermore, the improvement in the oil price has benefited the overall economic development in the province of Alberta. Finally, disposals of our land positions in Seattle contributed to the EBITDA increase.

Germany
Last but definitely not least, we are very pleased with the performance of Kondor Wessels Holding, our developing construction company in Germany, which we acquired at the end of 2016. EBITDA increased €5 million (from €12 million to €17 million) and our strong focus on key cities (Berlin, Frankfurt, Munich, Dusseldorf) continues to bear fruit.

Order book, cash conversion & solvency
Our order book at the end of the year remains historically high at €8,091 million.

As a result of strong cash conversion, our net cash position increased by €108 million to €297 million at 31 December 2017.

Total equity, including the result for the year, was stable at €1.1 billion at 31 December 2017. This is the net combined result of (i) the profitability of the company during 2017 and (ii) dividend payments of €106 million in May and November 2017. Our solvency remains stable (31.5% as at 31 December 2017).

Dividend
We propose to pay out a final dividend of €0.77 per share, which, together with the interim dividend paid in November 2017 of €0.28 per share, totals €1.05 and represents a pay-out of 60% of our net income attributable to our shareholders.

Outlook
At this moment we expect our 2018 results to increase versus 2017 and we reconfirm that we are on track to meet our medium-term objectives.

We would like to thank our clients and our shareholders for their continued trust in, and support of, VolkerWessels. A special word of thanks to all our employees who have contributed to the success or our company in 2017. It is their energy, hard work and devotion that makes VolkerWessels the unique company it is today.

Management Board of VolkerWessels
Jan de Ruiter
Dick Boers
Henri van der Kamp
Jan van Rooijen
Alfred Vos

From left to right: Jan de Ruiter, Dick Boers, Alfred Vos, Henri van der Kamp and Jan van Rooijen.

SMART DEVELOPMENT OF VOLKERWESSELS iCITY

"iCity is all about connecting the physical city with the digital city," said Thijs van Dieren, director of VolkerWessels iCity.

"We are located on Strijp-S, the former Philips industrial park in Eindhoven. Together with the municipality and Park Strijp Beheer we are working to make this creative and innovative district of Eindhoven SMART. Total connectivity is the basis, quality of life is the priority and citizens are in control. Strijp-S is a vibrant district to live, work and shop, with its creative and cultural feel. It is the beating heart of Brainport Eindhoven, an area known for the innovations launched here since 2005, and an ideal place to work on the future of living. We believe that by making an area smarter it enhances the quality of life in the field of safety, comfort and wellbeing, thus enabling all residents to live a better life. Modern technology and innovation will help us to achieve this. We combine our extensive knowledge of creative and innovative solutions with the know-how of highly skilled technicians. Connectivity will become a commodity like water and electricity.

A result of connectivity and digital platforming is SMART maintenance. Your house will become a platform of knowledge, with everything being connected. It will warn you if the roof is leaking or share a surplus of solar energy with your neighbours and it notifies the service agency when your boiler needs servicing. If it knows you are not home it turns the heating off and switches the alarm on. A smarter home can detect upcoming problems because it is constantly monitoring – not just one Saturday a month. This will provide tremendous advantages for the homeowner or tenant including lower costs, fewer problems, improved comfort and above all safety.

Using our multidisciplinary network and knowledge of smart cities we offer developers and municipalities smart and integrated services that turn cities into a valuable, future-proofed, interactive and adaptive environment."

VolkerWessels at a glance

Financial highlights in 2017

	Net result from continuing operations*	EBITDA**	EBITDA margin	ROCE	Solvency	Net cash position	Order book	Revenue
2017	€142 million	€265 million	4.6%	21.8%	31.5%	€297 million	€8,091 million	€5,714 million
Change	+38%	+4.3%	=	+420 bps	=	+€108 million	=	+4.1%
2016	€103 million	€254 million	4.6%	17.6%	31.6%	€189 million	€8,157 million	€5,490 million

* Bridge to net result from continuing operations in financial statements of €150 million (adj. net result from continuing operations of €142 million -/- share incentive €5 million +/+ third party result €13 million).

** Bridge to EBITDA in financial statements of €273 million (adj. EBITDA of €265 million -/- share incentive €5 million +/+ third party result €13 million).

Business highlights in 2017

1. Walking piling gate – Dover Western Dock Revival A
2. Groundscanner - MapXact
3. Rail maintenance
4. Kappus Höfe in Offenbach
5. Improvements to parts of the Pike Street and 8th Avenue Streetscape adjacent to the Washington State Convention Center's facilities
6. The Pier in Scheveningen
7. NOW building on Park 20|20
8. VolkerWessels develops, builds and maintains pipelines, cables and boreholes for the transport of residual heat, steam, gas, oil, water and electricity
9. Temporary Departures Hall at Schiphol
10. Circular Viaduct
11. Opal-Rheintower in Cologne – Mülheim
12. Installation of FlexLan in offices
13. Prefabricated Roundabout in Ermelo

Supervisory Board Report

Composition of the Supervisory Board

Supervisory Board

J.H.M. (Jan) Hommen (1943)
Chairman of the Supervisory Board

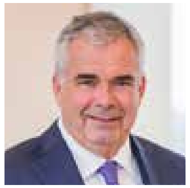
- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in 2020)
- **Committees** Selection and Appointment Committee (chairman), Audit Committee and Remuneration Committee
- **Other and previous positions**
  Mr. Hommen holds supervisory board memberships at Koninklijke Ahold Delhaize N.V. as vice-chairman, United World College Nederland as chairman and at ProteoNic B.V.
  Mr. Hommen is furthermore adviser of Advent International B.V. and as of 1 February 2018 Mr. Hommen is chairman of BlackRock Netherlands B.V.
  Mr. Hommen has served as CEO of ING Group and CEO of KPMG (Netherlands).

H.M. (Henry) Holterman (1955)
Vice-chairman of the Supervisory Board

- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in 2021)
- **Committees** Audit Committee (chairman), Selection and Appointment Committee
- **Other and previous positions**
  Mr. Holterman is CEO of the Reggeborgh Group and a supervisory board member at Varo Energy B.V. and Tivo Exploitaties B.V.

S. (Sietze) Hepkema (1953)

- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in the year 2021)
- **Committees** Remuneration Committee and Audit Committee
- **Other and previous positions**
  Mr. Hepkema served as Chief Governance & Compliance Officer and as a member of the management board of SBM Offshore N.V., as a partner of Allen & Overy LLP and as a supervisory board member of The Royal Bank of Scotland N.V. Mr. Hepkema currently holds supervisory directorships at Wavin N.V. and SBM Offshore N.V. Mr. Hepkema is a member of the Dutch Corporate Governance Code Monitoring Committee and a member of the board of the association of security-issuing companies (Vereniging Effecten Uitgevende Ondernemingen).



R.J.H.M. (René) Kuipers (1960)

- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in 2020)
- **Committee** Remuneration Committee (chairman)
- **Other and previous positions**
  Mr. Kuipers is a director of Reggeborgh Invest B.V. since May 2015 as well as a supervisory board member of Argos Group Holding B.V., Varo Energy B.V. and Deutsche Glasfaser Holding GmbH (a participating interest of Reggeborgh). Mr. Kuipers was shareholder and director of Norit N.V. He is currently the owner and director of Cooper Investors B.V., a firm that invests in equity and real estate.

Report of the Supervisory Board

To our shareholders:

Dik Wessels
After a brief period of illness Dik Wessels, the founder of our company and member of the Supervisory Board, passed away at the age of 71 on 21 November 2017. His entrepreneurship, vision and expertise laid the foundation for what VolkerWessels is today. From 2007 onwards he was a member of the Supervisory Board. His passing is a great loss to everyone at the company: employees, management and the Supervisory Board alike. He will be remembered with great respect and gratitude and we will miss him dearly.

Annual report 2017
We hereby present you with the annual report drawn up by the Management Board for the year ended 31 December 2017. The annual report includes the financial statements for 2017 as audited by Deloitte Accountants B.V. and accompanied by an unqualified auditor's report. The auditor's report is included on pages 170-173 of this annual report. At the Annual General Meeting of Shareholders to be held on 3 May 2018 you will be invited to adopt the financial statements for 2017 and the proposal made by the Management Board for the appropriation of profit. The Supervisory Board has approved this proposal. We will also request that you grant discharge to the Management Board of its governance for the 2017 financial year and to the Supervisory Board for the supervision conducted upon it. The Supervisory Board recommends that you exercise your voting right in accordance with these proposals.

Composition of the Management Board
Until 1 March 2017 the Management Board consisted of Jan van Rooijen (CFO), Alfred Vos (COO), Dick Boers and Henri van der Kamp. On 1 March 2017 Jan de Ruiter was appointed chairman of the Management Board from which date the Management Board consisted of five members instead of four. There were no further changes to the Management Board in 2017.

Composition of the Supervisory Board
In preparation for the public offering of VolkerWessels shares in 2017, the members of the Supervisory Board were appointed at the level of Koninklijke VolkerWessels N.V. on 12 May 2017. At that time Henry Holterman, Dik Wessels and René Kuipers were reappointed and Jan Hommen and Sietze Hepkema were newly appointed as independent members. Mr. Hommen was appointed chairman of the Supervisory Board and Mr. Holterman vice-chairman. Due to the passing of Mr. Wessels on 21 November 2017 the Supervisory Board consisted of four members on the date of this annual report. After consultation with Reggeborgh Holding, it has been decided to fill this vacant position with an independent member in 2018. The general profile of the Supervisory Board was updated on the date of the stock exchange listing of VolkerWessels and is available on the website. The Supervisory Board profile shall be adhered to when filling the vacant position. In 2017 the composition of the Supervisory Board was not in compliance with best practice provision 2.1.7 of the Dutch Corporate Governance Code, which requires that more than half of the members of the Supervisory Board are independent as set out in best practice provision 2.1.8. As a consequence hereof it cannot be stated that has been complied with the independence requirements (as prescribed in best practice provision 2.1.10). All other independence requirements referred to in best practice provisions 2.1.7 up to and including 2.1.9 of the Dutch Corporate Governance Code have been adhered to. Please see the Corporate Governance chapter for further information.

Supervision and advice
In 2017 the Supervisory Board and the Management Board met seven times jointly. Four of these meetings were regular meetings and three meetings were held in relation to specific projects and tender procedures. All members were present at all but one of the meetings (including committee meetings) – due to the illness of Mr. Wessels. Apart from that particular occasion the attendance rate of all Supervisory Board members was 100%, the attendance rate of Mr. Wessels was 85%. In addition there were several other meetings and consultations between members of the Supervisory Board and the executives of VolkerWessels. The chairman of the Supervisory Board and the chairman of the Management Board have held and will continue to hold regular talks through weekly update calls and are in contact if and when necessary.

The Supervisory Board paid close attention to the strategy and objectives defined by the Management Board for the medium and long term, the accompanying policy and the implementation thereof. At each regular meeting the development of results, focus on margins over volume and financial position of VolkerWessels were permanent items on the agenda and, as such, were discussed in detail. This included discussing the operational and financial performance of the various operating companies, the spread of risks between the business, its clients and counterparties and the market conditions in each of the segments in which the company operates. The management of risks and further improvement of working capital were also discussed, as well as other aspects relevant to VolkerWessels such as corporate social responsibility, integrity and safety.

Our maintenance and renewal of the track, switches and crossings, overhead line infrastructure and signaling prevents breakdowns, delays and unsafe situations. VolkerWessels also has the people and capability to construct new sections and replace existing lines

The meetings of the Supervisory Board in the first half of 2017 largely dealt with the preparation and execution of the initial public offering of VolkerWessels shares on the Euronext Amsterdam Stock Exchange. Amongst other things this involved discussing the prospectus, wide-ranging corporate governance matters and the composition of the Management Board and Supervisory Board. Anti-takeover measures were also discussed, which resulted in authorisation for VolkerWessels to implement the option for an issuance of preference shares to an outside foundation within five years of the IPO. The corporate documentation (e.g. the Articles of Association and regulations) was revised to the extent required in the context of the IPO and to reflect new legislation – including the revised Dutch Corporate Governance Code which was published on 8 December 2016. Many of these documents can be found on the website of VolkerWessels.

Within the context of the IPO the equity story of VolkerWessels including its medium-term objectives and long-term strategy were discussed in detail.
This included a close look into the risks related to the strategy and the operating activities of VolkerWessels, as well as the measures needed to manage these risks. The risk of upward price pressure from suppliers of raw materials, the finance policy, the activities in its international (home) markets, pending legal proceedings and the market conditions in each of the segments in which VolkerWessels operates were also discussed during the year.

In addition to the IPO-related topics, the Supervisory Board also discussed tenders for large (Design, Build, Finance and Maintain, DBFM) infrastructure projects including the Blankenburg tunnel, the A13/A16 motorway and Afsluitdijk as well as other projects, contracts and transactions including corporate acquisitions (such as the acquisition of Wareco by Aveco de Bondt) and the sale of real estate development projects.

Topics of a more organisational nature were innovation, insurance, integrity (including prevention of fraud), safety, staffing (including the setup of a leadership assessment) and sustainability. These topics were and still are on the Supervisory Board agenda on a recurring basis. The Supervisory Board also advised the Management Board on specific project-related matters including the OpenIJ sea lock construction project and the additional substantial provision taken on that project. This setback was announced in a press release on 6 December 2017. The Supervisory Board visited the construction site in December 2017 and will continue to pay close attention to this project.

In the year under review the Supervisory Board formally approved the revision of the internal powers schedule, which was amended to include Supervisory Board approval on various topics, as well as the introduction of a related party transactions approval procedure (in line with best practice provisions 2.7.4 and 2.7.5. of the Dutch Corporate Governance Code) and some general updates. Other Supervisory Board resolutions concerned the approval of the half year financial results, the nine-month trading update and the interim dividend payment of €0.28 per share, as announced on 16 November 2017. The Supervisory Board and the Audit Committee met with and discussed the half year financial results with the company's auditor.

On 30 August 2017 a specific internal audit department was established. Before that, the activities which were normally dealt with by an internal audit department, were performed by Accounting, Risk Management and Treasury & Finance. The procedures in relation to the functioning of the internal audit department are in operation and the internal audit department will operate in compliance with the relevant principles of the Corporate Governance Code during the course of 2018.

Committees
From the date of the IPO VolkerWessels established an Audit Committee (consisting of Messrs. Holterman (chair), Hepkema and Hommen), a Remuneration Committee (Messrs. Kuipers (chair), Hepkema and Hommen) and a Selection and Appointment Committee (Messrs. Hommen (chair), Holterman and Wessels).

The Audit Committee undertakes preparatory work for the Supervisory Board's decision-making regarding the integrity and quality of the financial reporting and the effectiveness of its internal risk management and control systems. The Remuneration Committee is responsible for the Supervisory Board's decision-making with regard to the determination of remuneration while the Selection and Appointment Committee deals with decision-making on the selection and appointment of members of the Management Board and the Supervisory Board.

The Audit Committee met twice in 2017: prior to the approval of the half year results and prior to the approval of the interim dividend and publication of the nine-month trading update. As the Audit Committee (and other Supervisory Board committees) had only been in place since the time of the IPO, the required number of four Audit Committee meetings per annum did not apply. The financial results were discussed in detail during the meetings of the Audit Committee. When discussing the half year results the auditor joined the meeting to explain the audit plan for the 2017 financial year which has been adopted by the Audit Committee.

The Remuneration Committee approved the allocation of the share incentive plan whereby certain individual senior executives were awarded VolkerWessels shares by the majority shareholder. The Selection and Appointment Committee did not meet in 2017. However, many of the topics usually dealt with by a remuneration committee and a selection and appointment committee were dealt with by the Supervisory Board before the IPO as no committees had been established at that time.

The remuneration policy applicable to the Management Board was determined by the General Meeting of Shareholders on 24 April 2017. The remuneration policy was set up in due observance of the best practice principles of the Dutch Corporate Governance Code. The remuneration of, and other agreements with, the Managing Directors are required to be determined by the Supervisory Board, with due observance of the remuneration policy. The remuneration policy can be found on our website. The Remuneration Committee prepares the Supervisory Board's decision-making regarding the determination of remuneration and reports to the Supervisory Board on its deliberations and findings. The Remuneration Committee also prepares the remuneration report which is included in the financial statements 2017 as part of the annual report 2017.

Given the short term of existence of the committees since the date of the IPO, the committees have not provided the Supervisory Board with a full report on their deliberations and findings in 2017. However, the committees have reported to the Supervisory Board to the extent relevant on an ad hoc basis and all required procedures are in place to ensure strict compliance with the functioning of the committees in line with the principles of the Corporate Governance Code during the course of 2018.

Evaluation
On 14 March 2018, the Supervisory Board collectively discussed the performance of the Management Board and its individual members as well as its own performance, functioning, profile, competences, expertise and composition, including its committees and individual members of the Supervisory Board compared to the Supervisory Board profile and the conclusions that are attached to such evaluation. Other topics that were discussed are the relationship with the Management Board, the composition of the Management Board, succession and remuneration of the Management Board, following advice of the Remuneration Committee. The outcome of the evaluations of both the Management Board and the Supervisory Board shall be used to further improve the overall management of the company. The Supervisory Board concluded that the members of both the Management Board and the Supervisory Board as well as the Management Board and Supervisory Board as a whole are functioning well.

The Supervisory Board wishes to express its appreciation for the great efforts made by the management and employees of VolkerWessels in 2017. We wish the Management Board and the employees every success in further improving performance in 2018 and beyond.

J.H.M. Hommen
H.M. Holterman
S. Hepkema
R.J.H.M. Kuipers

MATERIALS PASSPORT

"During the past year VolkerWessels invested in the material passport promoted by Madaster, a Dutch institution for general public advancement. The material passport combines two things we strongly believe in: the circular economy and the veracity of promises," said Lars van der Meulen, CSR Manager of VolkerWessels and Sustainability and Innovation Manager of Aveco de Bondt.

"A material passport allows you to state clearly how and where materials are incorporated in a property, so that at the end of its lifespan all those materials can be reclaimed for reuse. This way a building becomes a resources bank rather than a structure that will have to be demolished in 50 years' time. By using a material passport to clearly state what the circularity score is we encourage our colleagues to include circular design in their considerations. At the same time it allows us to create options: for clients to select based on the circularity score, for suppliers to demonstrate how circular their product is and for banks to use it as a basis for their financing decisions. It sometimes seems as if the sustainability market is the next market for marketeers. Nothing wrong with that, of course, as long as the claims that they make are substantiated.

By developing a standard we are seeing to it that our own circularity score and those of our sector peers are understandable and comparable. Our investment in the development of the material passport was both financial and in kind. For example VolkerWessels colleague Emma Klamer of Primum worked with the sustainability professionals at Copper8 and TurnToo on a measurable definition of circularity in the material passport. One of the things we identified was that the initial scoring did not differentiate between the value of the fully reusable facades used in MorgenWonen homes as compared to the sum of the scores for materials used. This led to a revised definition, so that we can encourage designers to think about recycling at the highest possible level. We hope that as a result not just our colleagues but also clients and financiers will base their considerations on circularity."

Management Board Report

Composition of the Management Board

Management Board

J.A. (Jan) de Ruiter (1962)
Chairman of the Management Board

- **Nationality** Dutch
- **Appointed** 1 March 2017 (current term ends 2021).
- **Other and previous positions**
Mr. De Ruiter holds supervisory memberships at bunq.com and Stichting de Nieuwe Poort Amsterdam. Mr. De Ruiter was an adviser to Reggeborgh Invest BV and prior to joining VolkerWessels, Mr. De Ruiter was chairman of the board of RBS NV and Country Executive Netherlands for the RBS Group, Global Head of M&A and ECM for ABN AMRO Bank NV and joint chief executive officer of ABN AMRO Rothschild.

J.G. (Jan) van Rooijen (1970)
CFO (Chief Financial Officer) and member of the Management Board

- **Nationality** Dutch
- **Appointed** 2013 (contract for indefinite period).
- **Other and previous positions**
prior to joining the Company, Mr. Van Rooijen was the chief financial officer of Reggefiber Group B.V.

A. (Alfred) Vos (1969)
COO (Chief Operating Officer) and member of the Management Board responsible for Energy & Telecoms Infrastructure (NL) and the International segments of VolkerWessels in the UK, North America and Germany.

- **Nationality** Dutch
- **Appointed** 2009 (contract for indefinite period)
- **Other and previous positions**
previously Mr. Vos was COO Europe at AMB Property Corporation and co-founder and CEO of The Facility Group Europe.

H.J. (Henri) van der Kamp (1960)
Member of the Management Board and responsible for Infrastructure (NL)

- **Nationality** Dutch
- **Appointed** 2012 (contract for indefinite period).
- **Other and previous positions**
previously Mr. Van der Kamp was Managing Director at Heijmans.

D. (Dick) Boers (1966)
Member of the Management Board and responsible for Construction & Real Estate Development (NL)

- **Nationality** Dutch
- **Appointed** 2006 (contract for indefinite period).
- **Other and previous positions**
previously Mr. Boers was Managing Director of VolkerWessels Construction & Real Estate Development.

Overall performance of VolkerWessels

Summary overview of results

(€million, unless stated otherwise)	FY 2017*	FY 2016
Revenue	5,714	5,490
Operating expenses	*–5,558	–5,335
Share in results of associates and JVs (after income tax and third party result)	*27	10
Operating result	183	165
Net financial result	4	–26
Income tax	–45	–36
Net result from continuing operations	142	103
Net result from discontinued operations (after tax)	1	38
Net result for the financial period	143	141
Minority interests	3	2
Net result attributable to shareholders	140	139
Operating result	183	165
Depreciation & Impairment of property, plant & equipment	69	73
Amortisation & Impairment of intangible assets	13	16
EBITDA	265	254
EBITDA margin (%)	4.6%	4.6%
Order book (per end of period)	8,091	8,157
Interim dividend	22.4	–
(Proposed) final dividend	61.6	83.2
(Proposed) total dividend	84.0	83.2
Per share data attributable to shareholders		
Number of shares (in million)**	80	80
Earnings per share (€)	1.75	1.74
Earnings per share continuing operations (€)	1.74	1.26
Earnings per share from discontinued operations (€)	0.01	0.48
Interim dividend	0.28	–
(Proposed) final dividend	0.77	1.04
(Proposed) total dividend	1.05	1.04

* Under IFRS any benefit due to the Managing Directors or any of the relevant key managers will need to be reflected in the annual accounts of VolkerWessels as personnel expenses, irrespective of the fact whether the costs are borne by VolkerWessels or not. The cash flow effects related to the share incentive, including the tax effects, are borne in full by Reggeborgh Holding and consequently, the cash flow effects for VolkerWessels will be nil. Any net income effect resulting from these personnel expenses is offset in equity (see page 176 of Prospectus dated 28 April 2017). For the period between 12 May 2017 and 31 December 2017 the total amount is €5 million. In addition, in the line item Share in results of associates and JVs an amount of €13 million third party result is excluded. Both amounts are adjusted in this summary in comparison to the financial statements.

** As a result of the share issuance in December 2016 the total number of outstanding shares increased to 80 million, for comparison reasons this number is used to calculate the earnings per share FY 2016.

Financial results

General
Most of our segments benefited from higher volumes and improved market conditions, leading to an increase in both revenue and EBITDA in 2017, keeping our overall EBITDA margin stable at 4.6%. The 2017 net result from continuing operations amounted to €142 million, which represents a 38% increase as compared to the 2016 result of €103 million.

Our focus on small and medium sized projects and the generally positive business sentiment in our markets contributed to the increase of our EBITDA. Results were positive in all our segments, despite upward pressure on the cost of sub-contractors and certain raw materials and a setback on the OpenIJ construction project in IJmuiden.

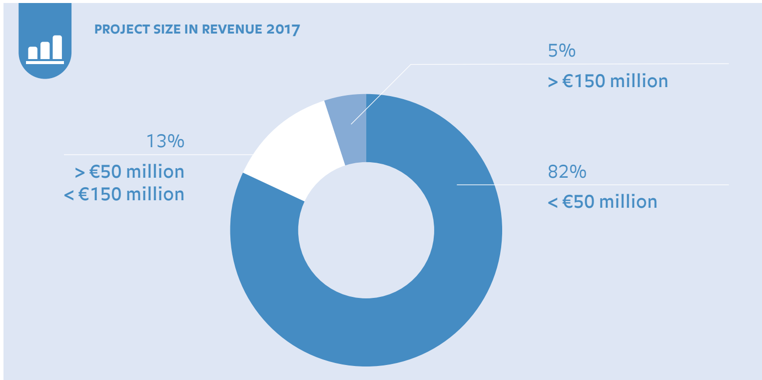
Markets
Increasing prices in the real estate market continue to have a positive impact on our real estate development companies. The positive trend is partly offset by rising costs of construction. This trend is however becoming less significant as recently acquired work is contracted in line with market developments. Our companies active in the supply chain continue to benefit from the trend of rising prices of supplies, although at a more moderate pace in H2 than in H1 2017.

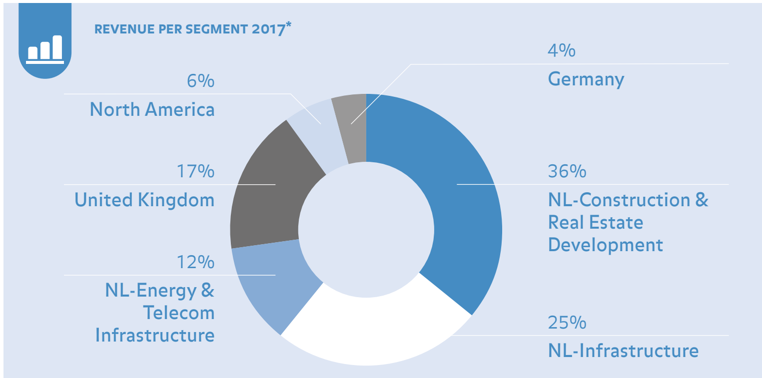
In the Infrastructure Netherlands segment we experience a continued improvement in our local markets, proven by the fact that this segment remained profitable despite the severe setback at OpenIJ, a clear sign of the underlying strength of our Infrastructure business.

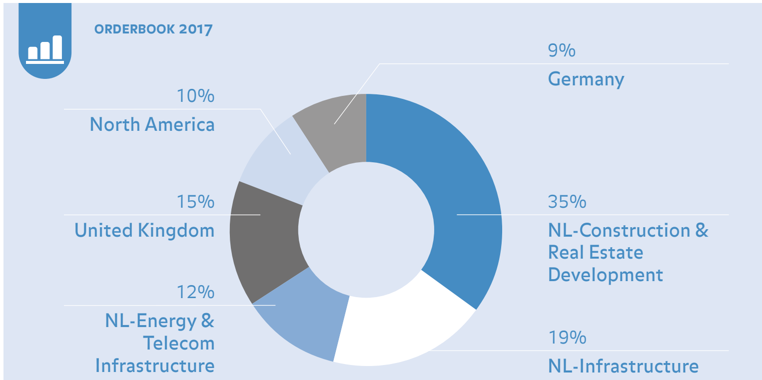
Volume in the energy and telecoms infrastructure market increased in 2017 compared with 2016. Our Belgium operation contributed well to the operational result of this segment. The margin decreased slightly due to a higher proportion of lower margin contracts. Volume and revenue in local currency stabilized in our UK segment, primarily through a continued high demand in the rail and water markets. Construction activities in Alberta, Canada and Seattle, US, continue to improve. In Germany our volume increased due to favourable markets especially in the Berlin region.

Revenue
Revenue in 2017 increased by 4.1%, or €224 million, to €5,714 million as compared to €5,490 million in the prior year, principally driven by increased revenue in the Netherlands – Construction & Real Estate Development segment, as well as higher volumes in the Netherlands – Infrastructure segment. Revenue in the Netherlands – Construction & Real Estate Development segment increased as a result of higher volumes due to improved market conditions especially in the real estate development market. The revenue increase in 2017 was partially offset by decreased revenue in the UK segment due to a negative GBP:EUR exchange rate impact. In local currency revenue was stable in the UK.

Order book
The order book for VolkerWessels at 31 December 2017 amounted to €8,091 million, marginally lower than 31 December 2016 (€8,157 million). The strong order book was a result of a number of factors including a better pipeline of work in the Netherlands – Construction & Real Estate Development segment balanced by a decrease in the Energy & Telecoms segment due to the 2017 production volume delivered on a framework contract that was extended, and included in our order book, in December 2015. We take a cautious approach to our order book recognition by only including signed contracts and, for framework contracts, only including work packages agreed with our clients. Our expectations for the medium-term are positive. We are continuing to focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and







* Breakdown excludes Other/Eliminations, NL-E&T Infra includes the activities in Belgium.

innovation and our sound financial position. The order book is equivalent to 1.4 times annual revenue.

EBITDA and EBITDA margin

The EBITDA margin in 2017 (€265 million in absolute terms) is 4.6%; an increase of €11 million compared with 2016 (€254 million in absolute terms). It is clear that the setback at the construction of the sea-lock at IJmuiden (project OpenIJ) resulted in a significant negative impact on the results of our Infrastructure segment in the Netherlands and subsequently on the results of our company as a whole. Reducing our failure costs continues to be a top priority.

It remains our aim to further improve our margin over the next few years by continuing to focus on profit rather than volume. We believe that our operational excellence initiatives, including the focus on continually improving and optimizing our risk management processes, will enable us to further improve our margins.

Net financial result

The net financial result improved from €26 million negative in 2016 to €4 million positive in 2017. €13 million (€9.5 million after tax) of the improvement relates to the conversion of the remaining shareholder loans into equity in December 2016, €6 million relates to improvement of exchange differences in 2017.
The residual improvement relates to lower interest expenses on our financing liabilities (due to an improvement of our net cash position) and some one-off financial expenses in 2016 due to the refinancing in December 2016.

Net result from continuing operations

The 2017 net result from continuing operations amounted to €142 million, which represents a 38% increase as compared to the 2016 figure of €103 million.

Of the €39 million improvement versus 2016, €9.5 million is the net result of the change in our capital structure at the end of 2016 (resulting in lower interest charges) and €29.5 million is the net result of improved operational performance.

Net result from discontinued operations

The 2017 net result from discontinued operations amounts to €1 million. The corresponding amount in 2016 was €38 million and mainly related to the book profit on the divestment of the offshore activities.

Return On Capital Employed (ROCE)

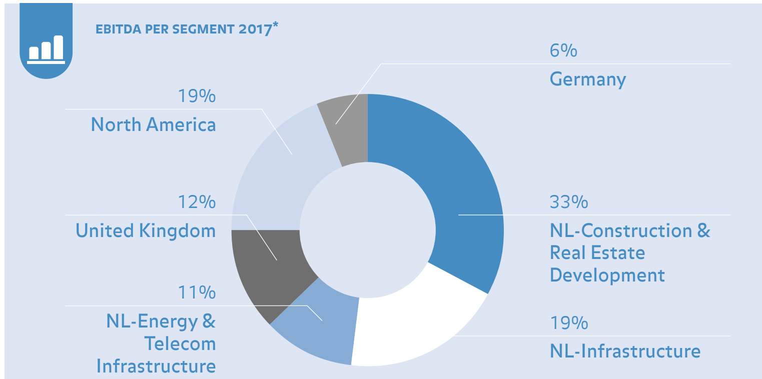
ROCE increased from 17.6% in 2016 to 21.8% in 2017, which was mainly driven by profit growth and a decrease in net working capital for an amount of approximately €110 million.

Investment in property, plant and equipment

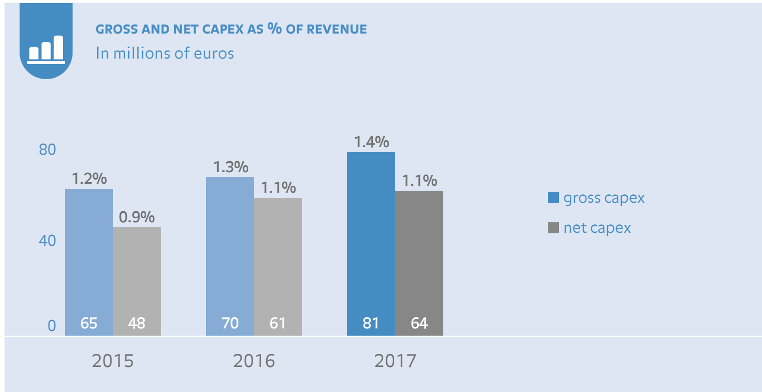
Capital expenditure amounted to €81 million in 2017 (€70 million in 2016). Throughout these periods, approximately two thirds of VolkerWessels' total capital expenditure related to maintenance of equipment and buildings, with the remainder spent on investment in new projects, equipment and buildings. The company expects its capital expenditures in 2018 to increase compared with the capital expenditure levels during the periods under review. Investments in 2017 related predominantly to equipment and facility investment in owned construction supply manufacturers in the Netherlands – Construction & Real Estate Development segment and capacity expansion investment in the North America segment.

Solvency and dividend

VolkerWessels has a solid capital structure in place, with a solvency ratio of 31.5% at 31 December 2017 (31.6% at 31 December 2016).



* Breakdown excludes Other/Eliminations, NL-E&T Infra includes the activities in Belgium.



Total equity, including the result for the year, was stable at €1.1 billion at 31 December 2017. This is the net combined result of (i) the profitability of the company during 2017 and (ii) dividend payments of €106 million in May and November 2017.

Subject to shareholders approval, VolkerWessels proposes to pay out a final dividend of €61.6 million (€0.77 per share). If the proposed final dividend is approved, the total dividend (proposed final dividend plus interim dividend) for 2017 will amount to €84.0 million or €1.05 per share, which is 60% of reported net income attributable to shareholders (excluding personnel expenses relating to the share incentive under IFRS). After approval, the final dividend will be paid on 16 May 2018.

Net cash position

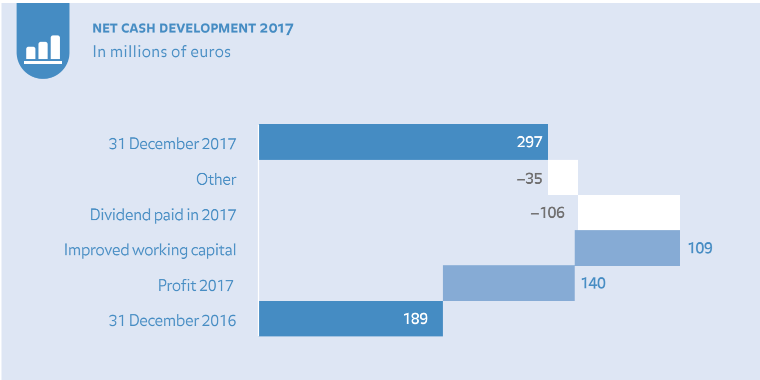
We ensure that there is always ample liquidity present to meet our payment obligations. In December 2016, we entered into a €600 million revolving credit facility which can be used for general corporate and working capital purposes. Over the last few years, our focus on cash flow and working capital has enabled us to realise a strong improvement in liquidity. Our net cash position improved by €108 million resulting in a net cash position of €297 million as of 31 December 2017.
This improvement is the net combined result of the cash flow generated by our operations, our continued focus on working capital and dividend payments for an amount of €106 million in 2017 (dividend over 2016 and interim dividend 2017). Free cash flow increased in 2017 from €198 million to €231 million. We aim for a free cash flow that is, on average, in line with our net result.

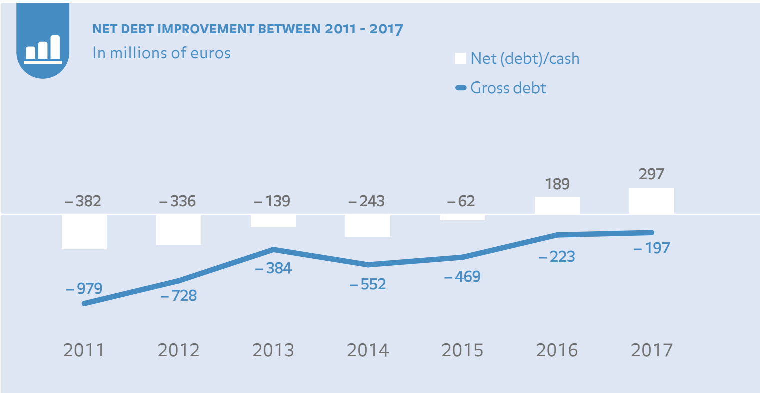
Our free cash flow is relatively higher in 2017 due to an improved net working capital (including non-cash part of the loss provision on OpenIJ) and the utilization of the tax loss carry forward of €22 million in 2017.

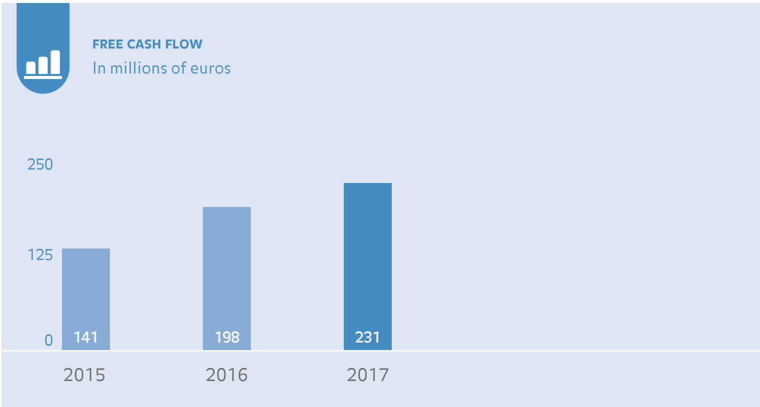
The covenants in respect of our bank facilities were comfortably met at 31 December 2017.

Other financing

Other specific loans were drawn to finance land for property development and property development projects in progress and, where possible, were obtained on a stand-alone basis with several banks. The interest on these loans is mostly variable and based on Euribor plus a margin. The VolkerWessels group has three overdraft facilities in the Netherlands to support its cash management: an uncommitted overdraft facility of €30 million (with ABN Amro Bank NV), an uncommitted overdraft facility of €20 million (with ING Bank NV) and an uncommitted overdraft facility of €10 million (with Coöperatieve Rabobank UA). VolkerWessels has access in the UK to an overdraft facility of GBP 10 million and an uncommitted credit facility worth a total of CAD 16 million is available for our Canadian activities.
An uncommitted loan facility of USD 4 million is available for our US activities. In addition, VolkerWessels has a number of (uncommitted) lease facilities in the Netherlands and abroad.







University Building, Amsterdam

Net Working Capital*

(€million)	31/12/2017	31/12/2016**
Inventories (excl. Property development)	66	59
Balance of Construction contracts	–75	47
Trade and other receivables (excl. Receivables from associates and joint ventures)	832	778
Trade and other payables (excl. Amounts owed to associates and joint ventures)	–1,480	–1,487
Net taxes	–18	–6
Traditional Net Working Capital	–675	–609
Land	193	230
Property development	175	170
Property held for sale	69	112
Associates and joint ventures less provisions	113	96
Non-current receivables from associates and joint ventures	51	46
Net receivables on participations	107	97
Strategic Net Working Capital	708	751
Net Working Capital	33	142

* For definition of Net Working Capital please refer to page 178.

** 2016 year end was adjusted because of reclassification of the line items Construction contracts to Property Development for €55 million, relating to Kondor Wessels Holding, which was acquired in December 2016. The reclassification has no impact on Net Working Capital nor on our ambition to reduce our strategic working capital by €100 million.

Traditional working capital decreased by €66 million compared with 31 December 2016 to €675 million negative, mainly caused by a lower construction contracts position at 31 December 2017.

Strategic working capital improved by €43 million compared with 31 December 2016 to €708 million. This mainly relates to a lower land position and the sale of several properties in 2017. This is partly balanced by an increase in associates and joint ventures due to equity financing in DBFM projects. The land bank decreased by €37 million compared with 31 December 2016 to €193 million. €47 million was sold (€35 million in the Netherlands and €12 million in the US), €41 million was acquired and €40 million was transferred to work in progress and other changes amounted to €9 million.

Net working capital decreased by €109 million to €33 million at 31 December 2017.

The financing of the loss of the OpenIJ project and the increase of turn-key projects in our Construction & Real Estate Development segment, may impact our cash conversion in 2018 and our year end net cash position. However, we continue to target a reduction of our strategic working capital in line with our Medium-Term Objectives and the development of our traditional working capital in line with revenue.

Outlook

We expect that the economic conditions in the markets in which we operate to continue their positive trends in 2018. We believe that these positive trends will also benefit our operations in 2018. In the Netherlands we see continued demand for new build homes, an improving market for local infrastructure projects and continued investment that supports our Energy & Telecoms Infrastructure businesses.

In the UK, the National Infrastructure Plan supports our operations and we have witnessed strong growth in our UK orderbook. Brexit, however, remains an uncertain development and may negatively impact our operations in the UK.

In Germany we expect market conditions to remain favourable. Our operations remain focussed on residential product in Berlin, North Rhine-Westphalia, Frankfurt and the Munich region.

We expect our North American operations to do well on the back of an improved economic outlook in Canada (based on improving oil prices) and a continuation of the strong economy in the Seattle region.

However, a stronger and/or more rapid than expected increase in interest rates and/or inflation (particularly in the price of building materials and labour) may negatively impact our operations. Our acquisition policy for new work is taking these uncertainties into account as much as possible, especially when tendering for multi-year projects.

The financing of the loss of the OpenIJ project and the increase of turn-key projects in our Construction & Real Estate Development segment, may impact our cash conversion in 2018 as well as our year end net cash position. However, we continue to target a reduction of our Strategic Working Capital in line with our Medium-Term Objectives and the development of our Traditional Working Capital in line with revenue.

Nevertheless, at this moment we expect our 2018 results to increase versus 2017 and we reconfirm that we are on track to meet our medium-term objectives.

PROTONDE

"It is our consistent goal to build or change roads and intersections while causing the least possible nuisance to the surroundings and users on site," said Casper Bebelaar, company manager of KWS Infra in Zwolle.

"The prototype of the prefabricated roundabout (known in Dutch as 'protonde') was developed and built by a joint venture of KWS Leicon Verkeersgeleiding and RvB Groep at the request of the province of Gelderland. The project was delivered in the Dutch town of Ermelo in one weekend, starting on a Friday evening and ending on the Monday morning. Consisting of 120 elements including the actual roundabout, entrance ways and exits, the protonde was ready for heavy use immediately after construction. In addition to causing the least possible inconvenience to the users and residents in the direct vicinity of the project, an additional advantage was the relatively low additional CO_2 emissions due to the fact that traffic was detoured for only one weekend. Constructing a traditional roundabout generally takes four to eight weeks.

The use of modular elements is helping with the transition to a circular economy. Currently the elements of the protonde can be recycled into concrete aggregate. This can be used as a substitute for gravel in new construction. It is our objective to develop a roundabout that we can transfer to another location where it is possible to replace elements and add sensors."

Four-year summary

Summary overview of results

(€million, unless stated otherwise)	FY 2017*	FY 2016	FY 2015	FY 2014
Revenue	5,714	5,490	5,318	5,000
Operating expenses	*–5,558	–5,335	–5,178	–4,885
Share in results of associates and JVs (after income tax and third party result)	*27	10	***8	22
Operating result	183	165	148	137
Net financial result	4	–26	–33	–77
Income tax	–45	–36	–30	–17
Net result from continuing operations	142	103	85	43
Net result from discontinued operations (after tax)	1	38	16	18
Net result for the financial period	143	141	101	61
Minority interests	3	2	6	1
Net result attributable to shareholders	140	139	95	60
Operating result	183	165	148	137
Depreciation & Impairment of property, plant & equipment	69	73	77	74
Amortisation & Impairment of intangible assets	13	16	9	12
EBITDA	265	254	***234	223
EBITDA margin (%)	4.6%	4.6%	***4.4%	4.5%
Order book (per end of period)	8,091	8,157	7,712	6,722
Interim dividend	22.4	–	–	–
(Proposed) final dividend	61.6	83.2	–	–
(Proposed) total dividend	84.0	83.2	–	–
Per share data attributable to shareholders				
Number of shares (in million)**	80	80	80	80
Earnings per share (€)	1.75	1.74	1.34	0.75
Earnings per share continuing operations (€)	1.74	1.26	1.14	0.54
Earnings per share from discontinued operations (€)	0.01	0.48	0.20	0.21
Interim dividend	0.28	–	–	–
(Proposed) final dividend	0.77	1.04	–	–
(Proposed) total dividend	1.05	1.04	–	–

* Under IFRS any benefit due to the Managing Directors or any of the relevant key managers will need to be reflected in the annual accounts of VolkerWessels as personnel expenses, irrespective of the fact whether the costs are borne by VolkerWessels or not. The cash flow effects related to the share incentive, including the tax effects, are borne in full by Reggeborgh Holding and consequently, the cash flow effects for VolkerWessels will be nil. Any net income effect resulting from these personnel expenses is offset in equity (see page 176 of Prospectus dated 28 April 2017). For the period between 12 May 2017 and 31 December 2017 the total amount is €5 million. In addition, in the line item Share in results of associates and JVs an amount of €13 million third party result is excluded. Both amounts are adjusted in this summary in comparison to the financial statements.

** As a result of the share issuance in December 2016 the total number of outstanding shares increased to 80 million, for comparison reasons this number is used to calculate the earnings per share for FY 2016, 2015 and 2014.

*** Excludes the positive impact of a €12 million fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV.

Summary overview of financial position and ratios

(€million, unless stated otherwise)	FY 2017	FY 2016	FY 2015	FY 2014
Tangible fixed assets	483	488	550	562
Intangible fixed assets	436	432	463	447
Financial fixed assets	292	292	336	355
Total non-current assets	1,211	1,212	1,349	1,364
Inventories / work in progress	651	697	786	671
Land/property for sale, receivables, payables and prepayments and accruals	1,249	1,253	1,271	1,323
Cash and cash equivalents	494	412	407	309
Total assets	3,605	3,574	3,813	3,667
Equity attributable to owners of the company	1,124	1,116	426	–78
Minority interest	11	12	11	10
Total equity	1,135	1,128	437	–68
Provisions (current and non-current)	246	275	269	243
Loans and other financing obligations (current and non-current)	197	223	**967	**1,534
Other current liabilities	2,027	1,948	2,140	1,958
Total equity and liabilities	3,605	3,574	3,813	3,667
Ratios				
Current ratio	1.18	1.21	1.15	1.18
Solvency	31.5%	31.6%	24.5%	21.9%
EBITDA as % of revenue	4.6%	4.6%	*4.4%	4.5%
Net profit as % of revenue	2.5%	2.6%	1.9%	1.2%
Tax rate	23.1%	25.9%	23.5%	28.2%
ROCE	21.8%	17.6%	*13.4%	11.8%
Other information				
Order book	8,091	8,157	7,712	6,722
Average number of employees	16,179	15,785	15,487	15,245
Free cash flow	231	198	141	42
Net working capital	33	142	208	192
Net cash position (-debt)	297	189	–62	–244

* Excluding the positive impact of a €12 million fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV.

** Including subordinated shareholders' loans which were converted to equity on 21 December 2016 (31 December 2015: €498 million; 31 December 2014: €872 million).

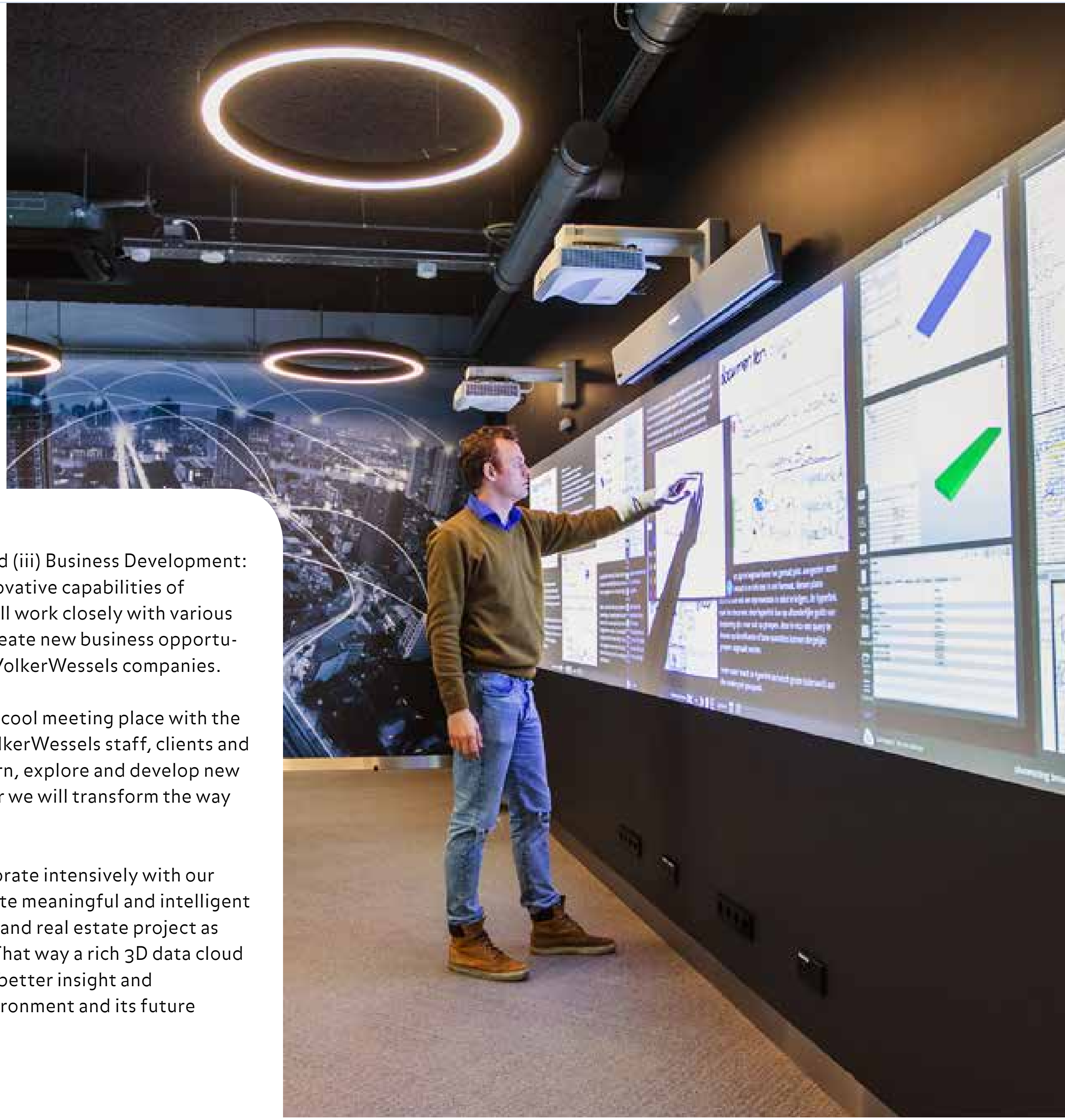
Summary overview segments

(€million, unless stated otherwise)	FY 2017	FY 2016	FY 2015	FY 2014
Revenue				
The Netherlands – Construction & Real Estate Development	2,043	1,946	1,747	1,494
The Netherlands – Infrastructure	1,474	1,371	1,378	1,492
The Netherlands – Energy & Telecoms Infrastructure	674	649	590	662
United Kingdom	995	1,071	1,174	926
North America	351	317	301	295
Germany	244	207	214	221
Other/eliminations	–67	–71	–86	–90
Total revenue	5,714	5,490	5,318	5,000
EBITDA				
The Netherlands – Construction & Real Estate Development	**93	79	*53	36
The Netherlands – Infrastructure	52	73	70	51
The Netherlands – Energy & Telecoms Infrastructure	32	31	34	44
United Kingdom	33	34	35	24
North America	55	46	46	46
Germany	17	12	10	17
Other/eliminations	***–17	–21	–14	5
Total EBITDA	**/***265	254	*234	223
EBITDA-margin				
The Netherlands – Construction & Real Estate Development	**4.6%	4.1%	*3.0%	2.4%
The Netherlands – Infrastructure	3.5%	5.3%	5.1%	3.4%
The Netherlands – Energy & Telecoms Infrastructure	4.7%	4.8%	5.8%	6.6%
United Kingdom	3.3%	3.2%	3.0%	2.6%
North America	15.7%	14.5%	15.3%	15.6%
Germany	7.0%	5.8%	4.7%	7.7%
Total EBITDA	**/***4.6%	4.6%	*4.4%	4.5%
Order book				
The Netherlands – Construction & Real Estate Development	2,831	2,737	2,514	2,030
The Netherlands – Infrastructure	1,568	1,562	1,451	1,356
The Netherlands – Energy & Telecoms Infrastructure	1,005	1,151	1,378	876
United Kingdom	1,213	1,176	1,222	1,252
North America	828	886	796	891
Germany	684	667	351	402
Other/eliminations	–38	–22	–	–85
Total order book	8,091	8,157	7,712	6,722

* EBITDA 2015 excludes the positive impact of €12 million fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV.

** Excluding €13 million third party result.

*** Excluding €5 million share incentive.



DIGIBASE

There are many ways to describe Building Information Management (BIM), according to René de Groot, director of VolkerWessels' DigiBase. "BIM is about managing information concerning construction and real estate projects throughout their full life cycle and making complex data visual in a coherent and more understandable way."

VolkerWessels opened Digibase in Nieuwegein, in the Netherlands in December 2017. "To enhance the use of BIM to drive the digital transformation on a large scale within VolkerWessels we decided to set up a professional digital construction services company within the company's network, operating from a central location in the Netherlands.

To support the overall knowledge and data strategy of VolkerWessels, DigiBase has three main purposes:
(i) Business Support: in order to speed up the adoption of digital construction and to raise the level of digital maturity we need to invest in our people, the most important part of our company.
We need to help and educate all colleagues more thoroughly and we will facilitate this. By doing so digital construction will become engrained in our way of working and part of our DNA. We will improve efficiency and productivity while reducing failure costs on a wide scale within VolkerWessels which, in turn, will benefit our clients; (ii) Project Support: DigiBase will provide the various project teams within VolkerWessels with all kinds of digital services, and (iii) Business Development: in order to increase the innovative capabilities of VolkerWessels, DigiBase will work closely with various technology partners and create new business opportunities together with other VolkerWessels companies.

DigiBase is an inspiring and cool meeting place with the latest technology for all VolkerWessels staff, clients and partners. It is a place to learn, explore and develop new working methods. Together we will transform the way we work.

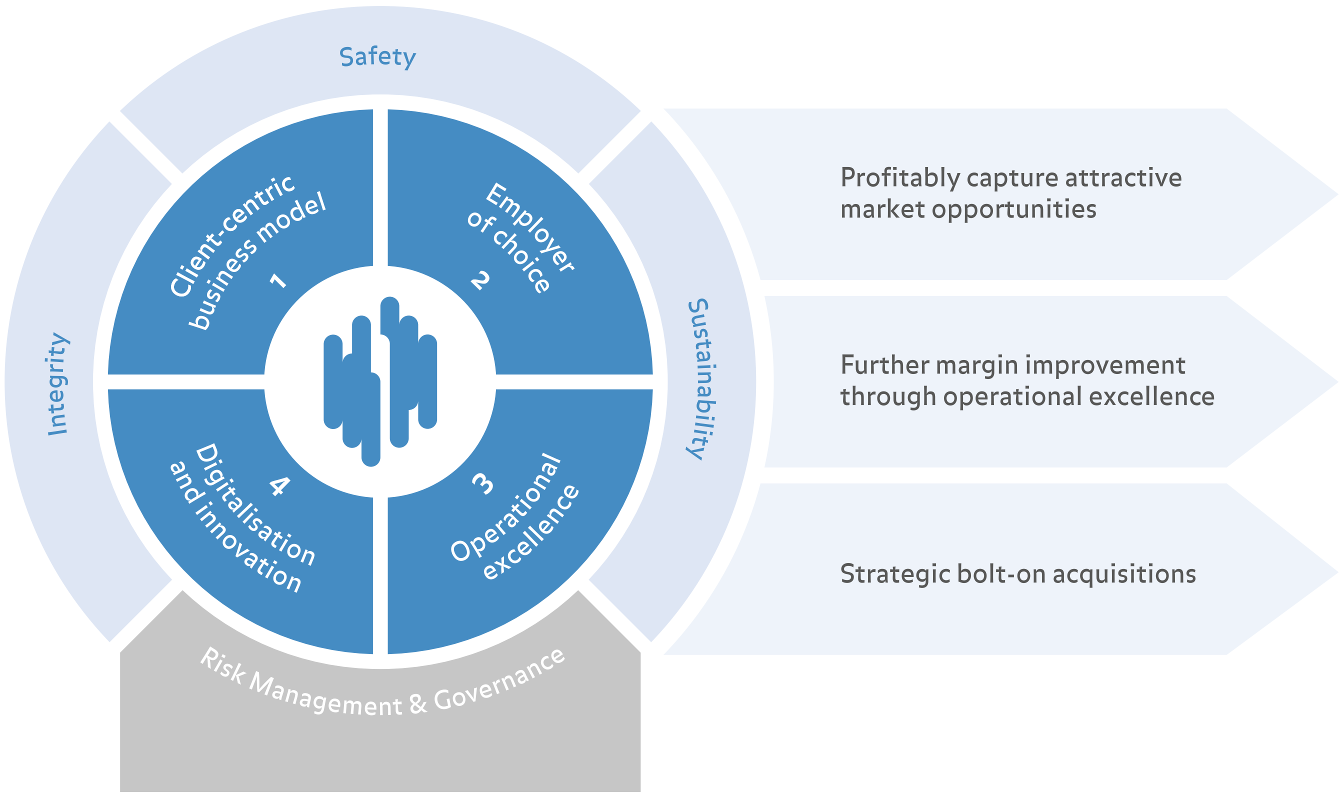
It is our objective to collaborate intensively with our clients and partners to create meaningful and intelligent data on every construction and real estate project as well as surrounding areas. That way a rich 3D data cloud will form which will give us better insight and knowledge of the built environment and its future needs."

Strategy and medium-term objectives

In the year under review we have updated our strategy. This updated strategy consists of four focus areas:

1. Client-centric business model
2. Employer of choice
3. Operational excellence
4. Digitalisation & Innovation

UPDATED STRATEGY: 4 FOCUS AREAS



1 Client-centric business model
Our business model is tailored to our clients. We continue to focus on our core competencies: for our companies to successfully deliver a large pipeline of local projects in their local markets. We complement this work with large and small multidisciplinary projects, which enable us to excel by sharing the knowledge and expertise to collaborate within our group. We believe this is key to achieving the best results.

2 Employer of choice
Our people are the bedrock of our company. We want to be, and remain, the employer of choice for our people. In a competitive job market it is important that our people feel they are heard and seen and that we are able to find and retain new talent. We do this by focusing on leadership, the ongoing development of our people and transparent collaboration. We offer development tracks for all disciplines. This is how we aim to be, and remain, the employer of choice.

3 Operational excellence
We want to be the best construction company in terms of design, preparation, execution and service & maintenance. We achieve this through the continuous development of our organisation, through ongoing improvement in systems and processes and by leveraging the scale and knowledge of the entire group. This creates a flexible, learning organisation that will adapt time and again to the ever-changing environment, enabling us to hand over a stronger and more sustainable company to the next generation.

4 Digitalisation and innovation
We want to be a leader in terms of digitalisation, industrialisation and innovation and place these developments at the heart of our operational management in order to retain our leading role. We expect that our sector will change more in the next few years than it has done in the previous 30. This will require us all to change the way we think and act. We therefore actively encourage the development and marketing of innovation.

Clear strategy to drive controlled profitable growth and shareholder return
VolkerWessels' aim is to deliver controlled profitable growth and strong shareholder return based on tactical priorities: (i) profitably capture attractive market opportunities, (ii) improve margins through operational excellence and (iii) pursue strategic bolt-on acquisitions.

Profitably capture attractive market opportunities
VolkerWessels pursues the development of long-term relationships and alliances with its clients through its local focus and connections. It is focused on opportunities in the Dutch construction, infrastructure and real estate market, including opportunities to develop its strategic land bank. In addition, VolkerWessels is pursuing opportunities to develop its UK and North America operations to match anticipated increasing levels of public infrastructure and housing investment. As the company has done in the past, VolkerWessels will continue to focus on a balanced portfolio of small projects that form the core of its operations as well as large projects, where prudent risk management and tendering will continue to underline its project selection process.

Further improvement of margins through operational excellence
VolkerWessels believes that its operational excellence initiatives, including its focus on continually improving and optimising its risk management processes, will enable it to further improve its market position, cash returns and margins. These initiatives are centred around:
(i) Failure cost reduction
(ii) Contract management & risk management
(iii) Optimisation of procurement and SG&A (Selling, General and Administration) expenses

Strategic bolt-on acquisitions
In addition to organic growth in its existing segments, VolkerWessels also seeks attractive market opportunities to further strengthen its position through bolt-on acquisitions. The principle for any acquisition is that it should be a good fit with the VolkerWessels philosophy and corporate culture, strengthen its local and regional capabilities and contribute towards its strategic priorities. VolkerWessels believes that its capital position provides it with the ability to engage in selected bolt-on acquisitions.

Risk management and governance
VolkerWessels is characterised by a client-centric business model where entrepreneurship, personal involvement, informed decision-making and responsibility are the key principles. Principles that are at the core of the company's risk management and control objectives. These objectives are risk awareness across the organisation in general and more specifically in relation to project pursuit, design, build and maintenance, the provision of reliable and timely information, the performance of efficient and effective operating activities, compliance with internal procedures, laws and regulations and the protection of assets and information.

Construction of the Randstad 380kV electricity highway

Core values

At VolkerWessels, everything we do is guided by three core values: safety, integrity and sustainability. These values are instilled in our company and everyone who works for us. They are our top priority always and everywhere, be it in the boardroom or at the concrete mixer. They are our licence to operate.

Safety

Creating and safeguarding a culture in which working safely is taken for granted is an ongoing process. We have set objectives that we want to meet by 2020. We see safety as one of our core values that is reflected in the way our employees act and feel. That feeling is key because a safety culture means that all employees should not only be aware of their own need to work safely, but also feel comfortable raising the issue with others. That way everyone is responsible for their own and each other's safety, is alert to danger and works methodically to prevent incidents. Our WAVE (Wees Alert! Veiligheid Eerst! – Be Alert! Safety First!) safety programme contributes towards this and our annual company-wide Safety Day has a major impact. Because we believe safety in the workplace is relevant to the entire supply chain we also get our subcontractors and suppliers involved. We expect the same commitment to safety from them as we do from our own people. This is not always straightforward and requires attention. Needless to say, we attach increasing importance to this value when entering into contracts.

Integrity

Integrity is a prerequisite for doing business and therefore this core value is just as important at VolkerWessels as safety and sustainability. We expect everyone at all group levels and every company to demonstrate integrity and professionalism in the workplace. Even though the number of incidents at VolkerWessels is lower than at many companies in our sector in other countries, we realise that we must stay alert to this issue at all times. We seek to make this alertness tangible, for example through an e-learning course on what acting with integrity means in practice and information on the subject provided by managers. This applies to both new and existing employees at VolkerWessels. We also expect our chain partners to act with integrity. Subcontractors are required to sign our Code of Conduct and the Guiding Principles for Commissioning Construction Companies, which we drew up in collaboration with six other major Dutch construction companies.

Sustainability

Within the overarching core value of sustainability, quality of life is a key theme for VolkerWessels. When building we take our surroundings into consideration in line with our view that everything we create should genuinely contribute to society by improving quality of life. We aim to take another step towards a circular economy by trying to make the best possible use of raw materials. Reusing raw materials and using alternative materials will be central to a number of projects in the coming years.

For further information please refer to our separate sustainability report.

HIGHLIGHTED

Temporary Departures Hall at Schiphol

April 2017 saw the grand opening of the Temporary Departures Hall at Amsterdam's Schiphol airport. The hall provides airlines with space for passenger and luggage check-in. With an area of around 4,000 m², the new departures hall includes 22 check-in desks, six security lanes, self-service check-in kiosks, toilet facilities and seating areas. The Temporary Departures Hall is built on the roof of the South Baggage Hall and is connected to the existing Departure Hall 1 by a corridor.

The period between Schiphol commissioning the new hall and the completion of the project was only six months. In the autumn of 2016 Schiphol asked its partners – VolkerWessels, Engie and BAM – whether it was possible to build a 4,000 m² temporary departures hall and have it ready for service before the start of the busy spring and summer period. In the interests of time and efficiency the airport only selected partners who have experience with BIM. To guarantee 100% transparency during the construction process all the parties were housed in an office adjacent to the building site. Putting the common interest first, the partners pulled out all the stops to deliver the temporary hall within the tight deadline.

Operating companies and associates involved:
VolkerWessels Bouw Schiphol

Update on medium-term objectives

Medium-term objectives

The medium-term objectives* published during our Initial Public Offering early 2017 remain unchanged (reference year 2016).
The medium-term goals we aim to achieve by pursuing our strategy are:

- Revenue growth: profitable growth over market volume growth in each of VolkerWessels' respective markets, with a compound annual growth rate of 3% to 4%**;
- EBITDA and EBITDA margin: growth of EBITDA in absolute terms and an annual EBITDA margin on average of 4.5 – 5.5% in the medium-term;
- Capital expenditure: a sustainable capital expenditure level of approximately 1.3% of the Company's annual revenues;
- Working capital: develop the traditional working capital position in line with revenue development; further improve efficiency on strategic working capital by approximately €100 million and focus the land bank on actionable development;
- Tax: fully utilise the €40 million of tax losses carried forward as at 31 December 2016 in the medium term;
- Capital allocation: focus on efficient use of capital employed and a ROCE higher than 18.0%.

* VolkerWessels has not defined, and does not intend to define, "medium-term", and these medium-term objectives should not be read as indicating that the Company represents or otherwise commits to achieve any of these metrics or objectives for any particular fiscal year or reporting period.

** Excluding a €79 million increase in revenue from the Netherlands – Construction & Real Estate Development segment as a result of an increased participation interest in the North-South subway line project in Amsterdam due to the consolidation of VolkerWessels' previous partner's interest in the project in 2016.

ON TRACK WITH OUR MEDIUM TERM OBJECTIVES

KEY METRIC	MEDIUM TERM OBJECTIVE	2017 RESULT
EBITDA	■ Generally improved market conditions in the Netherlands Construction & Real Estate Development segment ■ Operations efficiency programme implemented across all segments ■ Focus on further reduction of failure costs across all segments ■ Maintain historic track record of resilient margins throughout construction cycles ■ Margin 4.5-5.5%	■ EBITDA margin 4.6%
REVENUE GROWTH*	■ Leverage leading position to capture growth opportunities from recovery in Dutch construction market ■ Focus on selected international niche markets ■ Key management focus on profitable growth over market volume growth in each of the markets ■ Good visibility on profitable growth from prudent and conservative order book development and composition ■ CAGR 3-4%	■ CAGR: 4.1% ■ CAGR: 5.6% (excluding €79 million revenue in 2016)
CAPEX	■ Maintain well invested asset base with capex levels continuing at around ~1.3% of revenue	■ 1.4%
WORKING CAPITAL	■ Traditional Working Capital (TWC) development in line with revenue development ■ Further efficiency improvement on Strategic Working Capital (SWC) by ~€100 million ■ Focus land bank on actionable development	■ SWC €43 million decrease
TAX	■ Losses carried forward of €40 million to be fully utilised in the medium-term	■ €22 million utilised in 2017
CAPITAL ALLOCATION	■ Focus on efficient use of capital employed, targeting ROCE >18.0%	■ ROCE: 21.8%
DIVIDENDS	■ Pay-out ratio of 50 – 70% of results for the year, DPS expected to grow in line with the results for the year	■ 60%

* Excluding a €79 million increase in revenue from the Netherlands – Construction & Real Estate Development segment as a result of an increased participation interest in the North-South subway line project in Amsterdam due to the consolidation of VolkerWessels' previous partner's interest in the project in 2016.

Non-financial information

Input
What we need in order to perform our activities

Economic
Financing and capital goods such as equipment

Social
Knowledge and experience of employees and subcontractors

Environmental
Resources, building materials and energy

Activities and output
What we do: design and build an entire living environment

Result
A living environment that contributes to quality of life

Health and wellbeing
Safety, physical health and wellbeing

Natural environment
Raw materials, CO_2 and energy, biodiversity

Work and social activities
Work and education, mobility, recreation, social interaction

This visual depiction of the living environment shows a simplified version of our business model: the activities we perform, what we use in the process and the result we ultimately achieve for the living environment. We are not just interested in the physical objects and networks that we create but rather in how they contribute to quality of life. We achieve this by using comprehensive collaboration to combine the local knowledge and expertise of our companies.

What input do we require for this?
In order to realise our projects we need economic, social and environmental input, for example:

- Economic
  Financing and capital goods such as equipment.
- Social
  Knowledge and experience of employees and subcontractors.
- Environmental
  Resources, building materials and energy.

To support our building sites we aim to make our supply and logistics as safe, economical and efficient as possible, for example by means of the BouwHub or by using sustainable materials.

Our activities
Our company is an ecosystem of entrepreneurs and more than 120 local operating companies, with approximately 16,000 employees. The majority of our 25,000 projects a year are locally sourced, small scale, with low complexity and high repetition. This solid backbone enables us to take a selective approach towards additional large, complex projects. VolkerWessels acts primarily as the lead contractor, specifically focusing on activities such as project, contract and risk management. Whilst subcontracting the majority of the actual construction work, it maintains strategic and tactical positions across the value chain.

Our core values of safety, sustainability and integrity are key in performing our work. This means we pay attention to such things as a tidy, safe and sustainable construction sites, economical use of our equipment and thorough separation of waste to optimise recycling.

What output do we achieve from this?
In collaboration with our employees, supply chain partners and other stakeholders we are able to deliver not just individual objects such as homes, roundabouts or masts but even the design of an entire area of living space. Working together with companies from all sectors we have the ability to design a complete living environment, for example a whole residential area complete with roads, greenery, sewage system and internet connection. Or a modern business area such as Strijp-S in Eindhoven, comprising a mix of offices, homes, cafes, pubs and restaurants, and cultural venues.

What result do we aim for?
We expressly focus not just on the physical living environment but on the effect that the living environment has on people's quality of life. It's about the enjoyment of living, happiness, health, accessibility and greenery. We put this into practice in three key areas where we as VolkerWessels have a great deal of influence and therefore the ability to contribute to quality of life:

1. Health and wellbeing
2. Natural environment
3. Work and social activities

In our separate sustainability report, as well as in the following non-financial information section in this annual report, we outline our performance in 2017 and our targets and ambitions for 2018 and beyond in each of these three areas.

In this chapter, we provide a concise statement of our sustainability vision, our policy and our sustainability performance in 2017. This statement focuses on sustainability topics which are most important to us: safety, raw materials and CO_2-emissions, employment and diversity, and integrity and anti-corruption. For a detailed explanation please refer to the full 2017 sustainability report, which is published together with our annual report and available on our website.

Building a better quality of life

We believe in a living environment where quality of life is key. Quality of life is about the people behind our projects. Our ambition is to contribute to the health and happiness of users and residents. At the end of the day, what makes a home, neighbourhood or city a nice place to live or visit? The living environment of the future is a smart living environment with socially and technologically advanced neighbourhoods that give people better connectivity. An environment that is all about comfort, health and experiencing nature.

It is essential that we work consciously on building our living environment. Our sector is on the eve of a drastic transition. Increasingly scarce raw materials, climate change and also growing concerns about growing old in good health are examples of challenges our society is facing. As a construction group we can contribute by developing solutions to these challenges such as circular housing concepts, energy-neutral infrastructure and sensoring systems to improve interior air quality. Only by basing our reasoning on this common interest – safeguarding quality of life now and in the future – we can work together to address these challenges in society.

This requires a new way of designing, building and managing, where quality of life is the basis for everything that we do. We understand increasingly well what is needed to create a living environment with a high quality of life – and what part we can contribute to this. One of the consequences for us is that we have to change the way we design things, based around prior consultation with the parties involved, primarily the end user. We work with stakeholders to define what sustainability is and how quality of life can be made specific to a particular project. In this way we have developed our focus on three aspects:

1. Health
2. Natural environment
3. Work and social activities

CSR Key figures for VolkerWessels in the Netherlands

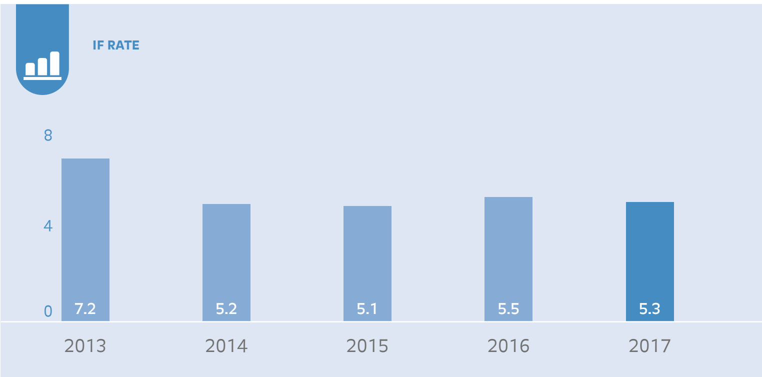
		2017	2016	2015
Health				
Safety	Incident Frequency rate (IF rate)	5.3	5.5	5.1
Natural environment				
Raw materials	Volume of waste (in kilotonnes)	72	66	60
	Waste separation rate	53%	62%	65%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	134	123	135
	CO_2 footprint (Scope 3 concrete products) in kg CO_2 per m^3	154	149	–
Work and social activities				
Employment	Percentage of people at a disadvantage on the labour market (PSO score)	2.3%	1.7%	1.2%
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	32	39	33

Health

The way our living environment is organised can have a positive impact on our health. For example, it can be designed in such a way that it encourages people to be outdoors and to exercise. Another example is the use of greenery in offices: this can have a positive effect on productivity and even improve the air quality inside the building.

We know that as a construction company we can have a certain degree of influence on people's health and safety, given that we are involved in building their living environment every day. This is why we are committed to such things as research into healthy buildings. We dream of a built environment in which people can live longer, healthier and safer lives. Our long-term goal is a new healthy standard for homes.

And so in 2017 we started to develop a new housing concept in which sustainability, circularity and health will be the norm. In this context we are working with various knowledge institutes, such as the WELL Building Institute, the Center for People and Buildings and Delft University of Technology to gather scientifically proven measures which have a demonstrably positive impact on people's health. Another example is our Nieuw Bergen residential development project in the Dutch city of Eindhoven, where we have selected a design featuring unique architecture with attention to light, air and greenery in and around the buildings.



Safety

Safety is our top priority. We work safely or not at all. We make no concessions in the area of safety. Our WAVE (Wees Alert! Veiligheid Eerst! – Be Alert! Safety First!) safety programme, which sets out our core values and rules for working safely, guides us in this. In addition the Safety Ladder is helping us to further professionalise our safety culture and that of our subcontractors and suppliers. Through our Safety Platform we devote a great deal of time to three focus areas:

- Awareness of how we do our work
- Reporting accidents and near misses
- Sector-wide collaboration with colleagues, subcontractors and suppliers

The Safety Day organised by the Safety Platform in March each year is an important aspect of our policy. In 2017 the theme was "Risk awareness at work". In 2017 we also launched the WAVE app to enable staff to report accidents, near misses and unsafe situations. The app makes reporting much easier and allows us to analyse accidents more rapidly, in order to prevent accidents from being repeated in the future. If the lessons learned from such analyses are also useful to other companies we issue a WAVE Alert: a request from the Safety Platform to take immediate action in relation to the risk case which is sent to all directors and safety experts in our organisation. In 2017 we issued four WAVE Alerts. One example concerned a new guideline for the safe transportation of excavation equipment. The guideline has since been adopted across the sector.

Targets for 2020 – Health

Safety

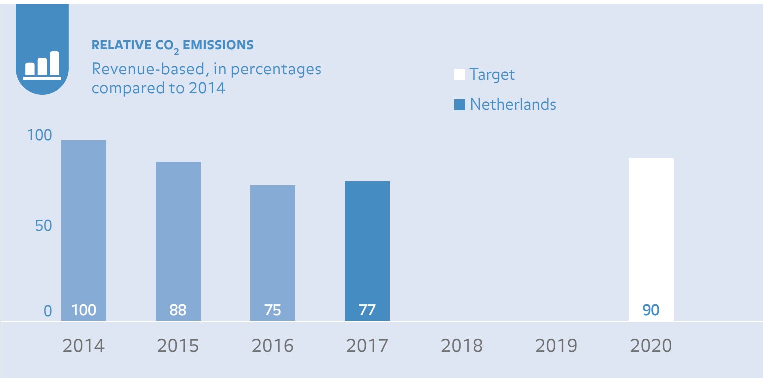
- Reinforce the safety culture
- Further rollout of the central registration of accidents
- Involve subcontractors in WAVE

The IF-rate in 2017 was 5.3, and has decreased slightly compared to 2016. This is a departure from the slightly upward trend in recent years. However, it is still too early to consider this part of a structural downward trend. Our aim is to lower the IF-rate further and to bring it in line with the sector average of 4.
The decrease is mainly caused by a continuous focus on the theme of safety: during our yearly Safety Day, during the quarterly meetings between our Board and our companies, and by our many publications on our intranet. Another contributing factor is that we consistently and thoroughly investigate all serious accidents at VolkerWessels. This encourages a culture of learning that is important for preventing future accidents.

Natural environment

Our natural environment is under great pressure as a result of climate change, the exhaustion of scarce resources and the loss of biodiversity. Developments such as these mean that our current consumption patterns are no longer sustainable. A healthy natural environment is a prerequisite for our quality of life and that of future generations. Enhancing nature, developing renewable energy technologies and finding a solution to the exhaustion of resources are therefore of the essence.

The construction sector is a major consumer of energy and resources. As an operator in this sector we therefore have great responsibility when it comes to mitigating the negative impact of this consumption on the natural environment. There are also many opportunities for the built environment, for example in facilitating the energy transition or the transformation to a circular economy. By paying attention to nature-inclusive, energy-neutral and circular construction our sector, too, can make a positive contribution to solving these social issues.



For example, our Biomakerij is a local circular treatment plant that uses the power of nature to purify waste-water. The wastewater is fed through a greenhouse containing microorganisms where it is biologically purified by ornamental plants. The first Biomakerij was installed at a Trappist abbey. VolkerWessels is also a founding partner of the material passport platform Madaster. We believe that recording which materials are contained in objects and ensuring circularity is measurable is essential in the transition to a circular economy.

Raw materials

The construction sector is still largely dependent on primary resources, which are in danger of running out. The Dutch government has therefore made it a priority to make the construction and real estate sector more sustainable. In January 2017 VolkerWessels signed the National Raw Materials Agreement to work on this joint task. In order to achieve the objective the built environment needs to be seen not as a source of construction waste but rather as a resources bank full of valuable materials. The material passport helps us to gain a better insight into this value. For example the passport helps to change behaviour, because it makes circularity tangible. In 2017 we introduced a passport for our MorgenWonen concept and for our tunnel renovation project at Schiphol.

We can use the insight provided by the passport to increase the circularity of our designs, focusing not only on recycling but also on dismantling or basing our designs on modular or adaptive principles. An example of how we do this is the first entirely prefabricated roundabout we built in Ermelo. This pilot project was the starting point for the further development of modular roundabouts. We also worked with the Dutch department of public works on the circular viaduct. Furthermore, we realised a temporary departure hall for Schiphol airport, based on a modular design which allowed for easy dismantling of the sections after use. We also see great opportunities for the application of bio-based materials. Our ZuiverWonen housing concept uses a large proportion of natural materials such as wood, flax fibre and thatch. Construction of the first homes built according to this concept started in 2017 in Ter Aar.

The type and quantity of waste varies greatly from project to project. Unfortunately, in the last few years our waste separation percentage has decreased, instead of increased towards our 2020 goal. Proper and thorough separation of the waste from our construction site remains a major challenge, which will require serious attention in the coming years. Of the total amount of

Targets for 2020 – Natural Environment

Raw materials

- Raise percentage of waste separated to 100% high-grade use
- Reduction in procurement of primary resources
  - 25% reduction in primary concrete raw materials procured
  - 10% reduction in primary asphalt raw materials procured
- 100% sustainable timber procurement

CO_2 and energy

- 10% reduction in CO_2 for each euro of revenue (Scope 1/2)
- 5% reduction in CO_2 for each cubic metre of concrete for concrete products (Scope 3)
- 5% reduction in CO_2 for each tonne of asphalt for asphalt products (Scope 3)
- 2,000 zero energy bill homes per annum

wood we used 97% was FCS or PEFC certified. We also monitor the percentage of recycled materials in our asphalt and concrete, two of our most important building materials.

CO_2 and energy
Energy savings in the built environment can contribute significantly to achieving the global and national targets for energy neutrality and CO_2 reduction. We want our activities to contribute to this transition through the development of innovative solutions and concepts, such as low-temperature geothermal power and our VolkerWind initiative. Our MorgenWonen and Zuiver-Wonen housing concepts meet their energy requirement with sustainably produced energy. The installation of smart traffic lights, digital innovations such as the Schwung app and low rolling resistance asphalt will reduce CO_2 emissions on our roads.

Our own relative emissions decreased in previous years. In 2017 we see a slight increase of 2 percent compared to 2016. Our current emissions are still well below our 2020 target, which is encouraging. The slight increase is mainly caused by an increase in fuel consumption in selected projects. In 2017 we generated 1.4 million kWh of sustainable energy by building new homes according to the PlusWonen and MorgenWonen housing concepts, reducing CO_2 emissions by 751 tonnes. In addition we aim to analyse and reduce the chain emissions of our concrete and asphalt products.

Work and social activities

Our employees are the bedrock of our organisation. Our group is a major employer, both for our own people and for subcontractors and suppliers. Work and social contacts are important contributory factors to quality of life. In addition to the income it generates, work gives people purpose, identity and opportunity to interact with others. People with more social connections consider they have a better quality of life, given that the majority of enjoyable activities relate to forms of social interaction.

Our ambition is to be an "employer of choice". But work is not something that everyone can take for granted. VolkerWessels wants to give a chance to people who are at a disadvantage on the labour market, for example people on sickness benefit, those with a physical or mental handicap or those who have been living on benefits for some time and therefore struggle to find a job. Our organisation features a wide range of activities, which means that there are plenty of opportunities to offer such people a job. An example is our VandeBouw-plaats ("From the building site") initiative, which involves us using our building waste to make new products in collaboration with sheltered workshops. Our central Social Return Counter supports our companies in deploying people at a disadvantage on the labour market by sharing and upscaling knowledge and best practice.

Furthermore we see opportunities to organise the living environment in such a way that it encourages social interaction. We do so for example at the Strijp-S project in Eindhoven, by providing unlimited connectivity in the homes and offices. With our use of the BouwApp ("Building app") we have a tool to measure the quality of life of local residents during building projects and to inform the neighbourhood. This increases the involvement of those around us in the building process and enables us to encourage local residents to get actively involved and provide valuable input and feedback.

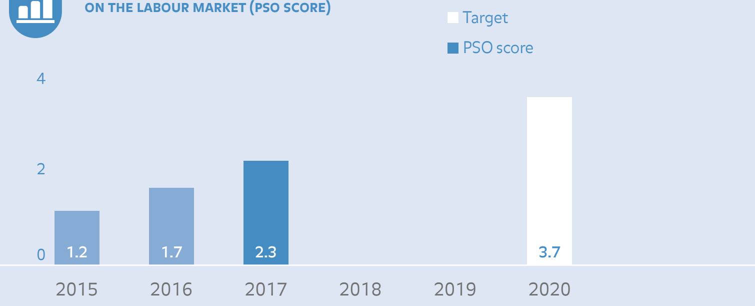
Targets for 2020 – Work and social activities

Employment
- Focus on internal succession planning
- Invest in long-term employability
- Certification at level 3 of the Inclusive Employment Performance Ladder (PSO score 3.7%)

Integrity
Each employee needs to know:
- How to deal with integrity dilemmas within their field of work
- Who to go to if they want to discuss these issues
- Where to report any breaches of the code of conduct

Employment
To ensure we are, and remain, an attractive employer we focus on training and development, culture and leadership. VolkerWessels has its own training institute, the VolkerWessels Academy, which offers a range of training programmes developed in-house. The training courses are given by our own VolkerWessels trainers. It is important to us that our employees act in accordance with our core values: integrity, safety and sustainability. We invest a lot of time and effort in various communication campaigns, workshops and inspiration sessions to raise awareness of our three core values amongst our employees. In 2017 we also introduced a special leadership programme for our top 200 managers.

PERCENTAGE OF PEOPLE AT A DISADVANTAGE ON THE LABOUR MARKET (PSO SCORE)



THE SOCIAL ENTERPRISE PERFORMANCE LADDER (PSO) measures the way in which an organisation operates in a sustainable, more social way compared to other organisations that employ people including in the social return target group. The yardstick is the weighted number of people who are at a disadvantage on the job market in relation to the total number of FTEs, expressed as a percentage in a PSO score.

Finding good professionals is an ongoing challenge given the shortage of staff in our sector. In 2018 we will further increase our focus on labour market communication. We are also working on our social media visibility and will seek more active collaboration with primary and secondary schools, institutes for intermediate and higher vocational education, universities and student organisations to raise enthusiasm for technology among the younger generation of potential employees. These initiatives are a way of introducing them to VolkerWessels as a potential employer.

We consider it important to have diversity and a range of different cultural backgrounds in our organisation. We mean diversity in the broadest sense of the word: gender, age, education, background, skills, values, standards and beliefs. In 2017 we started monitoring on a quarterly basis how our deployment of people at a disadvantage on the labour market compares to the average for companies, based on an externally benchmarked percentage. In 2017 we outperformed an average company with a score of 2.3%, and are well on our way to achieving our target of becoming a frontrunner by 2020 by reaching the highest level (3) on the Inclusive Employment Performance Ladder.

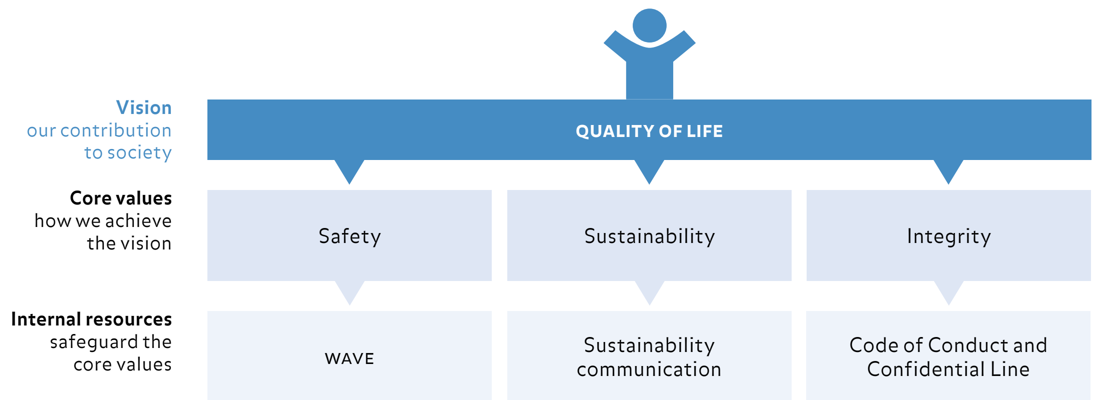
Integrity

Conducting business with integrity is an important prerequisite for all our business activities. This is a message we cannot convey to our employees often enough. Our Code of Conduct sets out principles and guidelines for acting with integrity. These guidelines relate for example to how we act towards each other, to subcontractors and suppliers and fellow contractors, to bribery and corruption, fraud and theft, conflict of interest and enhancing antitrust compliance and fair competition. If the code of conduct is breached, sanctions may be imposed. Our Confidential Line scheme sets out how employees can report breaches of the code (anonymously if they so wish) and how such reports will be followed up. The Integrity Platform at VolkerWessels promotes awareness of acting with integrity within the organisation.

We subscribe to the Guiding Principles for Commissioning Construction Companies, which were drawn up in consultation with six other large Dutch construction companies and are aimed at the supply chain responsibility and professional cooperation. In 2016 we signed the United Nations Global Compact, thus committing ourselves to the 10 principles enshrined in it.
Our membership of the UN Global Compact Network Netherlands helps us to further improve awareness of the four topics it covers: human rights, labour, the environment and anti-corruption. Our general procurement terms stipulate that our suppliers and subcontractors must conform to our Code of Conduct and Guiding Principles. It also includes a provision on eradicating child labour.

In 2017 there were 32 reported suspicions of a breach of integrity or wrongdoing. 12 of these have led to 13 dismissals. The number of reports made is slightly lower than last year (39), but is still in line with the trend in previous years.

It is hard to draw any clear conclusions about the level of awareness of acting with integrity solely on the basis of the number of reports. This is why in 2018 we plan to measure the open and honest culture within our organisation. From this measurement, we hope to gain a more complete picture of the level of awareness within our organisation.



A sustainable process

We are proud of the projects we deliver and the innovations we develop. But our own activities also need to be organised in a sustainable way. A working process based on safety, sustainability and integrity is a prerequisite for quality of life, both now and in the future. We invest a great deal of time and energy in campaigns to raise awareness of these issues amongst our staff. But on a policy level our organisation is also set up so as to allow us to set targets for our companies' results in the areas of safety, use of raw materials and CO_2 emissions. We have for example set specific, measurable targets for 2020 in these areas.

Our contribution
We want our projects and our innovations to make an active, measurable contribution to quality of life. However, we know that cannot directly influence all aspects that determine quality of life. We have therefore made a conscious choice to focus on three key topics where we do have a great deal of influence. We have based these topics on research by parties including the Stiglitz Commission and the Netherlands Institute for Social Research. Together with our companies, our stakeholders and external experts of sustainability organisation Het Groene Brein have established the following key topics:

1. Health
2. Natural environment
3. Work and social participation

Our External Review Committee, consisting of experts from the fields of science and business, advises our senior management in relation to our vision and strategy with regard to quality of life. We consider it important to be able to demonstrate the added value to society. We only make specific and measurable claims about our projects, products and innovations. We use data, scientific research and dialogue with stakeholders and our External Review Committee to test the accuracy of our claims. Are we able to demonstrate that a home built by us will make you healthier? This has proven to be a tricky claim. So what can we promise? This is an example of the kind of issue we looked at during the course of 2017.

Providing direction
The CSR (Corporate Social Responsibility) Platform holds ultimate responsibility for the sustainability policy and the group's performance in this area and is supported in this by the sustainability manager and the CSR department. We report internally on both our financial figures and our sustainability KPIs on a quarterly basis, both at company level and for VolkerWessels as a whole. Elsewhere in this report we provide a brief overview of the main targets and KPIs and aim to keep adding targets and KPIs that make our contribution to quality of life measurable and concrete. This will be one of the spearheads of policy development in 2018.

To promote the quality of life philosophy both within and outside the organisation in 2017 the Management Board appointed a dozen internal Quality of Life Ambassadors. They are employed by our companies and their role as ambassador entitles them to give solicited and unsolicited advice about quality of life in relation to projects and management at VolkerWessels level. They are protected and supported in this by the CSR Platform.

VolkerWessels has been publishing an annual sustainability report since 2009. Assurance regarding the main CSR indicators is issued annually by KPMG. The sustainability report focuses on our activities in the Netherlands. For a small number of sustainability indicators we also report figures for the United Kingdom. In 2018 we will launch an international review of available CSR figures in the United States, Canada and Germany, with the objective of including data for these countries in future sustainability reports.

HIGHLIGHTED

ING head office in Amsterdam Zuid-Oost

In 2017 work commenced on the construction of the new head office of ING in Amsterdam Zuid-Oost.

ING wants the new head office to raise awareness of sustainability issues among its users. The starting point was the BREEAM-NL Excellent certificate and the aim is to work together closely to achieve the highest level: Outstanding. The unusual design, which puts people at the centre, contributes to ING's corporate social responsibility practice and at the same time encourages sustainable use of the building. The new head office will be a "healthy" building with plenty of natural light, spaciousness, contact with the outside world and good thermal comfort. The central atriums feature platforms to encourage spontaneous encounters in the social heart of the building.

Operating companies and associates involved:
G&S Bouw and G&S Vastgoed

GROUNDSCANNER MAPXACT

"I was working on planning and engineering small cells for mobile telecom and sensors for smart cities three years ago when the idea for MapXact came about," said Gerben Roseboom, Director of MapXact.

"Increasing the capacity of 4G and 5G networks requires a denser network of small cells. These cells need to be placed in public places with a line of sight to the cell towers. I was looking for ways to map the best possible location for the small cells more efficiently. Google Street View provided insufficient information, so we started mapping out areas in 3D ourselves by means of laser scanning. MapXact is currently offering this service with our own cars.

In addition to mapping areas above the ground, it became apparent that information about the underground infrastructure is imperative to the construction sector. The direct damage caused to cables and pipelines during excavation amounts to approximately €30-40 million a year in the Netherlands, while the cost of indirect damage is estimated at €120–140 million. Moreover, there is a tremendous safety aspect to be considered as damaging a gas pipe, electrical cable or water main poses a significant hazard to workers and the environment. So having accurate information on what's underneath our feet is paramount to a safe and cost-effective construction process.

Ground-penetrating radar was already available in the market but all existing systems had many limitations, in particular where it came to data analysis and ease of use. This is when we decided to develop our own product, Infraradar, which is aimed at locating underground infrastructure fast, reliably and accurately, and doing so in a very user-friendly way. Infraradar data can be transformed into 2D or 3D information in any format required by our customers. In the near future Infraradar will also be able to be used by digging crews to scan the underground on the fly. While we are currently offering Infraradar to our customers as a service, I envisage a future where every excavator will be equipped with Infraradar, providing the driver with real-time information on the underground, so damage caused by digging can be prevented altogether."

Human capital

The best people

Our people are the bedrock of our company. Having the best people gives us an edge, especially in a time of rapidly changing markets and an increasingly complex world. If we want to be and remain successful, we have to capitalise on these changes, constantly improving ourselves and finding different approaches to our work. This requires a different mindset than that of a traditional contractor. Our ambition is to be an organisation where innovation plays a key role, where we can make mistakes and learn from them. An organisation where we know our customers, suppliers, and partners; one where everything revolves around working together and focusing on new ways of contracting. Always striving for sustainability to add value to society.
To make this possible in a market context, we want to be and remain the preferred employer for our current and future employees. Employees who are competent, agile and motivated in a culture that matches our mindset, and colleagues who are willing to stand up and take charge. Because we operate in so many different markets, we believe that our companies know their market, customers and employees best. That is why even though we have determined the general features of these VolkerWessels themes, we leave it to our companies to work out the details of how to best serve their market, customers and employees.

Preferred employer for current and future employees
Shortages in the market make it an ongoing challenge to find good professionals and win them over for VolkerWessels. In 2018 we will focus even more on job market communications. We will do this by recruiting BIM and GIS candidates on a company level at VolkerWessels. This will allow us to join forces and increase opportunities for our companies, thus increasing our market volume. We will increase our social media presence and actively collaborate with primary and secondary schools, institutions for senior secondary vocational education and higher professional education, universities and academic institutions. In doing so we want to get potential employees excited about technology and introduce them to VolkerWessels as a potential employer. What we are looking for in our employees is diversity and a variety of different backgrounds.
This means diversity in the broadest sense of the word. We believe in teams that complement and enhance each other through diversity in gender, age, education, background, skill sets, values, standards and beliefs. Through sincere consideration and consciously rewarding individuals, we believe we are and will continue to be an appealing employer.
Furthermore, in order to be, and remain, a preferred employer it is essential that we focus on the following themes.

Motivated, agile and well-educated employees
VolkerWessels has its own training institute: the VolkerWessels Academy. It offers modular training programmes and focuses on learning about VolkerWessels, project management and leadership. We have developed these training programmes ourselves and they are taught by our own VolkerWessels instructors. This gives us an edge over other parties in the market. We ensure our employees have the latest insights into market developments, which keeps them agile and enables them to be aware of changes and engage in continuous improvement. The VolkerWessels Academy itself is involved in these changes in the market on an ongoing basis. For example, in 2017 all our employees in the Construction & Real Estate Development segment attended a course on BIM philosophy and working methods. In 2018 we will be starting a Contract Management 2.0 course. We want to be a frontrunner when it comes to ways of contracting by having the best contract managers in our company. This is why we train our people in-house.

Culture
We are aware that we have to use different approaches in our work to be and remain successful in a changing market and increasingly complex world. In a company with many diverse cultures (due to our 120 independent companies) and a deeply rooted history dating back to 1854, these changes can sometimes present a challenge. This is why from 2017-2020, we are placing the focus on various programmes where we work on raising awareness. This leads to changes in behaviour and how we approach our work and work together. Our goal is to be an organisation where innovation plays a key role. An organisation where we know our customers, suppliers, and partners. Where it always revolves around working together and focusing on new ways of contracting and always strive to add sustainable value to society.

That is why we operate using the "Building Smarter Together" approach. We aim for continuous process improvements that emerge from ideas proposed by people from within the entire organisation.

We also believe it is important that our employees abide by our core values: integrity, safety and sustainability. To achieve this we invest a great deal of time and effort in a variety of campaigns, workshops and inspirational sessions to make our employees aware of our core values. In 2018 we are launching a new VolkerWessels introduction course for all of our employees.
This centrally-provided course will teach employees about our core values, history and standards in interactive ways. Integrity is one of the cornerstones and is only possible in a culture where we are open and honest, where we respectfully challenge others about their behaviour, and have the opportunity to make mistakes and learn from them. With this in mind, we plan to ask all of our employees in 2018 if they actually experience a culture where we conduct ourselves ethically, comply with our other core values, and offer sufficient scope to

Ipswich tidal barrier gate

The UK town of Ipswich has a long history of flooding both from high fluvial flows and surge tide effects, with more than 1,500 residential and 400 commercial properties currently within the risk area. A new tidal barrier gate will prevent surge tides and allow control of fluvial flow.

The Environment Agency's £70 million project, which is being undertaken by VBA – a joint venture of VolkerStevin, Boskalis Westminster and Atkins – is now well underway. It involves the design, construction and installation of a tidal barrier gate, the construction of piled flood defence walls on either side of the barrier, a control building, the installation of mechanical and electrical equipment, flood gates on the east and west banks within the flood walls, scour protection and landscaping works. Once successfully completed, VBA will maintain the new tidal barrier for a further two years.

Operating companies and associates involved:
VolkerStevin

achieve success and remain successful. We believe our employees are the bedrock of our company. That is why we need their input to work together on a culture where we can achieve our maximum potential - both for the individual and for VolkerWessels!

Leadership

The long term success of our company ultimately relies on the quality of our people and the culture they create. With this in mind, we started at the end of 2017 a leadership program for the top 200 in our company. Our program – Stronger Together - aims at developing our management teams in top performing teams, able to meet (and exceed) our leadership standards. A true VolkerWessels leader is characterized by operating in an authentic, inspiring and transparent way. Next to that, our people are best in class in their fields of expertise and entrepreneurial by nature. Our leadership program helps our managers to become leaders; people who can coach and train the next generation and understand when they need to manage and when they need to lead.

The program also focusses on the existing culture versus the desired culture in our divisions and operating companies. Necessary, as leadership and culture are closely aligned. We believe that by focusing on culture and leadership, we create better leaders, a more open and transparent way of working which ultimately will have a positive effect on our (non) financial results and our preferred employer status in the labour market. The program is initially rolled out in the Netherlands, our international divisions will run similar programs which will be tailored to the local circumstances.

Privacy policy (protection of personal data)

In 2017 VolkerWessels adopted three new policies that govern the protection of personal data: the data security policy, the privacy policy and the archiving policy.

The objective of the data security policy is to safeguard the reliability of information flows to guarantee the availability, integrity and confidentiality of information. The implementation of measures stipulated in the policy is underway and will be completed in 2018.

The General Data Protection Regulation (GDPR) will come into effect on 25 May 2018. The GDPR will impose extremely stringent obligations on every company based in the European Union aimed at protecting all personal data. In order to be well prepared for this VolkerWessels has devised a privacy policy and an archiving policy. These were adopted by the Management Board of VolkerWessels in the autumn of 2017. Each operating company is responsible for processing the data within the framework of the GDPR and is as such required to comply with it. The GDPR stipulates that personal data may only be processed if there are legal grounds for this. Pursuant to the GDPR each action involving personal data must be registered in a privacy register. Moreover the people concerned, e.g. employees, have been granted various rights with respect to their personal data (including the right to access, rectification or removal). The measures stipulated in the policy will be launched in early 2018 and completed in May 2018.

The introduction of a point of contact for data breaches and procedures for the purpose of timely and adequate reporting and registration are an integral part of the measures outlined.

VolkerWessels expects that the implementation of all these measures will ensure it meets requirements imposed by law and under the GDPR. More importantly, it expects that the implementation will adequately protect company data and the personal data of its employees, clients and suppliers.

Central Works Council/European Works Council

In 2017 we continued to hold constructive talks with the Central Works Council (COR) and the European Works Council (EOR). In addition to the usual topics of discussion, our talks with the COR dealt with changes in the organisational structure of Construction & Real Estate Development, the initial public offering, the VolkerWessels social plan, Pension Committee regulations, pension compensation under the work-related expenses scheme (WKR), the car lease scheme, long-term employability, the mobility centre, AFAS implementation, dormant employment, guidelines for the use of machines, the internet and email, and the privacy policy.

Besides the items on the standard agenda, which included developments in the European businesses, our discussions with the EOR included the initial public offering, the organisational structure, developments in Belgium, the EU General Data Protection Regulation (GDPR), the data security policy, long-term employability, dormant employment and our organisation in Germany.

We expect no major changes in our total average number of employees in 2018.

Average number of employees

	2017	2016	2015	2014
The Netherlands – Construction & Real Estate Development	3,716	3,627	3,478	3,221
The Netherlands – Infrastructure	4,983	4,900	4,890	5,064
The Netherlands – Energy & Telecoms Infrastructure	2,789	2,819	2,955	3,099
United Kingdom	2,713	2,590	2,440	2,219
North America	1,348	1,223	1,082	1,124
Germany	335	334	333	335
Other/eliminations	295	292	309	183
Total	16,179	15,785	15,487	15,245

Health management

The Management Board and the senior management of VolkerWessels' segments is committed to reviewing and improving the overall health and safety performance of the operating companies in each of the countries and regions in which VolkerWessels' companies are active. In 2017, we continued our efforts to reduce long-term sickness absence and thereby limit the intake of employees for benefits under the Resumption of Work (Partially Disabled Persons) Regulations (WGA). This health management approach entails more intensive support for employees on sick leave, including long-term sick leave, focusing on what the employee concerned is capable of doing rather than on his or her limitations. In addition, our "Be Alert! Safety First!" or (in Dutch) "Wees Alert! Veiligheid Eerst!" (WAVE) safety campaign seeks to limit long-term sickness absence. The general rate of sickness absence in the Netherlands increased to 4.2% (2016: 3.9%).

JongVolkerWessels

POLICY PLAN UPDATED IN 2017

Jong VolkerWessels ('Young VolkerWessels') is one of the ways we improve multidisciplinary cooperation within the group. As an employer of choice we attract the best people and give our young employees the opportunity to work on their development. We do so for the VolkerWessels of the future, to which we contribute our enthusiasm and our innovative way of thinking. Together we are building a better quality of life.

APPROACH

To achieve our objective we have formulated three action items for the next three years. These are subdivided into three topics:

01 COOPERATION / KNOWLEDGE SHARING

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN DO WE START:
• To promote knowledge sharing among younger employees within the VolkerWessels companies • To cooperate with internal and external young employee associations	• Think tanks • Sounding board sessions • Project visits • Events with a networking component	• Start in 2018 • Follow through in 2019/2020

02 THE BEST PEOPLE / EMPLOYER OF CHOICE

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN DO WE START:
• To promote the personal development of current employees • To attract new talent • To provide a platform for our own members	• Soft skills • Networking • Internal and external representation of Jong VolkerWessels, both online and offline • More involvement of own members	• Soft skills: 2018 • Networking: 2018 • Representation of Jong VolkerWessels: 2018/2019 • Involvement of own members: 2018

03 THE VOLKERWESSELS OF THE FUTURE

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN DO WE START:
• To leverage innovative initiatives • To bring about cultural improvement	• Director for a day (broaden support base) • Networking with external parties (clients and competitors) • Sounding board sessions • Support for ongoing initiatives such as Futurelab, Digibase and Helix	• Director for a day: 2018 • Networking with external parties: 2018 • Sounding board sessions: 2019 • Ongoing initiatives: 2018

Innovation

In a world that is changing faster than ever before, it is paramount that VolkerWessels is able to innovate. The driving forces for innovation and change have never been as strong as they are at present.

- Politically, the Paris agreement has incited governments to define ambitions that encompass an energy-neutral built environment and a fully circular economy by 2050, providing huge opportunities – and challenges – for the construction industry.
- Technologically, rapid development in digitisation drives a new way of working, with digital models, robotisation, 3D printing and an exponentially growing amount of data that creates unprecedented new opportunities.
- In the market, there is a clear shift favouring performance-driven execution and long-term contractor commitment over traditional "build" contracts.
- Demographically, we are seeing an aging society that impacts both the demands of our customers and the availability of qualified employees.
- Socially, a clear shift of values is becoming evident. Younger generations tend to value availability over ownership, which provides us with a new set of requirements for our products and services but also impacts our attractiveness as a company to employees.

It is our perception that innovation has always been crucial for us to remain a frontrunner in the industry. To maintain that position we are continuously improving our innovation capabilities. Not only by developing new products, processes and business models, but also by implementing a new innovation strategy that capitalises on the combined strengths of our subsidiaries.

VolkerWessels has become the company it currently is by recognising the value of its subsidiaries, their local presence and proximity to our customers. That is reflected in client-centric organisation and the agility it brings. Our innovation strategy is tailored to this organisational structure. It focuses on harnessing the consolidated knowledge and experience of our subsidiaries, while taking advantage of the synergies within the company without centralising our innovation efforts.

To facilitate this we have appointed innovation managers in each of our divisions. We have launched HeliX, our company-wide innovation initiative, as the next step in strengthening our innovative capabilities. HeliX helps our subsidiaries to innovate efficiently and effectively in a number of ways:

- It provides a clear view of our strategic innovation topics, so alignment with our strategy is ensured;
- It offers a simple stage-gate process which guides us through the steps involved in developing a new product or process, from initial ideas to market implementation;
- The collaborative environment enables employees to access our combined internal knowledge and relevant external knowledge providers, stimulating cooperation where desired;

Within this environment we generate ideas to resolve real-world challenges, elaborating on ideas to the point that they become innovation projects in which solutions are developed that matter to all of our stakeholders. We do this by actively involving our employees and our customers. The innovation environment is partly digital, partly physical. A digital collaboration tool facilitates our innovation process by offering information on the innovation topics we are working on to all subsidiaries, stimulating cooperation where appropriate. Our physical innovation locations provide our employees with a creative environment in which they are encouraged to think out of the box and come up with valuable new propositions. Our ever-increasing collaboration with universities and other external parties is another source of valuable knowledge. Our strategic innovation themes ensure the relevancy of the projects we are working on by providing guidance on what really matters when it comes to innovation. This framework ensures we are ready to take on the challenges that lie ahead and turn them into attractive opportunities.

LOW TEMPERATURE GEOTHERMAL HEAT

"When talking about sustainable energy, we often immediately think about generating electricity using wind turbines and solar panels. Geothermal heat is another sustainable energy source. Contrary to wind energy and solar energy, geothermal energy is available day and night all year round. Large amounts of fossil fuels are burnt to heat greenhouses but this can also be done using hot groundwater," said Kees van der Zalm, senior programme manager at Visser & Smit Hanab.

"Geothermal heat projects usually generate heat at depths of 2,000 to 2,500 meters. Two wells are always needed to generate geothermal heat: one to pump up the hot water and another to pump back the cold water that has been used. That means that it is a closed system and nothing is extracted from underground, just heat. Drilling less deep provides even greater opportunities. Many companies assume that drilling for geothermal heat at greater depths is cheaper because the earth's temperature is higher there. The temperature increases around 3 degrees Celsius every 100 meters you go below the ground. Drilling less deep (at 500-1,250 meters) can produce low-temperature geothermal heat in a cost-effective way. Visser & Smit Hanab has launched a demonstration project in the Dutch city of Zevenbergen, using geothermal heat to power an aubergine farm.

The amount of sustainable energy generated by drilling is lucrative because the costs of setting it up are manageable. Thanks to our combination of vertical and horizontal drilling techniques we are able to place the two wells more efficiently. This can now be done in areas of the Netherlands where it was previously deemed to be impossible to drill for geothermal energy in an economically viable way. The water found in shallow strata is much less salty than the water found at traditional depths. That makes it easier to maintain the equipment. We want to use this pilot project to show that combining existing techniques wisely works. Other advantages of generating heat this way include the fact that it takes up less space, makes less noise and causes less corrosion, making it suitable for many locations. This way of generating heat can also be applied in areas such as housing construction."

Risk management

VolkerWessels is characterised by a client-centric business model where entrepreneurship, personal involvement, informed decision-making and responsibility are the key principles. Principles that are at the core of the company's risk management and control objectives. These objectives are risk awareness across the organisation in general and more specifically in relation to project pursuit, design, build and maintenance, the provision of reliable and timely information, the performance of efficient and effective operating activities, compliance with internal procedures, laws and regulations and the protection of assets and information.

Risk management philosophy

VolkerWessels recognises that risk awareness and effective risk management are crucial to the delivery of its medium-term objectives. In 2017 steps were taken to strengthen our formal risk management processes and supervision while maintaining our focus on ownership and responsibility throughout the organisation.

VolkerWessels' risk management and internal control process is essential to its operating model and is implemented at four levels throughout the organisation:

(i) the management of risks at project level from project pursuit, design and build to maintenance and completion;
(ii) the management of the portfolio of projects and selling, general and administrative expenses at operating company level;
(iii) the management of the portfolio of operating companies at segment level; and
(iv) the management of the segments and corporate risks at holding level.

VolkerWessels' risk management and control framework consists of both formal (hard) and informal (soft) elements which collectively provide checks and balances to efficiently control its operations. The formal elements include internal policies and procedures, reporting cycles, In control statements, an authorisation schedule and monitoring. The informal elements include the personal involvement of VolkerWessels' employees, management and the finance function, acting in accordance with VolkerWessels' core values.

Culture

Responsibility and employee engagement with the business are key elements of VolkerWessels' culture. The culture of VolkerWessels and its individual operating companies is fostered through its general standards of business conduct, mission and strategy, core values, code of conduct and whistleblowing scheme, all of which apply to all VolkerWessels employees. The control framework for the management boards of the operating companies is laid down in the regulations for the statutory management boards, which outline their position within VolkerWessels.

Risk analysis and risk appetite

VolkerWessels has identified certain general risks for its business, ranging from market risks to liability and fraud risks. The relevant strategic and market risks, operational risks and financial risks are identified every year both from a group company perspective and a project perspective. This process identifies general risks, including risks relating to economic cycles, interest rate developments, overcapacity and price constraints on the infrastructure market, a lack of capacity and pricing constraints for suppliers in the construction and real estate market, contract risks, liability risks, financial risks related to liquidity, interest rates and foreign exchange rates and fraud risks. More details on the specific risks are included in the tables on pages 53–64.

Risk analysis and risk appetite are not static concepts. Over the past decade construction contracts have increased significantly in size. In addition, contract conditions have become more difficult in an increasingly disciplinary environment. VolkerWessels pays special attention to the specific risks connected with aspects of contracts, including tendering, contracting, procurement, monitoring and controlling of projects. Rather than merely relying on mechanical and standardised contract management processes, VolkerWessels is also focused on personal involvement of the managing directors and statutory directors of the operating companies in order to best utilise the available knowledge and experience as circumstances and conditions in a project can be unpredictable and subject to rapid change.

VolkerWessels' general risk appetite has been set in the context of the strategy and the Group's medium-term objectives. Operational excellence is an important pillar of our strategy. We focus on margin over volume and have a strong focus on overhead costs as this reduces the need to grow a business in order to stay ahead of its cost base.

The specific risk appetite is set within the context of interaction between risk assessment and our ability to mitigate and exert control over existing and potential risks. VolkerWessels' risk appetite is reviewed from time to time and any amendment is instigated by the Management Board and the Audit Committee and implemented in our risk management processes through our senior management team and staff.

The following table shows the risk appetite of VolkerWessels:

THEME	STRATEGIC PRIORITY	RISK	RISK APPETITE
Laws and regulations	Appropriate policies and procedures are in place throughout the business.	The Group does not comply with all legal, tax and regulatory requirements.	Zero violations of laws and regulations.
Core values	At VolkerWessels, everything we do is guided by three core values: safety, integrity and sustainability.	VolkerWessels works on potentially hazardous projects in various areas that require continued focus on safety risks and conduct-related risks.	Conducting our business safely and with integrity, causing the least possible harm to the environment. VolkerWessels appetite for safety and integrity risks is zero.
VolkerWessels own specific frameworks	Appropriate policies and procedures are in place throughout the business.	Unwittingly entering into risks and obligations.	No deviations from VolkerWessels' frame-works.
Projects	Operational excellence is an important strategic focus area.	Loss-making / unpredictable projects or dissatisfied customers.	The level of (residual) risk on a project may not exceed the expected integral profit contri-bution.
Asset and data protection	Digitalisation & innovation is an important strategic focus area.	Loss of assets due to theft, improper use or insufficient insurance. Confidential and other information could fall into the wrong hands.	To discourage theft and misuse and apply the policy on insurance of assets. Efficient protection against competitors, hackers and vandals.

Risk Management framework

As part of its risk management framework VolkerWessels has appropriate policies and procedures in place throughout the business aimed at maintaining its core values of safety, integrity and sustainability. VolkerWessels' risk management processes are embedded in the regular planning and control cycle that is applied by all of its operating companies, with the local and segment management teams devoting extra attention to these processes and to risk awareness. The risk management system provides a platform in which best practices, knowledge and skills are shared between the operating companies in a structured manner.

Recognising that risk awareness and effective risk management are crucial to the delivery of its medium-term objectives, VolkerWessels strengthened its risk management framework in 2017. For example we have increased the involvement of senior management and contract managers in order to align the way in which risk is assessed. In our Construction and Real Estate Development segment in the Netherlands we have defined and formalised the expertise of each Group company. Companies are not allowed to work outside their field of expertise without involvement of the regional expert company. In our Infrastructure segment in the Netherlands we have introduced our "top in projects" programme. As part of this programme we have introduced formal gate reviews with a mandatory assessment of risks at each review gate. Gate reviews focus specifically on the phase transitions in a project and define the primary decision moments during the pursuit, design, build and maintenance phases.

Internal regulations
The Management Board has adopted regulations that set out centralised standards for the management boards and employees of VolkerWessels' operating companies. These regulations provide various internal platforms and policies, including a central safety platform, an integrity committee and a corporate social responsibility platform.

Management reporting cycle and financial management
The progress and development of the operating results, liquidity and financial position of each operating company, as well as the operational and financial risks, are recorded in regular management reports. Detailed reports are prepared by the management boards of the operating companies and discussed at Management Board level at monthly meetings with the management boards of the operating companies and/or the management boards of the divisions and regions for the VolkerWessels segments. All reporting is based on the VolkerWessels accounting manual, which sets out the format and standards for the provision and consolidation of information. In addition, VolkerWessels' treasury management system provides weekly updates on the liquidity position (at both operating company level and segment level) and quarterly working capital reports to the Management Board. The cash management department deals with funding requests and monitors the internal limits of the operating companies. All financial (bank or parent company) guarantees are under management of the guarantee department and are based on a standard format and in principle with a maximum amount and a termination date.

Fraud risk analysis
VolkerWessels performs an annual fraud risk analysis at corporate level. The segment management boards and the large operating companies perform an annual fraud risk analysis for their respective businesses. The main risks reflected in this analysis relate to unfair competition, bribery and corruption, theft of company property, conflicts of interest and reporting fraud.

In control statements
The local management boards and the financial controller are accountable to the Management Board every year via an In control statement relating to their risk management policies and those of each of the individual operating companies, joint ventures and large projects that are under their control. The central risk management team regularly visits the operating companies to discuss internal control-related matters and to review key action points from the In control statements. The In control statements provide insight into the management of the business operations, facilitate the exchange of know-how and best practice, create awareness in respect of operational risks, and allow the management teams at each level (operating, divisional, segment and the company) to analyse and mitigate current and future risks, improve informed decision-making and reduce failure costs.

Authorisation schedule
As part of the risk management of the projects and activities that VolkerWessels undertakes, the Company has an authorisation schedule in place that sets out the internal approvals required for operating companies to enter into legal and financial obligations. In addition to the formal internal approval process, VolkerWessels applies the four eyes principle for most decisions, which means that decisions must be made by two directors acting jointly. Depending on the type or value of the commitment, approvals may be required by the directors of the relevant operating company, the directors of the (divisional) sub-holding companies, or the managing director responsible for the specific matter, either alone or (if required by the schedule) acting jointly with the chairman or the Chief Financial Officer of the Management Board. For certain commitments of major importance, approvals are required from the entire Management Board and the Supervisory Board.

Monitoring and audits
Compliance with VolkerWessels' control framework is monitored by self-assessments, management information and reporting and other monitoring activities, such as company visits, project visits and financial reviews. In addition to the internal monitoring and audit processes of VolkerWessels, Deloitte performs an external audit of VolkerWessels, not including the us activities of VolkerWessels North America where the companies are externally audited by a regional audit firm, with involvement of Deloitte.

Culture of engagement and ownership

VolkerWessels believes that the informal elements of its risk management framework are a key differentiator. The soft control through the actions of VolkerWessels' employees and management teams ensures that its core values of safety, integrity and sustainability are pursued at all times, even where project circumstances are changing or unexpected events occur. The informal controls are closely connected to VolkerWessels' client-centric business model and are based on entrepreneurship, personal involvement and responsibility. VolkerWessels supports an open culture of transparency and trust and through its client-centric organisational structure it fosters a sense of pride and ownership for its operating companies, which ultimately drives performance-focused leadership at a local level. Key elements of how the VolkerWessels culture impacts the way it operates its business are set out below.

Code of conduct and employee development
The VolkerWessels code of conduct provides practical guidelines that clarify the importance of acting with integrity. These guidelines consider, among other things, the contact between employees at VolkerWessels, dealings with subcontractors and suppliers and other contractors, bribery and corruption, fraud and theft, social media policy, conflicts of interest and fostering fair competition. Sanctions can be imposed if the code of conduct is breached. The professional development of VolkerWessels' employees is also a key element of risk management. Through the VolkerWessels Academy and other development processes the management teams of the operating companies are able to provide training programmes for employees, with a strong focus on project management and general management aspects and skills. VolkerWessels aims to ensure that its employees are prepared for increasingly complex and knowledge-intensive projects and that the key risk management processes of VolkerWessels become shared knowledge.

Management involvement
Within VolkerWessels, the informal side of risk management is primarily driven by the direct involvement of the Management Board and the management boards of the operating companies. VolkerWessels believes that this is crucial, because circumstances that apply to projects can be unpredictable and relying only on formalised procedures may not suffice. Therefore, VolkerWessels believes that it is important to involve individuals with sufficient knowledge and experience. Such project and tender managers regularly discuss projects and processes with the management boards of VolkerWessels' operating companies, also outside of the formal reporting framework.

Finance function
VolkerWessels' finance function is essential for instilling trust in VolkerWessels, our companies and projects. The finance function contributes to VolkerWessels by focusing on delivering operational quality in the field of transaction processing and control, and by being a business partner that provides insights that support decision-making based on management information and analyses. Across the various finance functions within the segments improvement plans are strengthening the finance function within the Group. These improvement plans are focused on four pillars: project control, operational quality and efficiency, development of finance staff and impact of the finance function.

Construction projects have increased significantly in size and complexity over the past decade. Effective project control is a key element of our risk management framework. Further improving our project control in relation to project pursuit, design, build and maintenance is high on our agenda. We are improving our people, systems and processes in order to stay ahead as project sizes and complexity increase.

As part of the risk management framework, VolkerWessels has adopted a controller's instruction which aims to safeguard the independent position of the financial officers of VolkerWessels' operating companies. This instruction applies to all companies across VolkerWessels and sets out the exceptional position of the financial controllers in reporting on issues, risks and other exceptional items. A key element for the VolkerWessels business is to ensure that the finance director (who is also required to be a statutory director) and the controllers of the operating companies have direct informal reporting lines to both the chief financial officer at the divisional level and the Chief Financial Officer of VolkerWessels, in addition to periodic formal reporting to the management board of the relevant operating company.

Risk Management Structure: three lines of defence

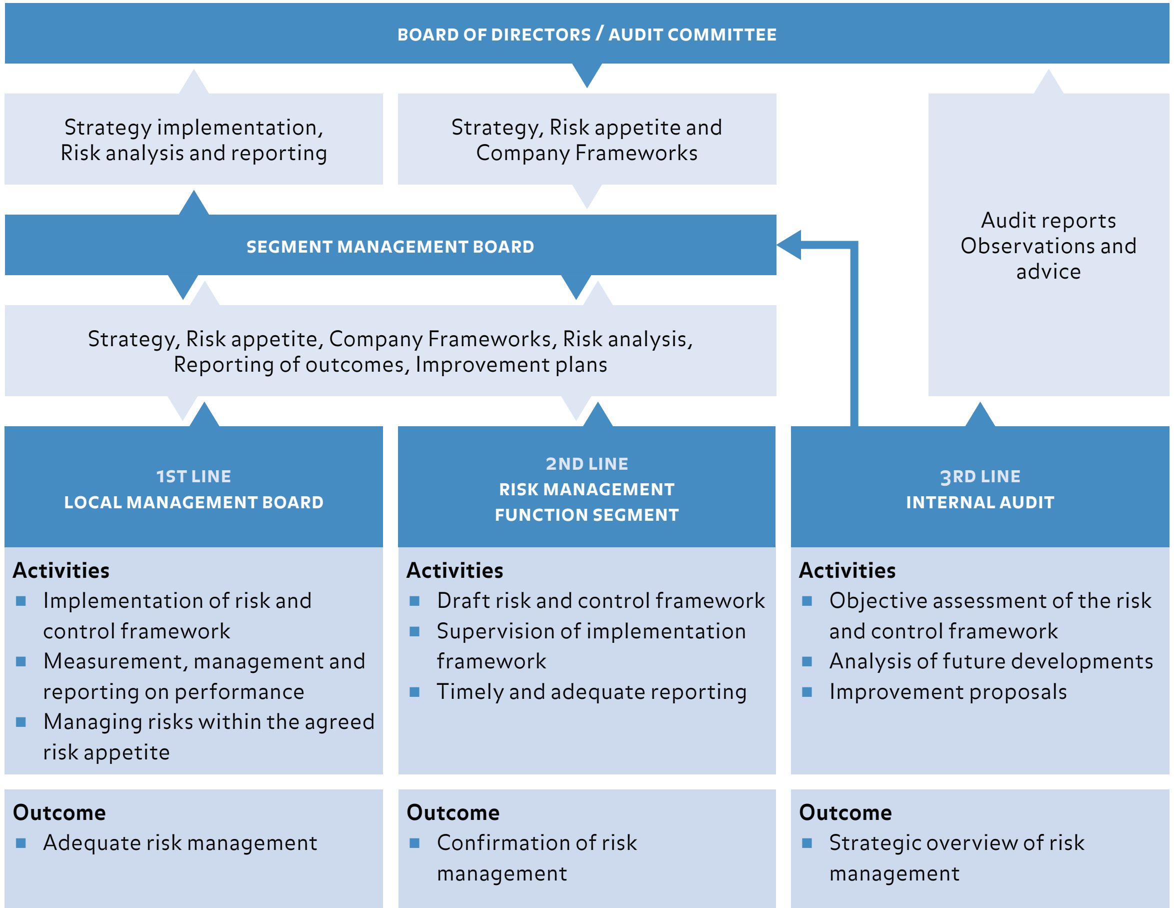
The Management Board of VolkerWessels has overall responsibility for risk management and determines the risk appetite with respect to principal risks.
The Management Board is responsible for effective risk management and internal control systems to mitigate risks. For each segment within the Group, the segment management board is responsible for effective risk management and internal control systems to mitigate risks within the segment.

The local management boards are responsible for risk management and the implementation of an appropriate risk control framework based on the Group framework. Local management boards are responsible for managing risks within the agreed risk appetite and as such are the first line of defence in adequate risk management.

Local management boards are supported by a risk management function at segment level, with an officer whose job is to design the risk control framework and policies, to monitor implementation and to organise timely and adequate reporting. In smaller segments the finance function is the second line of defence in adequate risk management.

Finally, the Internal Audit department is the third line of defence in adequate risk management. It is their responsibility to determine whether the segments comply with the risk management framework and whether the first and second lines of defence work together effectively. The Internal Audit function assesses whether the systems, processes and procedures provide sufficient security, both now and in the future. The Internal Audit department was established in the third quarter of 2017 and reports to the segment management boards as well as to the Management Board and the Audit Committee.

VolkerWessels Risk Management: three lines of defence



Strategy and market risks

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
The cyclical nature of the construction industry, which is exacerbated during economic down-turns. **Owner: Management Board** The construction industry and the resulting demand for VolkerWessels' services have been, and are expected to continue to be, cyclical and subject to significant fluctuations due to changes in economic conditions and client spending, particularly during economic downturns. VolkerWessels provides services to a broad range of public and private sector clients. Adverse economic conditions may negatively impact VolkerWessels' clients' ability and willingness to fund their projects, and cause clients to reduce their capital expenditure, alter the mix of services purchased, seek more favourable prices and other contract terms, or otherwise slow their spending on VolkerWessels' services. In addition, during economic downturns, private sector clients' ability to pay, or pay in a timely manner, VolkerWessels' accounts receivable may be negatively affected. VolkerWessels derives a significant portion of its revenue from public sector clients. Declines in national and local tax revenues, allocation of revenues by (local and regional) governments as well as economic declines may result in lower government spending and demand for VolkerWessels' services.	The residential and commercial real estate sector is typically affected at an early stage of the economic cycle. Improvements in the broader economy and local market conditions may lead to increased construction costs as a result of rising wages, subcontractor fees or commodity prices. Additionally, economic improvements may result in rising interest rates, which can negatively affect demand in the real estate sector. The infrastructure sector is typically impacted at a later stage in the economic cycle as public-sector clients adjust spending budgets to economic developments. VolkerWessels' business in the infrastructure sector may be slower to realise any benefits of an economic recovery. The cyclicality of the construction industry, particularly during economic downturns, in connection with any of these businesses may have a significant negative impact on VolkerWessels' business, results of operations, financial condition and prospects. At the end of 2017, our order book was stable at a of €8.1 billion. In 2017 we saw a further recovery of the housing market for private individuals leading to rising volumes and prices. In non-residential construction market, there has been a modest recovery. The competition in this market, especially for larger scale projects, is fierce and we believe that price pressure will persist for the time being. Due to its decentralised operating model and focus on smaller and medium sized projects, VolkerWessels is less impacted by challenging market conditions.	VolkerWessels responds to the changing circumstances in the housing market with the following measures: ■ smaller-scale residential construction projects; ■ development of cheaper houses; ■ reduced realisation times through prefabrication of housing (the MorgenWonen – Future Living – concept); ■ development of customer-oriented housing concepts. Projects go ahead only if the object to be built is sold (with a minimum rent guarantee) or largely let in advance. In addition, we focus on long-term maintenance contracts with recurring and predictable cash flow, creating more continuity in the order book. Through investments in integrated projects, such as public private partnerships in building infrastructure, VolkerWessels aims to create additional building volume for the operating companies. These altered contract forms require extra attention in relation to contract management. The spread of activities over sectors and geographical areas aims to reduce the Company's sensitivity to changing market and economic conditions. In 2017 the following additional risk measures were taken to limit the risk: ■ Reduce our strategic working capital by €100 million in the medium-term; ■ Sell more real estate development projects at early stages in the development process with forward funding commitments from the buyer.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Political uncertainty arising from UK's exit from the EU **Owner: UK Management Board** Our UK business may not be able to manage the uncertainty surrounding the terms of the UK's exit from the EU. Foreign exchange differences from GBP to EUR may increase.	The UK's vote to exit from the EU has impacted the exchange rate from GBP to EUR. Any significant change or uncertainty surrounding the terms of the UK's exit from the EU may have additional exchange rate consequences. Restrictions to the availability of skilled labour and materials from outside the UK may have an impact on our business in the UK.	VolkerWessels is focussed on the more resilient infrastructure segments in the UK market. Our UK Management Board is actively monitoring the potential impact of the UK exiting the EU, including market stimulation by the UK government, freedom of movement and commodity prices. The Group is not actively managing the exchange rate differences from GBP to EUR, but is actively managing the balance sheet impact by distributing dividends from our UK operating companies to the Group when possible.
The realisable value of our real estate position including our land bank may be lower than the book value **Owner: Management Board** If demand for residential or commercial properties declines, for example as a result of an economic downturn, VolkerWessels may not be able to build and sell properties profitably and it may not be able to fully recover the costs of some of the land that it owns. In 2017 we saw a further recovery of the real estate market and rising price levels for land as a result.	Impairment of real estate positions and excessive demands on working capital. The estimated realisable value of land positions and real estate held for sale may be lower than the current book value. As a result VolkerWessels may have to sell positions for a lower profit margin or it may have to record impairments on the value of its land bank or its deposits for lots controlled under option. We conduct detailed analyses of our positions each year, on the basis of updated expectations for development potential, development terms and price levels. Based on this update, no adjustments in the book value of our real estate positions were made in 2017.	Rental contracts were concluded for a large number of the properties intended for sale. In addition, the following measures have been taken in order to prevent and manage these risks: ▪ housing construction projects in the Netherlands typically commence only if 70% of the homes for sale are sold and the buyers have secured the financing of these; ▪ focus on land acquisition with shorter term development potential; ▪ investments in land positions require the prior approval of the Management Board.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Highly competitive markets **Owner: Management Board** VolkerWessels competes with many local, national and international contractors on matters such as price, quality, efficiency, innovation, client service and support, desirable sites and suitable land, technical knowledge, reputation, availability of credit and funding and the degree of design and execution risk assumption. The extent of VolkerWessels' competition varies by industry, geographic market and project type. In recent years, there has been intense competition in the Dutch infrastructure sector as a result of overcapacity in the market partly driven by the reduction in the commissioning of, and expenditure on, infrastructure projects by national and local governments as well as increased competition from foreign competitors. Similarly, in the United Kingdom construction sector, there has been an increase in competition with a trend of foreign competitors entering and competing in the specialist market segments in which the Company operates. Due to these conditions, some of VolkerWessels' national and international competitors have bid, and may continue to bid, for tenders at prices, or accept terms and conditions, that VolkerWessels would not consider economically prudent, which may in turn hinder VolkerWessels' ability to win tenders, or otherwise negatively affect the terms on which it is able to win tenders.	Increasing competition and markets with overcapacity, could add pressure on prices and margins and increase competition for VolkerWessels, especially in circumstances where VolkerWessels may not be able to respond effectively to such competitive pressures, or to continue to operate and enter into arrangements on economically competitive or viable terms. This may result in design and execution risks that are not sufficiently included in prices, which places pressure on margins. The "bonuses to be earned" and "penalties to be imposed" do not always provide the incentives required in advance by parties, but often result in cost overruns and disruption of the construction process.	VolkerWessels applies the principle "margins over volume", with a focus on projects that do justice to our distinctive capacity. The regional and operational diversification of VolkerWessels' companies aims to ensure that VolkerWessels has limited client and project dependency and is able to maintain a large number of smaller, local client relationships. The smaller, low-risk projects are locally sourced and executed, and provide for a stable flow of revenues, generally with a more stable risk return. This allows VolkerWessels to take a selective approach as to which of the more complex and larger projects it tenders for. Risk management procedures are in place in relation to its operating model, such as the tender process, which involves the appointment of senior and experienced project directors and contract managers already in the tender phase to ensure that a tender has been scrutinised and is in VolkerWessels' best interests. In addition, creative initiatives are started or intensified, such as further positioning in niche markets, upstream and downstream integration and a customer-oriented approach. In 2017 we had a strong focus on overhead costs as it reduces the need to grow a business in order to stay ahead of its cost base. As part of our operational excellence programme we have benchmarked our overhead costs within the group and have initiated plans to reduce overhead for group companies that are above average.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Reputational damage and compliance risk on laws and regulations **Owner: Management Board** Reputation issues are often related to other areas of risk, like violations of safety regulations (see "Safety risk"), non-compliance with laws and regulations and errors in the execution of projects. VolkerWessels is subject to national and international laws and regulations, including laws affecting tax, land use, zoning, occupational health and safety, product safety, quality and liability, transportation and labour and employment practices in the geographies where it operates. In addition, VolkerWessels is subject to substantial anticorruption, anti-money laundering, anti-bribery and competition laws. Potential risks include the risk of non-compliance with such laws and regulations and risks relating to failure to follow changes in legislation.	In the event of non-compliance with applicable laws and regulations, VolkerWessels could face unwanted (legal) consequences and financial and/or reputational damage. The failure by a partner to comply with applicable laws, regulations or client requirements could also negatively impact VolkerWessels' reputation and, for government clients, could result in fines, penalties or suspension being imposed on VolkerWessels. If the relationship between VolkerWessels and its clients deteriorates as a result of, for instance, inadequate customer service or transparency, this can cause a loss of market share. A conviction based on a violation of the competition laws may lead to exclusion from government tenders.	Various measures are in place to prevent compliance risks occurring, like the VolkerWessels Code of Conduct, regulations for the statutory directors and controllers, the Integrity e-learning course and the annual fraud risk analysis or to enable them to be detected like the Confidential Line and the whistle blower scheme. See also the description of risk management on page 48–52. In order to manage reputational risk, we devote close attention to relationships with our clients. Our operating companies regularly conduct customer satisfaction surveys on the basis of three customer satisfaction factors: quality, compliance with agreements and the customer-orientation of the organisation. Points for improvement are followed up immediately in order to optimize relations with our clients. Our management teams are regularly kept informed on developments in relevant regulations.
VolkerWessels' success depends upon its ability to hire and retain qualified employees and match VolkerWessels' workforce with business demands **Owner: Group Management and HR** Failure to attract the required employees may require VolkerWessels to rely more heavily on subcontractors which may result in cost increases. The uncertainty of contract award timing can present difficulties in matching VolkerWessels' workforce size with its contract needs.	Potential causes influencing our ability to attract employees include amongst others the availability of skilled labour, freedom of movement between the EU and the UK, failure to maintain a culture of pride, remote locations of our projects (especially in Canada), fierce competition from other sectors such as IT and perceived limitations to internal career development. If VolkerWessels is unable to attract and retain skilled employees, its future performance and growth may be adversely affected.	VolkerWessels is active in the labour market through labour market communications, traineeships and partnerships with educational institutions. VolkerWessels has implemented the VolkerWessels academy and e-learning program to satisfy the need for the development of its staff. VolkerWessels has implemented a young potential program to foster the development and retention of young employees with a range of different competencies.

Operational risks

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
The complexity and long-term nature of construction projects expose VolkerWessels to contracting risks, which may result in financial liabilities **Owner: Management Board and segment Tender Boards** VolkerWessels' business involves complex and long-term construction projects, including long-term maintenance and operating contracts entered into on a fixed-price or lump-sum basis. To a large extent, VolkerWessels' profitability depends on the scope of the project being correctly determined during the tender and execution phases, costs being accurately calculated and controlled, and on projects being completed on time and not subject to any early termination, such that costs are contained within the pricing structure of the relevant contract, particularly for fixed-price and lump-sum contracts and for larger and more complex projects. Additionally, risk allocation is to a certain extent driven by contract models imposed by clients. Public sector clients or larger private sector clients may adopt contract models with terms that increase VolkerWessels' risk exposure, which VolkerWessels may not find acceptable. If additional model contract terms that increase the risk exposure for VolkerWessels become prevalent in VolkerWessels' primary markets, VolkerWessels' ability to enter into profitable contracts may be adversely affected.	Any failure to manage contracting risks and costs may result in lower than anticipated profits or the incurrence of contract losses. Cost overruns can be due to inefficiency, delays by VolkerWessels, subcontractors or suppliers, poor design or errors in designs or calculations, failure to properly hedge contractual risks, and liabilities or claims. Furthermore, long-term fixed-price contracts expose VolkerWessels to margin compression or contract losses as a result of variable input costs, which may rise over time. A significant number of contracts are based on cost calculations that are subject to a number of assumptions. If the estimate of the overall risks or calculations of the revenues or costs of one or more contracts prove inaccurate or circumstances change, lower profits may be achieved from, or greater losses may be incurred on, such contracts than had been anticipated.	VolkerWessels' operating companies operate within clear legal and financial frameworks that provide well-established risk management measures (decision authorities, contracting discipline, etc.), which are applied to all parts of VolkerWessels' business. See description of risk management on page 48–52. VolkerWessels adopts a tailored process to contracting depending on the size and complexity of the project and has an extensive tender procedure to ensure proper decisions are taken on selecting projects and risk management. Projects that are awarded through a tender procedure and which have a total value of over €10 million or which involve increased risk projects are subject to a tender approval ("TIS") procedure. For each such project a standardised information and risk assessment form is completed, which describes the details of the project, tender costs, design features, contract price and other terms. If the relevant management team decides to proceed with the tender, additional details are recorded in the forms, which provides an in-depth risk/reward analysis including an analysis of the competition and terms relating to guarantees, insurance, financing and taxation. The project tender then enters the VolkerWessels authorisation approval process. VolkerWessels' senior management is involved from the start to the end of the process. This is to ensure that the tender process, project planning and execution of the project are done under senior responsibility. Before the acceptance of a project, the risks are assessed in both quantitative and qualitative terms. Clear project specifications, properly recorded agreements, (technical) project reviews and complete cost budgets, as well as legal assessment of contracts, contribute towards a reduction in contract risks. In the tendering phase, specialised contract managers are added to the tender team. Specialised lawyers are also involved in the tendering phase. In 2017 VolkerWessels initiated a wide ranging contract management training initiative. In our Infrastructure segment in the Netherlands we have introduced our "top in projects" program. As part of this program we have introduced formal gate reviews with a mandatory assessment of risks at each review gate. Reviews are conducted to ensure lessons learnt to manage contracting risks.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Failure to properly manage projects or project delays may result in additional costs or claims and adversely affect profits and cash flows. **Owner: Group Management** Most of VolkerWessels' contracts are subject to specific completion schedule requirements with penalties charged or deductions applied in the event the required schedules are not met. In addition, errors in designs and/or calculations and failure to hedge all risks contractually can have a negative impact on the execution phase of a project.	Failure to meet any such schedule requirements could result in the occurrence of significant contractual penalties or damage to VolkerWessels' reputation and client base. Additionally, clients may require extra work or may change the original scope of work. This process may result in disputes as to whether the work performed is beyond the scope of the work included in the original project plans and specifications or as to the price to be paid for such work. VolkerWessels may be required to fund the cost of such additional work for a period of time until the change order is approved and funded by the client, impacting VolkerWessels' working capital. The profitability of a project may be adversely impacted if VolkerWessels is not able to receive payment for additional work or compensation for actions by third parties.	Bids above €10 million must be approved by the Management Board in writing in advance. With very large projects, the Supervisory Board is also involved in the decision-making. Validation of the project price calculation and the risk inventory are significant parts of decision-making process in project acquisition. VolkerWessels operating model involves a number of project management measures, such as monthly project monitoring, risk and opportunities assessments and quality control. In large projects, specialised contract managers are added to the project team to monitor all relevant contract terms. The project team focuses in particular on quality, timely delivery, cost efficiency and reduction of failure costs. VolkerWessels has an increased focus on reporting risks and scope on projects, including the accuracy of cost and cash forecasting. In our Infrastructure segment in the Netherlands we have introduced our "top in projects" program in 2017. Elements of this program include continuous improvement of: ▪ uniform project approach; ▪ dedicated risk management; ▪ project control; ▪ integrated design and build; ▪ gate reviews.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Exposure to significant counterparty credit risk, which may result in additional liabilities **Owner: Group Management and the finance function** VolkerWessels has signed contracts with a large number of parties in its business, including clients, suppliers, subcontractors and joint venture partners.	VolkerWessels is exposed to the risk of default by, or the insolvency of, such counterparties, which may result in significant liability for VolkerWessels. For example, as a result of the insolvency of its consortium partner Royal Imtech NV in 2015, VolkerWessels was required to increase its contractual commitments to the construction consortium for the construction and development of the North-South subway line in Amsterdam, as a result of which it may face project losses or lower profits from that project than the expected profits it had originally projected and reflected in its order book.	VolkerWessels seeks to have a standardised process through its central risk management approach, which aims to cover the preparation phases for selection of key partners, subcontractors and suppliers in the supply chain as well as the tender process and contract management. With an increased risk, the consortium partner will be required to provide additional surety, for example in the form of a bank guarantee. The Legal and Tax Departments are closely involved in the design and assessment of partnership arrangements in the tender phase. VolkerWessels maintains long term strategic collaborations with qualified subcontractors, which enables it to maintain subcontractor capacity when needed at reasonable prices. Additionally, VolkerWessels' ownership of its own production and supply resources helps to mitigate certain subcontractor related risks, including providing capacity during times of shortages, as well as assisting VolkerWessels with identifying subcontractor market prices.
Fluctuations in commodity prices and inflation **Owner: Group Management** The market price and availability of commodities which VolkerWessels utilises for its operations, such as lumber, steel, cement, bitumen and stone, can fluctuate. Commodity price fluctuations may adversely affect the economies or industries in which VolkerWessels' clients operate which may in turn reduce demand for VolkerWessels' services. Coming out of a low inflation environment, assessment of the impact of inflation and assumptions behind inflation are an increasingly important part of the quality of our bids.	If VolkerWessels is not able to effectively hedge or pass on to its clients the effects of the volatility of commodity prices, its project costs and profit margins may be adversely affected. A sustained decline in commodity price levels, which has an impact on industries in which VolkerWessels' clients operate, such as the oil and gas industry, may therefore have a negative impact on VolkerWessels' business. If any of the assumptions behind inflation contracted compensation schemes or otherwise failure to estimate accurately the impact of inflation could cause financial losses.	Our policy is to hedge this risk as far as possible, partly by (i) agreeing fixed prices with suppliers, (ii) contracting commodity hedges and (iii) agreeing with clients in advance, in the tender, that price fluctuations can be charged on. All bids are subject to estimating and tendering processes. In 2017 addition emphasize was on assumptions behind commodity prices and inflation.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Construction and maintenance sites are inherently dangerous workplaces **Owner: Group Management and the safety platform** Major incidents in relation to our projects can lead to significant financial liabilities and reputational harm as well as civil and criminal liabilities.	Serious incidents, including fatalities as well as unsafe conditions such as asbestos exposure, may subject VolkerWessels to substantial claims, including claims for bodily injury or loss of life, damages, liabilities, costs, penalties, civil litigation or criminal prosecution. In addition, if VolkerWessels' safety records were to substantially deteriorate over time or if it were to suffer substantial penalties or criminal prosecution for violation of health and safety regulations, VolkerWessels' clients could cancel contracts, VolkerWessels' ability to generate new contracts could suffer and VolkerWessels' reputation may be adversely affected, any of which may have a significant negative impact on VolkerWessels' business, results of operations, financial condition and prospects.	VolkerWessels has invested, and will continue to invest, substantial resources in its health and safety programmes, such as the Be Alert, Safety First (WAVE in Dutch) programme. With its health and safety programmes in place, VolkerWessels aims for zero cases of physical injury. VolkerWessels maintains insurance policies to cover these sorts of events. In 2017 several VolkerWessels companies working on Infrastructure, Energy and Telecoms have reached at least the qualification 3 of a scale of 1 to 5 of the Safety Culture Ladder.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Information technology failures and data security breaches could harm VolkerWessels' business **Owner: Group Management** ↗ A material breach in the security of VolkerWessels' information technology systems or other data security controls could include the theft or release of client, employee or company data. A data security breach, a significant and extended disruption in the functioning of VolkerWessels' information technology systems or a breach of any of its data security controls could disrupt its business operations, damage its reputation and cause it to lose clients, adversely impact its revenue, result in it being subject to regulatory penalties or require it to incur significant expense to address and remediate or otherwise resolve these kinds of issues.	The leakage of confidential information caused by a security breach could also lead to reputational harm or litigation or other proceedings against VolkerWessels by affected individuals or business partners, or by regulators, and may result in penalties or fines. In addition, information technology failures potentially reduce competitive advantage or disrupt business operations.	VolkerWessels uses measures concerning the security, management, availability and continuity of the information. This forms the basis for the design of the management measures for the various ICT systems. In 2017 VolkerWessels has updated its information security policy. A total of over 200 measures have been identified to improve information technology and data security. The measures are categorised in three priority levels. Priority 1 measures are being implemented with the highest urgency within the Group. Priority 2 and 3 measures will be implemented in the first half of 2018. In 2017 our employees have been trained in information security obligations. The progress of our companies regarding the implementation of the policy is reported on a frequent basis and audited internally.

Financial risks

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
The uncommitted nature of bank guarantee and surety facilities or a lack of availability of such facilities may impact VolkerWessels' business. **Owner: Management Board** In the construction industry, it is market practice to use bank guarantee and surety facilities with respect to contract performance. It is therefore of importance to VolkerWessels to have sufficient guarantee and surety facilities available. With the exception of VolkerWessels' €150 million committed guarantee facility, these facilities are agreed on a bilateral basis with a bank or surety company and can be terminated unilaterally at any time. Changes in market conditions may adversely affect VolkerWessels' ability to continue to benefit from current bank guarantee and surety facilities or to enter into new facilities required to obtain additional work, which may in turn have a negative impact on VolkerWessels' business, results of operations, financial condition and prospects.	Termination could result in non-availability of sufficient guarantee and surety facilities, which could adversely impact VolkerWessels' ability to acquire new projects or result in significant collateral obligations for outstanding guarantees or sureties.	VolkerWessels' financial policy is aimed at maintaining the group's credit profile and, where possible, improving this, so that we retain access to the banking/financial markets on terms acceptable to the group. VolkerWessels has a €150 million committed guarantee facility that is largely unused. VolkerWessels' uncommitted guarantee facilities in the Netherlands operate under a common terms agreement with harmonized conditions for each guarantee provider. This agreement restricts the cash collateralisation and other consequences in case guarantee providers accelerate or cancel their facilities. Bank guarantees are requested under the guarantee facilities via a central guarantee specialist, subject to strict procedures. As a result of this strict policy, claims under guarantees issued have been minimal. We also limit the risk for the group through a layered structure, in which liability by means of joint and several liabilities undertaking and the issue of group guarantees at the VolkerWessels level is not automatic.

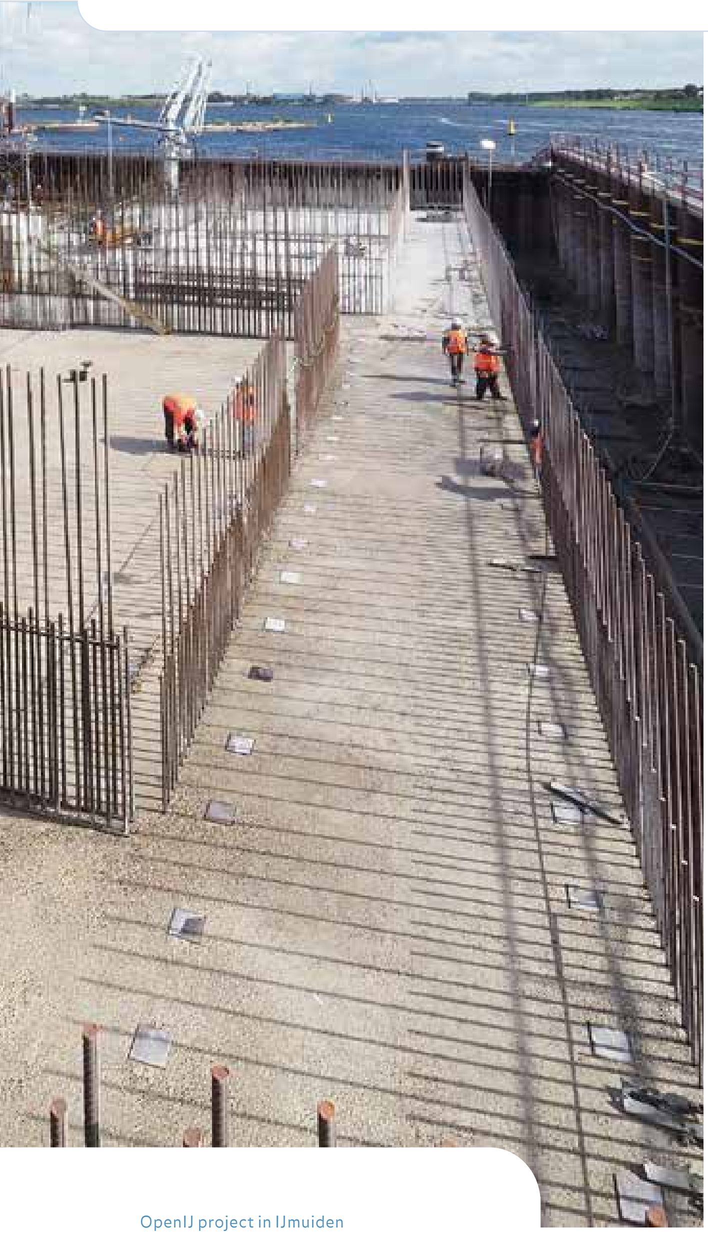
RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
The complex nature of the construction business exposes VolkerWessels to litigation risk **Owner: Management Board** The complex nature of the construction business and the corresponding contracts and contractual structures, expose VolkerWessels to potentially significant litigation including claims related to regulatory violations, breach of contract, contractual disputes, health and safety-related issues and for construction defects. Insurance, if any, may be insufficient to cover the particular claim or loss. VolkerWessels can also be exposed to claims if it agreed that a project would achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met, whether as a result of VolkerWessels' actions or of third parties, including subcontractors or suppliers. In VolkerWessels' contracts with clients, subcontractors and suppliers, it may agree to retain or assume potential liabilities for damages, penalties, deductions, losses, and other exposures relating to projects, such as issuing performance guarantees, that could result in claims that exceed the anticipated profits relating to those contracts.	While clients, subcontractors and suppliers may agree to indemnify VolkerWessels against certain liabilities, such third parties may refuse or be unable to satisfy their obligations under such indemnities or may invoke caps in respect of their maximum liability under such indemnity. Such claims may harm VolkerWessels' reputation, even if VolkerWessels is successful on a claim, or result in substantial financial liabilities, which may have a negative impact on VolkerWessels' business, results of operations, financial condition and prospects. In addition, the balance between identified risks and the risks to be insured is not correct and/or complete, which means that in the event of a claim, the damage cannot be recovered fully from the insurance company.	Our policy provides for insurance of the risks that we are not willing or able to bear ourselves. Each year, the insurance programme is assessed in terms of amended laws and regulations, insured amounts and new risks, and is adjusted (in the interim) where necessary. Annual assessments of the solvency position of the insurance companies working with VolkerWessels are also conducted. The principle is the reinforcement and expansion of long-term relationships with well-known insurance companies.

RISK	POTENTIAL CONSEQUENCE / IMPACT	RISK LIMITATION MEASURES
Failure to comply with the covenants and conditions under VolkerWessels' debt and credit agreements **Owner: Management Board** VolkerWessels' debt and credit agreements and its committed and uncommitted facilities impose certain restrictions on its operations and require compliance with certain covenants, notably leverage and interest cover ratios.	Failure to comply with those covenants may lead to VolkerWessels defaulting on its obligations and cross default on its committed and uncommitted facilities, restrict the availability of credit to VolkerWessels or result in the acceleration of VolkerWessels' obligations to repay its debt facilities, which may require raising additional capital or borrowings.	The Group operates with a centralised treasury function that is responsible for managing key financial risks, cash management and the availability of liquidity and credit capacity. Procedures are in place to check continuously whether we comply with the covenant conditions that are in place. As at 31 December 2017, VolkerWessels was in ample compliance with the Leverage and Interest Cover covenants.

Increased risk

Risk is unchanged

Decreased risk



OpenIJ project in IJmuiden

What still went wrong in 2017

Although VolkerWessels strives to improve its performance in all areas of its operations, sometimes things can still go wrong. This section summarizes the most important incidents in 2017 in relation to our core values and our financial performance.

Safety
The IF-rate in 2017 was 5.3 and has decreased slightly compared to 2016. Within VolkerWessels we regard every accident as one too many.

Integrity
In 2017 there were 32 reported suspicions of a breach of integrity or wrongdoing. 12 of these have led to 13 dismissals. The number of reports made is slightly lower than last year (39) but we regard every breach of integrity as one too many.

Sustainability
In 2017 we see a slight increase in emissions of two percent compared to 2016. The slight increase is mainly caused by an increase in fuel consumption in selected projects. VolkerWessels aims to conduct its business causing the least possible harm to the environment.

Financial performance
On 6 December 2017 VolkerWessels reported a substantial provision regarding the OpenIJ construction project in IJmuiden. The provision mainly relates to the redesign of the two caissons (the construction holding the lock doors) to prevent torsion and cracking during immersion. The new design specified reinforced caissons and heavy temporary structures. Recent implementation works revealed significantly higher costs for specialist materials and equipment and personnel over the prolonged construction period.

Although 95% of our revenues are realized in projects with a project size below €150 million, construction contracts have increased significantly in size and complexity over the past decade. Especially the transition from tender to preliminary design to design execution and project execution is causing difficulties in multiple large projects. Reducing our failure costs in general and in relation to design issues more specific, continues to be a top priority of the Management Board.

In control statement

With due consideration of the aforementioned scope for improvement and restrictions, the Management Board is of the opinion that:

- the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting does not contain any errors of material importance; and
- the risk management and control systems worked properly during the year under review.
- based on the current state of affairs, the Management Board states that it is justified that the financial reporting is prepared on a going concern basis and those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report have been included in the Management Board Report.

With reference to the EU Transparency Directive and the Act on Financial Supervision, the Management Board of VolkerWessels, hereby declares that, to the best of its knowledge:

- the financial statement for the financial year ended 31 December 2017 provides a true and fair view of the assets, liabilities, financial position and results of VolkerWessels and the companies included in the consolidation as a whole;
- the Management Board Report provides a true and fair overview of the development and business during the financial year 2017 and the position of VolkerWessels at the balance sheet date, together with a description of the principal risks associated with VolkerWessels.

Amersfoort, 14 March 2018

Management Board
Jan de Ruiter, Chairman
Jan van Rooijen, Chief Financial Officer
Alfred Vos, Chief Operating Officer
Dick Boers, Construction & Real Estate Development Netherlands
Henri van der Kamp, Infrastructure Netherlands

Corporate Governance

The revised Dutch Corporate Governance Code (the "Code") was published on 8 December 2016 and laid down in Dutch law on 7 September 2017. The revised Code emphasizes long-term value creation and introduces "culture" as a component of effective corporate governance. The Code operates according to the principle of "comply or explain", which means that listed companies must apply the principles and best practice provisions laid down in the Code or, if applicable, explain why not. In 2018 Dutch listed companies are required to report on compliance with the Code in the 2017 financial year.

On 12 May 2017, the date of the IPO of VolkerWessels, the corporate documentation including the Articles of Association and corporate by-laws, policies, rules and regulations were – to the extent required – updated to comply with the general legal requirements for listed companies as well as with the revised Code.
The corporate governance documents pertaining to VolkerWessels can be found on the website (in the Corporate Governance section). These governance documents are subject to discussion between the Management Board and the Supervisory Board and are updated if and when necessary. VolkerWessels endorses the principles and best practice provisions of the Code and complies with the Code. However, VolkerWessels deviates from the following best practice provisions of the Code.

- 2.1.7 – Independence of the Supervisory Board: best practice provision 2.1.7 of the Code prescribes that, among other things, in order to safeguard the independence of the Supervisory Board, more than half of the Supervisory Directors shall be independent as set out in best practice provision 2.1.8 of the Code. In the Relationship Agreement between the company and Reggeborgh Holding it has been agreed that for as long as Reggeborgh holds, directly or indirectly, at least 50% of the shares in VolkerWessels, it shall have the right to nominate three Supervisory Directors, and that the nominees do not need to be "independent" within the meaning of the Code. Messrs. Holterman, Kuipers and Wessels were dependent members of the Supervisory Board in 2017. Furthermore, under the Relationship Agreement, Reggeborgh has the right to designate (i) two Supervisory Directors if it holds, directly or indirectly, less than 50% but 20% or more of the shares or (ii) one Supervisory Director if it holds, directly or indirectly, less than 20% but 10% or more of the shares. Reggeborgh does not have any designation rights if it holds, directly or indirectly, less than 10% of the shares.
- 2.2.1 – Appointment and reappointment periods – Management Board members: VolkerWessels is not in compliance with best practice provision 2.2.1 that stipulates that all Managing Directors are appointed and reappointed for specified periods. Most of the current members of the Management Board have been appointed for an indefinite period of time. Mr. De Ruiter has been appointed for a period of four years ending after the annual General Meeting of Shareholders in 2021. Future members of the Management Board will be appointed for a maximum period of four years.

Corporate Governance Statement
In accordance with the Decree on additional requirements for annual reports of 29 August 2017 (Besluit inhoud bestuursverslag), the corporate governance statement forms part of this management report.

Internal codes and policies
In addition to compliance with the Code (as set out in the section above), VolkerWessels also applies a wide range of internal (corporate) governance codes and policies, including the code of conduct, whistleblower policy, policy on bilateral contacts with shareholders, related party transactions policy (these four policies are published on the website in the Corporate Governance section), remuneration policy, diversity policy, internal powers schedule and insider trading policy. All internal codes and policies have been drafted and are updated to meet all applicable legislation. They will continue to be discussed if and when required by the Supervisory Board and Management Board.

Diversity
The Supervisory Board is responsible for maintaining sufficient diversity in the Management Board and Supervisory Board. In this respect diversity in educational background and professional experience is considered a prerequisite for the effective management and oversight on VolkerWessels. The Supervisory Board also subscribes to the importance of gender and ethnic diversity. Each year a self-assessment is performed to, among others, evaluate the effectiveness of the composition of the Boards.

The current Supervisory and Management Board are considered well balanced in terms of professional expertise and educational background. In this respect the ambition is a blend of industry knowledge and financial and executive expertise.

The statutory prescribed target for a balanced board composition is a minimum of 30% male and female representatives. This target is currently (31 December 2017) not met by VolkerWessels nor is it likely this will be the case in the upcoming four years given the anticipated number of new appointments. When appointing Mr. De Ruiter to the Management Board on 1 March 2017 and the appointment of the members of the Supervisory Board on 12 May 2017, no female candidates were identified who were equally suitable for the role. It is, however, the ambition of the Supervisory Board to ensure that the composition of the Management and Supervisory Board provides for a fair representation of the overall workforce of VolkerWessels by 2022.

The Supervisory Board commits itself to ensure diversity in education, professional background, nationality, age and gender when selecting new candidates for the Management Board and the Supervisory Board. In addition, the Supervisory Board seeks to maintain a balance in the experience and affinity with the nature and culture of the business of VolkerWessels. In this respect the Supervisory Board closely monitors the number of female talent in the organisation for succession planning purposes. In case of open positions, the Supervisory Board prepares a profile based on the required educational and professional background and in the search will actively seek for female candidates and candidates with a different nationality. Where required a professional executive search firm is engaged to support the search process. In case of evenly suitable candidates, these candidates will have the preference.

General Meetings of Shareholders
The functioning of General Meeting of Shareholders and the main powers and rights of shareholders individually, including how these may be exercised, are recorded in the relevant parts of the Dutch Civil Code in combination with the Articles of Association of VolkerWessels and Dutch law.

Management Board and Supervisory Board
VolkerWessels applies a two-tier board model, whereby management and supervision are separated and kept in balance. The members of the Management Board are appointed and dismissed by the Supervisory Board. In the event of an appointment of a Managing Director, the Supervisory Board shall inform the General Meeting of Shareholders in advance of the proposed appointment. In the event of a contemplated suspension or dismissal, the Supervisory Board shall first consult with the General Meeting of Shareholders. In general, members of the Supervisory Board are appointed by the General Meeting of Shareholders at the recommendation of the Supervisory Board, with the Works Council having the right to nominate one-third of the members of the Supervisory Board. Members of the Supervisory Board may be suspended by the Supervisory Board, after which VolkerWessels must submit a request for dismissal within one month of the commencement of the suspension. The General Meeting of Shareholders can file a motion for dismissal of a Supervisory Director with the Enterprise Chamber of the District Court (Ondernemingskamer) for dereliction of duty or other serious reasons or on account of a far-reaching change of circumstances as a result of which VolkerWessels cannot reasonably be expected to allow the person to remain in office as a member of the Supervisory Board. We refer to a more detailed description in the Articles of Association and the Management Board Rules and Supervisory Board Rules (published on the website). These include a description of the procedures governing the appointment and dismissal of both the Management Board and Supervisory Board members, as well as the functioning of both corporate organs.

The composition of the Management Board and the Supervisory Board can be found on page 17 and page 11. A general description of the tasks and composition of the Audit Committee, Remuneration Committee and Selection and Appointment Committee is included in the Supervisory Board report and a more detailed overview of the functioning of the committees can be found on the company's website where the applicable committee rules are published as well as the Management Board and Supervisory Board rules. As a consequence of the date of the IPO on 12 May 2017 and the year planning of all activities and responsibilities of the Supervisory Board and its committees some of their activities have not yet been performed in the remaining half year of 2017, but will be or already have been performed in the first half of 2018. Amongst other things this concerns the annual evaluation of the functioning of the Management Board and the individual board members as well as the functioning of the Supervisory Board, its members and committees. All required procedures are in place to ensure strict compliance with the functioning of the Management Board and the Supervisory Board and its committees in line with the principles of the Code during the course of 2018.

The General Meeting of Shareholders may pass a resolution to amend the Articles of Association (or to dissolve the company), with an absolute majority of the votes cast, but only on a proposal by the Management Board that has been approved by the Supervisory Board.

In general, decisions to issue shares shall be taken by the General Meeting of Shareholders or the Management Board (subject to the Supervisory Board's approval) if the General Meeting of Share-holders authorises the Management Board to do so. By resolution of 24 April 2017, the General Meeting of Shareholders authorised the Management Board for a period of 18 months as from 16 May 2017 (the settlement date of the IPO), subject to the approval of the Supervisory Board, to issue ordinary shares, to grant rights to subscribe for ordinary shares and to restrict or exclude pre-emptive rights of existing shareholders, up to a maximum of 10% of the issued capital of the company as of the settlement date. For further details regarding the issuance or repurchase of shares by the company as well as the reduction of capital, please refer to the Articles of Association.

By resolution of 24 April 2017, the General Meeting of Shareholders authorised the Management Board to implement an anti-takeover measure within five years after the IPO consisting of the possibility of the issuance of preference shares to an outside foundation, in conformity with Dutch law and practice. The possibility of issuing preference shares is an anti-takeover

Piling gate at Dover Western Dock Revival A

measure, as it affords the foundation the power to prevent or bring about resolutions of the General Meeting of Shareholders. To this end, after its incorporation, the foundation will be granted a call option by VolkerWessels. The foundation may exercise the call option subject to Reggeborgh Holding, directly or indirectly, holding less than 20% of the issued ordinary shares. On each exercise of the call option, the foundation is entitled to subscribe for up to a maximum corresponding with 100% of the issued ordinary shares outstanding immediately prior to the exercise of the call option, less one ordinary share. The foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. The call option yet to be granted can be exercised by the foundation in order to but, inter alia, not limited to: (i) prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of shares by means of an acquisition at the stock market or otherwise; and/or (ii) prevent and countervail concentration of voting rights in the General Meeting of Shareholders; and/or (iii) resist unwanted influence by and pressure from shareholders to amend the strategy of the Management Board. If the foundation exercises the call option, VolkerWessels must issue the corresponding number of preference shares to the foundation. If preference shares are issued to the foundation, the Management Board must convene a General Meeting of Shareholders within 22 months after the date on which the preference shares have been issued for the first time, or within 60 days after the foundation has submitted a proposal to the General Meeting of Shareholders for the repurchase or cancellation of all preference shares held by the foundation. The foundation will perform its role, and take all actions required, at its sole discretion. The foundation shall exercise the voting rights attached to the Preference Shares issued to the foundation, independently, in accordance with its objects according to its articles of association. The foundation is to be managed by a board. All members of the board will be independent from VolkerWessels. The foundation will thus meet the independence requirement set out in Section 5:71(1)(c) of the Dutch Financial Supervision Act. At the date of publication of this annual report 2017 the foundation was not yet incorporated.

Related party transactions

Note 37 to the financial statements forming part of this annual report 2017 provides for a specified overview of all related party transactions, including those with Reggeborgh entities. Annex II of the Management Board Rules of VolkerWessels (available on our website, section corporate governance) provides for the Related Party Transactions Policy. This policy explicitly includes a procedure regarding transactions with Reggeborgh related parties requiring Supervisory Board approval, which procedure has been duly observed in 2017. Best practice provision 2.7.5 of the Code has been and will be complied with in this respect.

Takeover Directive

All information which must be disclosed in accordance with the Article 10 Takeover Directive Decree (Besluit artikel 10 overnamerichtlijn) of 5 April 2006 is included in this report insofar as applicable.

Segment reports

ASSCHERKWARTIER

Luxury apartment block in Amsterdam

In the Amsterdam district of De Pijp VolkerWessels Vastgoed is developing the Asscherkwartier neighbourhood. The project takes its name from the former Asscher diamond factory that used to occupy this site. The factory building is being transformed into a high-end apartment block. The historic town hall of the former municipality of Nieuwer-Amstel will be turned into a five-star hotel. The location is directly adjacent to the Amsteldijk and is bordered by Rustenburger-straat and Tolstraat. The Dora square lies at the heart of the site.

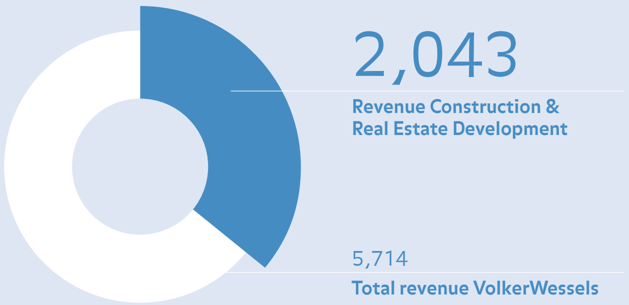
Asscherkwartier is a complex inner-city development in the heart of Amsterdam. The combination of various functions, in close proximity and aimed at different parties and end-users, requires a high degree of coordination. The process was successfully managed in collaboration with city authorities and the initial phase of the Asscherkwartier project is now nearing completion. The objective is to create a dynamic part of the city that will soon be attracting families, young professionals, students, theatregoers and hotel guests alike.

Operating companies and associates involved:
VolkerWessels Vastgoed, Kondor Wessels Amsterdam together with Wessels Zeist

VolkerWessels operates in residential, non-residential and industrial construction, property and urban development, and technical installations and industrial construction supply. From development, construction and delivering to management, maintenance, financing and operation. Driven by sustainable innovation and a multidisciplinary approach, the integrated projects of VolkerWessels Construction & Real Estate Development span the entire value chain.

Revenue of our Netherlands – Construction & Real Estate Development segment (C&RED) increased by 5.0%, or €97 million, to €2,043 million in 2017, mainly as a result of improved market conditions especially in real estate development. Real estate development delivered a solid performance in 2017 despite the fact that the preparation costs of real estate development increased year on year by €7 million compared to 2016. These initial costs are charged against EBITDA and are expected to be recouped during the delivery phase. In the south of the Netherlands C&RED incurred a restructuring charge of €4 million in order to build a leaner and more efficient organisation. The number of new homes sold increased to 3,083 from 2,448 in the same period in 2016, an increase of 26%. EBITDA increased by €14 million to €93 million*, up 17.7%, with the EBITDA margin improving by 50 basis points to 4.6%.

REVENUE 2017
Amounts in millions of euros



Revenue 2017
2,043
2016: 1,946

EBITDA 2017
93*
2016: 79

EBITDA margin 2017 (in %)
4.6%
2016: 4.1%

Order book 2017 (per end of period)
2,831
2016: 2,737

Average number of employees 2017
3,716
2016: 3,627

* EBITDA excluding €13 million third party result.

Market developments in 2017
The residential construction market is growing rapidly, driven by low interest rates and the economic upturn which is boosting consumer confidence. This market is growing in volume with prices increasing rapidly. Interest from private buyers and professional investors in properties is on the rise. Although the growth in the Randstad conurbation is still the strongest, we also see growth outside of Randstad. The housing market is particularly strong in Amsterdam and Utrecht.
The non-residential market (mainly offices) is especially concentrated on A locations near public transportation hubs, with Amsterdam still the most popular city for office development.

"The residential market is growing rapidly, driven by low interest rates"

We also expect an increase in the renovation and maintenance market. Houses owned by housing corporations need to be renovated or restyled sooner or later to comply with new regulations aimed at energy neutrality and for buildings to be off gas in 2050.

In addition opportunities such as transition projects – both in office and residential – for example in the Amsterdam-Zuidoost area – are rising. The shortage of square meters for office space arising in Amsterdam's Zuidas business district is creating a market for the transition of buildings and sustainable conversions. VolkerWessels is closely monitoring movements in this market. Because of the local presence of our almost 40 companies we recognise opportunities for area and real estate development and we act quickly and have the means to invest. At the same time, we value margin above volume and we have strict selection criteria and act efficiently with our working capital.

Facing rising costs in the supply chain, our construction companies are increasing their focus on contract management, cost control and productivity. Rising prices in the real estate market have a positive effect on our real estate development companies as well as our companies in the supply chain, proving the benefit of our integrated and multidisciplinary business model. Going forward we expect supply prices to stabilise in these new market circumstances.

The required growth of housing construction is still hampered for a number of reasons: limited locations, difficulty obtaining planning permission because of capacity issues at municipality level, and shortages of supplies and equipment. Equipment shortages also result in reduced flexibility in timing.

2017 Highlights
Our focus on increasing efficiency and productivity is unabated. In May our second production line for MorgenWonen prefab single-family homes became operational, boosting output to 450 of this type of homes on an annual basis. At the same time, we expanded the range by adding a slightly smaller home catering to social housing corporations and a model aimed at the elderly. At the end of 2017 we had produced a total of around 900 prefab houses. Furthermore, we increased the use of our Building Smarter Together programme (Samen Slimmer Bouwen), created a building hub concept and continued to roll out Digital Construction (BIM).

Approximately 70% of the C&RED projects are delivered using BIM. To enhance the use of BIM and drive the necessary digital transformation on a large scale VolkerWessels set up DigiBase, a professional digital services company from within the company's network located centrally in the Netherlands.

VolkerWessels was involved in many eye-catching projects in 2017. In Amsterdam VolkerWessels continued to work on the Amstelkwartier 4G apartment block, the VU Amsterdam university, the new ING headquarters building, the North-South metro line and the ongoing development of the NDSM wharf.
In Eindhoven VolkerWessels started construction of the Brainport Industry Campus, a modern campus for high tech companies. VolkerWessels has also been intensively involved in development projects including urban redevelopment projects such as the Strijp-S cultural and creative centre in Eindhoven. The Westland town hall was officially opened in September 2017. Other important additions to our order book were The Valley residential building in Amsterdam, E-Shelter in Schiphol Rijk, the Wilhelminawerf in Utrecht, Belvedere in Den Bosch, Westfields in Oirschot and the NATO building complex in The Hague.

Strategy
The trend in the construction sector is towards sustainability and industrialisation. Sustainable construction is the standard and BREEAM "Excellent" is currently the minimum level requested by our clients. We believe and constantly invest in sustainable innovations – innovations which reinforce and further improve our business.

HIGHLIGHTED

Holiday resort in Exloo

VolkerWessels is developing and building 180 high-end recreational villas at the Puur Exloo family resort. The luxurious villas are part of a larger plan launched by Green Real Estate to expand the resort. The expansion will include a new restaurant, luxury wellness facilities and an indoor swimming pool. Additional hotel rooms will also be constructed in the future.

Puur Exloo is being developed by a VolkerWessels company specialised in the development of exclusive recreational real estate. It will start selling the luxurious villas soon.

VolkerWessels aims to use this combination of high-end holiday homes, hotel services and facilities to respond to growing demand for luxurious family accommodation in the Netherlands while further expanding the group's real estate portfolio in the high-end recreational segment.

VolkerWessels is focusing on the upper segment of the market with Puur Exloo. A main focus of the development involves cooperating with Fletcher Hotel de Hunzebergen, owned by Green Real Estate.

Operating companies and associates involved:
Koenen Bouw and Kontour Vastgoed

Westland City Hall, opened in September 2017

But VolkerWessels offers much more. From zero-energy (newbuild) concepts to all electrical houses. From smart sustainable installations to the use of bio-based materials. Whatever the sustainable wishes of the client may be, VolkerWessels has created its own range of concepts which allow us to cater to demand across the entire market. After all, it is ultimately about what our clients and end-users demand. Thanks to its extensive experience in creating circular buildings, VolkerWessels has been asked to help operationalise the term "circularity" within the context of a registered material passport (the "Madaster material passport"). Market-led initiatives like this will help clients and the Netherlands become more sustainable. This is a perfect fit with VolkerWessels' vision focused on circularity and quality of life. As an innovative building contractor we stand for the construction of sustainable, safe living dwellings and working environments that improve quality of life. With ZuiverWonen, for example, we are responding to the sharp growth in demand for healthy housing, while a pilot involving lifecycle-proof (ground floor) homes meets specific demand from people who want to stay in their own homes while aging. These are great examples of how the emphasis is shifting from a building's functionality to what it is really all about: quality of life for the user.

We work incessantly to reduce our failure costs and increase our profitability. We also devote permanent attention to improving and optimising our processes. We expect all our employees to focus on operational excellence at all times. We aim for operational excellence in all our processes, as evidenced our Samen Slimmer Bouwen group programme. New and carefully considered logistical processes are also part of operational excellence. The Bouwhub concept developed by our equipment service company streamlines the transportation of construction equipment, materials and staff to, from and at the building site. The concept improves safety and sustainability by reducing the number of traffic movements, which is certainly an asset on projects in city centres. Moreover, streamlined logistics boosts labour productivity because colleagues and subcontractors are able to concentrate fully on their own work. This is a welcome development given the tightening of the job market.

> "We work incessantly to reduce our failure costs"

The increasing shortage of skilled workers in the sector underlines the need not only for industrialisation but also for ongoing investment in expert knowledge and attracting and retaining the best employees. At VolkerWessels colleagues are given the opportunity to develop professionally at a creditworthy company with a sound reputation in which responsibilities and entrepreneurship are embedded at all levels of the organisation. Ultimately it is the combination of expert knowledge, craftsmanship, technology and (sustainable) innovation that enables us at VolkerWessels to make a difference and further enhance the quality of the built environment and the quality of life it provides.

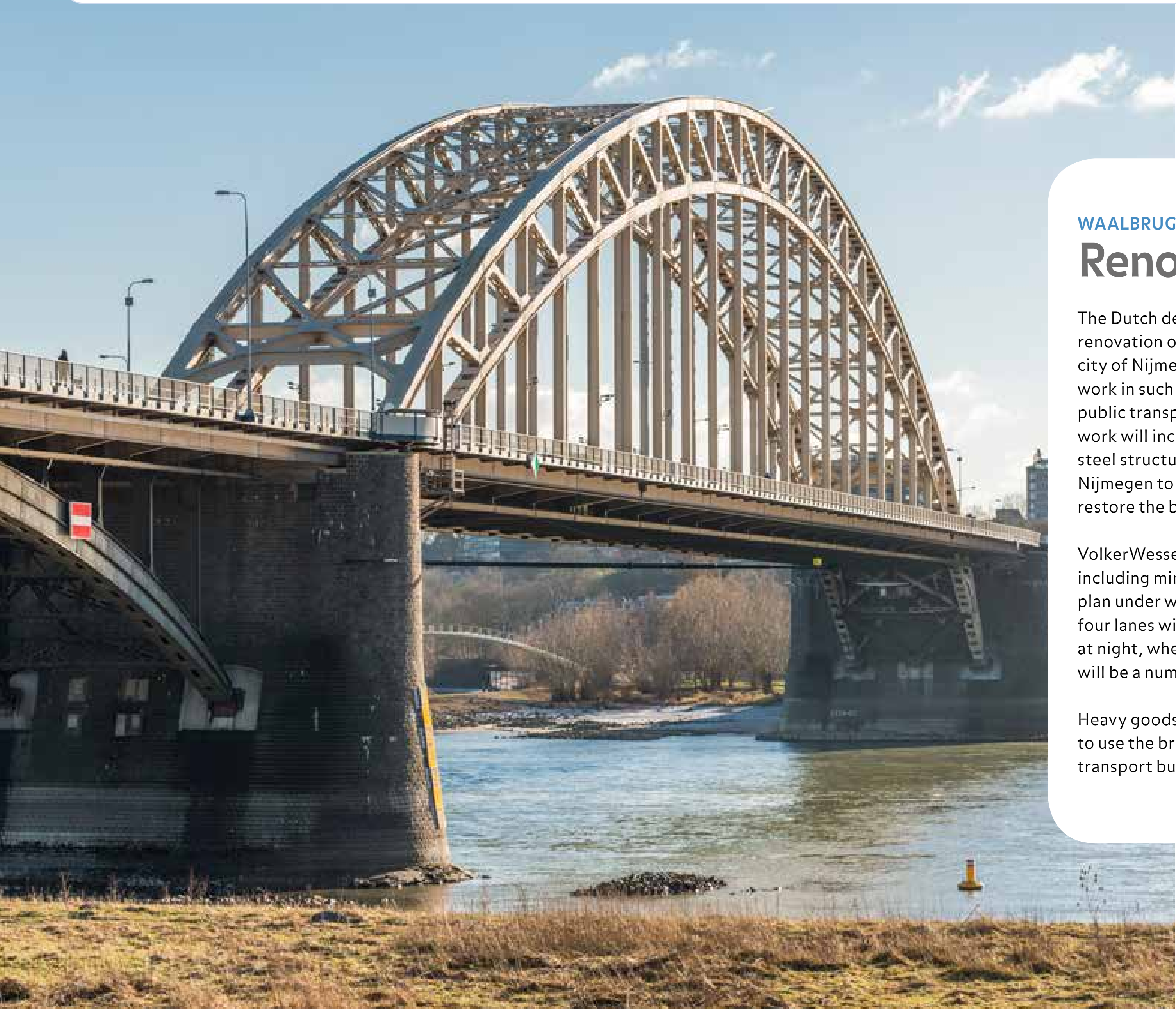
CIRCULAR VIADUCT

"Waste is a principal error in our design process. Waste exists solely because we humans invent it." These are the words of Esther van Eijk, senior specialist of Sustainability & Circular Economy at Van Hattum & Blankenvoort.

"It is my ambition to contribute to a full circular economy. To achieve this, we have to start using circular design and built construction based on this principle. We are convinced that we can change the design in such a way that it does not require demolishing an object before recycling it. It should be possible to reuse complete or partially objects and reassemble on a different object elsewhere. Or simply give back to nature "as food", when natural parts like timber are at the end of their technical life cycle. We are able to design for reuse without waste. Following our circular design principals, construction materials will keep their value. Approach the existing and new infrastructure as a new source of commodity (urban mining) instead of using the classical sources (mining). Reuse it all and waste shall disappear.

The Netherlands is ready to build the first circular viaduct in 2018. Prototype one will be built of individual modulair building blocks. The blocks are fully reusable for multiple lifecycles due to the seventh-generation-principle. The Circular Viaduct is an innovation devised by Van Hattum and Blankevoort together with a consortium consisting of the Dutch Department of Waterways and Public Works (Rijkswaterstaat), Spanbeton/VBI, SGS Intron, SBRCURnet and VolkerInfra."

The Netherlands – Infrastructure



WAALBRUG

Renovation of Waalbrug

The Dutch department of public works awarded the contract for the renovation of the Waalbrug – the bridge over the River Waal in the Dutch city of Nijmegen – to VolkerWessels. We will undertake the renovation work in such a way that the four existing lanes stay open to cars and public transport buses as much as possible. The planned renovation work will include replacing the concrete road surface and painting the steel structure. In addition we have been commissioned by the City of Nijmegen to convert the bus lane into a two-way cycle path and to restore the bridge's original design.

VolkerWessels scored the best on the various selection criteria, including minimising disruption. In order to achieve this we designed a plan under which not the minimum requirement of two but the current four lanes will remain largely open to normal traffic. In the evenings and at night, when there is less traffic, only two lanes will be open and there will be a number of weekend and night-time closures.

Heavy goods vehicles, coaches and agricultural vehicles will not be able to use the bridge during the renovation but it will remain open to public transport buses, emergency services, cyclists and pedestrians.

Operating companies and associates involved:
KWS, VolkerRail and Vialis

In the Infrastructure sector VolkerWessels operates in road construction (including asphalt production and other parts of the value chain), civil and water works, construction and hydraulic engineering, rail infrastructure, traffic technology and traffic management. From the design, delivering and management and maintenance of small-scale local government projects and projects at a local level to major integrated and multidisciplinary projects, our businesses span the entire value chain.

Revenue of our Netherlands – Infrastructure segment increased by 7.5% or €103 million to €1,474 million in 2017 mainly caused by an increased volume in the rail infrastructure business. EBITDA decreased by €21 million to €52 million, this includes the effect of non-recoverable costs relating to two unsuccessful tenders (Rijnland and Blankenburgtunnel) and the provision for the OpenIJ project in IJmuiden. Due to the approval of additional work and the completion of larger projects such as SAAONE and the A9 Motorway at Badhoevedorp, resulting in additional result of €35 million, the negative impact of the OpenIJ project was partly compensated in 2017.

Market developments

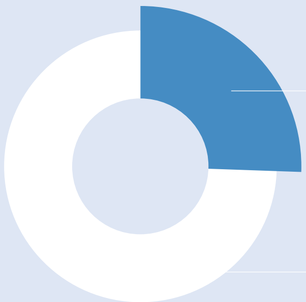
Market conditions improved slightly in the local and regional Infrastructure markets thanks to the economic recovery, increased investment in the public sector, railway capacity enhancements and investment in transport infrastructure. In addition to numerous small and medium sized local and regional projects we continue to work on a number of high-profile Dutch projects. While international competition is increasing, especially on the larger projects, our market position for small and medium sized-projects remains strong and unchanged. We continue to focus on margin over volume, constructive cooperation with our partners and clients and the quality of our order book.

As economic circumstances continue to improve, finding the right people with the right skill set is becoming increasingly difficult. Continued focus on developing and training our own people is therefore a key focus for VolkerWessels Infrastructure.

> Technological developments bring new opportunities but also challenges

Technological developments bring new opportunities but also challenges. Digitisation, robotisation, big data, the Internet of Things, cybercrime and privacy protection are playing an ever-greater role.

REVENUE 2017
Amounts in millions of euros



Revenue 2017	EBITDA 2017	EBITDA margin 2017 (in %)
1,474	**52**	**3.5%**
2016: 1,371	2016: 73	2016: 5.3%

Order book 2017 (per end of period)	Average number of employees 2017
1,568	**4,983**
2016: 1,562	2016: 4,900

2017 Highlights

In 2017 we successfully completed the SAAone project (widening of the Schiphol-Almere-Amsterdam motorway). The new motorway facilitates traffic flows and improved the access to the northern part of the Amsterdam metropolitan region. The project was awarded to the SAAone consortium, in which VolkerWessels was a partner and comprised the design, construction, financing and 30-year maintenance of a 20-kilometer stretch of the A1 and A6 motorways between Diemen and Almere Havendreef. Another high-profile project that was completed in 2017 was the diversion of the A9 Motorway at Badhoevedorp.

In December 2017 VolkerWessels reported a setback in the OpenIJ project in IJmuiden, a €600 million contract to design, construct, finance and maintain a new sea lock at IJmuiden that was awarded to the OpenIJ consortium in mid-2015, with the construction work being carried out by a 50/50 joint venture between BAM and VolkerWessels.

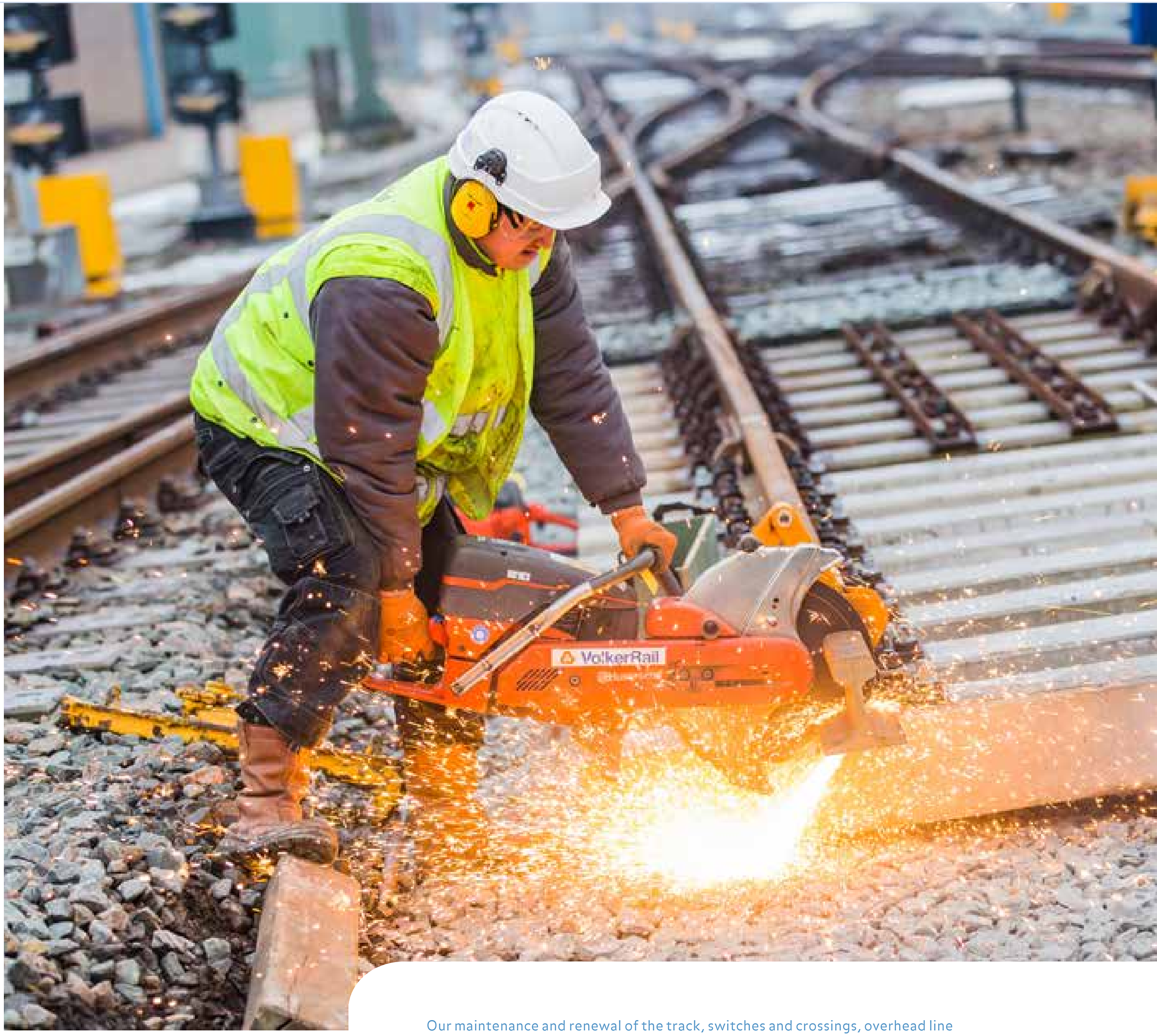
The projected loss provision relates mainly to the redesign of the two caissons (the structure holding the lock doors) to prevent torsion and cracking during immersion. The new design specified reinforced caissons and heavy temporary structures. Recent implementation works revealed significantly higher costs for specialist materials and equipment and personnel over the prolonged construction period.

> In 2017 we successfully completed the SAAone project

VolkerWessels took an additional provision of €44.5 million, having already taken a provision of €23 million in the first nine months of 2017 in relation to this project, bringing the total to €67.5 million for its share in the consortium.

On 3 July 2017 VolkerWessels acquired engineering company Wareco, delivering on our strategy to expand our capabilities in water-related activities in the Netherlands.

We continue to focus on innovation and improving efficiency. BIM is becoming increasingly important in the



Our maintenance and renewal of the track, switches and crossings, overhead line infrastructure and signaling prevents breakdowns, delays and unsafe situations. VolkerWessels also has the people and capability to construct new sections and replace existing lines projects that we undertake and we are running a pilot with Virtual Reality software incorporated in hard hats and/or glasses, enabling our staff to work more efficiently. Our plastic road concept is now fully developed and pilot projects are under discussion with a number of cities.

Important tenders won in 2017 include the renovation of the Waalbrug near the city of Nijmegen and the reconstruction of the Amstelveenlijn tram and light rail line. Other highlights in our order book are "Room for the River" flood protection projects in the IJssel delta and the maintenance VolkerRail contracts for four important railway hubs (Amsterdam, Rotterdam, Utrecht and Schiphol).

Standardised processes allow for a more efficient way of working

Strategy
Our roots, our strength and the lion's share of our revenue lie in local regular projects; monodisciplinary works with the right risk/return ratio. In addition to local projects we work selectively on large multidisciplinary projects. As these projects tend to bear a higher risk we expect higher returns from them. A uniform, integrated and structured way of working ensures effective management of the risks and central safeguarding of our knowledge. Contract management is another important aspect of large integrated projects. Contracts are becoming increasingly complex, and integrated multidisciplinary projects increasingly require expert knowledge. This gives us opportunities to set ourselves apart, but also means that we have to be agile and adapt to this market reality. We are shifting the emphasis in our organisation by combining the design departments of the various operating companies. While we remain true to our philosophy of a client-centric organisational structure with client-centric entrepreneurship, we are centralising knowledge. This will help us in our ambition to manage integrated and multidisciplinary projects with even greater effectiveness, efficiency and discipline.

We have a broad base in management and maintenance in the Dutch infrastructure sector. Demand for preventative management and maintenance is increasing and we aim to place more emphasis on unburdening clients in this area by providing a multidisciplinary integrated range of management and maintenance services.

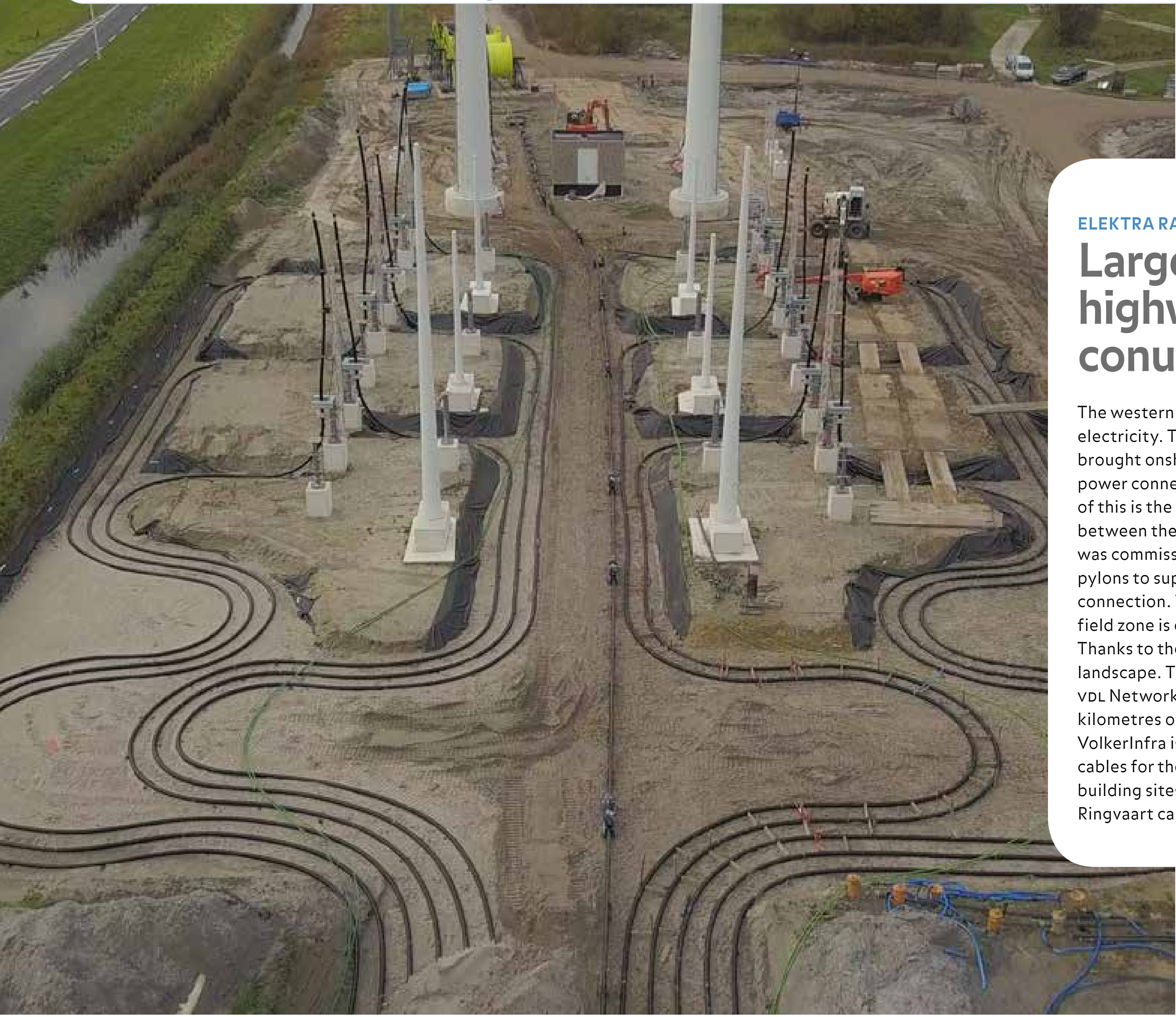
Technological developments make the use of data not only possible but also essential. Utilising data is key to providing good management and maintenance services. In the interests of data structuring we have set up a new company: Asset Insight. The purpose of this company will be to help owners, managers and developers utilise data to optimise the value of their property.

This is supported by innovative sustainable technologies and concepts. Think for example of a sneak preview of a future road using 3D glasses or the digitisation of the entire logistical project administration, but also of the use of smart apps, drones, and virtual and augmented reality technologies, which can play a part in designing, measuring, inspecting and monitoring objects. It is how we gather and record geographical and technical information and other "big data" on a growing number of projects. This valuable information can be used for example for the integrated management and maintenance of infrastructure, engineering structures and other assets.

The development of standard concepts and systems enables us to work in a more generic way. Standardised processes such as modular construction allow for a faster and more efficient way of working and therefore reduce failure costs.

To minimise failure costs we devote constant attention to managing projects, processes and risks. BIM and the LEAN-inspired group programme Samen Slimmer Bouwen (Building Smarter together) also contribute towards the Operational Excellence to which we aspire. Our businesses put our WAVE safety programme into practice through various initiatives and their ambition to improve or consolidate their position on the Safety Ladder.

The Netherlands – Energy & Telecoms Infrastructure



ELEKTRA RANDSTAD 380

Largest electricity highway in the Randstad conurbation

The western part of the Netherlands is a major producer and importer of electricity. The electricity generated by the offshore windfarm is brought onshore in this region. This requires a reliable, high-capacity power connection: the Randstad 380kV electricity highway. One section of this is the North Ring, a 60-kilometre high-voltage connection between the towns of Bleiswijk and Beverwijk. VolkerWessels Telecoms was commissioned by grid operator TenneT to install 301 Wintrack pylons to support the power cables for the overground section of the connection. What makes Wintrack pylons special is that their magnetic field zone is over 60 per cent smaller compared to conventional pylons. Thanks to their slender design and colour they are less obtrusive in the landscape. The pylons, designed especially for TenneT, were made by VDL Network Supplies. The North Ring will also involve laying 9.3 kilometres of high-voltage cable underground.
VolkerInfra is executing part of the foundations and the underground cables for the North Ring as well as constructing the access roads and building sites. This covers the section from Vijfhuizen to the southerly Ringvaart canal of the Haarlemmermeer polder.

Operating companies and associates involved:
VolkerWessels Telecom, VolkerInfra, Van Hattum en Blankevoort, KWS, Visser & Smit Hanab

In the Energy & Telecoms Infrastructure segment VolkerWessels designs, builds and maintains onshore distribution, transport, energy and telecoms networks. We deliver projects in the areas of horizontal directional drilling, export cable landfalls and building and overhauling infrastructure above and below ground.

Mainly due to favourable market conditions in the onshore energy market, revenue of our Netherlands – Energy & Telecoms Infrastructure segment increased by 3.9%, or €25 million, to €674 million. EBITDA increased with €1 million to €32 million in 2017. Our Belgian operation contributed well to the operational result of this segment. As a result, EBITDA margin for the segment was 4.7% in 2017 compared to 4.8% in 2016. EBITDA margin decreased slightly due to a higher proportion of lower margin contracts. The order book decreased due to the 2017 production volume delivered on a long-term contract that was included in our order book in December 2015.

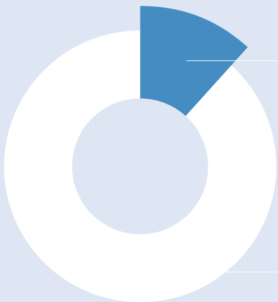
Energy

Market developments in 2017
Demand in the energy infrastructure market in the Netherlands was positively impacted by additional demand for infrastructure to support the transition to sustainable energy sources, such as wind and solar farms and the associated transport infrastructure. Demand in this sector also improved as a result of developments to limit hydrocarbon emissions and the use of gas (no more gas in homes by 2050). The strong residential construction market is also aiding the recovery and growth in volume.

Signals from the market are that clients increasingly want VolkerWessels to move along the value chain: not just lay the high-voltage cable but also connect it. From construction to the design, delivering, management and maintenance of an installation or cable or pipeline network. This diversification of disciplines is broadening the position of VolkerWessels in the value chain. This broader scope once again calls for careful management and control of costs, risks, projects and processes.

> The energy transition requires changes to the Dutch electricity network

REVENUE 2017
Amounts in millions of euros



Revenue 2017	EBITDA 2017	EBITDA margin 2017 (in %)
674	32	4.7%
2016: 649	2016: 31	2016: 4.8%

Order book 2017 (per end of period)	Average number of employees 2017
1,005	2,789
2016: 1,151	2016: 2,819

* NL-E&T Infra includes the activities in Belgium.

2017 Highlights
A number of high-profile horizontal directional drilling (HDD) projects were undertaken in 2017. These included the landfall for the pipeline to transport oil from a new field in the North Sea to the Statoil refinery in Mongstad, Norway as well as cabling work for East Anglia One (ScottishPower Renewables, part of Iberdrola S.A.) off the coast of the United Kingdom. VolkerWessels is working closely with VolkerWessels UK on this project, which involves undertaking around 160 HDD drills to connect the offshore wind farm to the onshore network.

The energy transition in the Netherlands also requires changes to the Dutch electricity network. Volker-Wessels is playing its part in the upgrade of the network by, for example, supporting TenneT with the Randstad 380kV electricity network. Our order book developed

Installation of FlexLan in offices

positively in 2017 with VolkerWessels remaining selective and focusing on margin over volume. In line with developments in the market, VolkerWessels has a preference for projects in which it is involved from the initiation phase through the construction phase to the management and maintenance of the project.

During the year VolkerWessels established an in-company training centre in Hoogeveen, a city in the north of the Netherlands. With the shift towards cleaner energy and digitisation (e.g. BIM) there is a need for people to be trained or retrained in these fields. VolkerWessels wants to be an employer of choice and seeks to retain its employees. To this end VolkerWessels offers its employees benefits in line with market practice, good career opportunities and education. In addition, it actively seeks to diversify its employee base. The top priorities are attention to the quality and leadership of people in key positions and the further reduction of failure costs.

Strategy

The Energy segment has based its strategic direction on socio-economic developments and feedback from its clients. Accordingly, VolkerWessels will focus on facilitating the energy transition for its clients, digitisation of internal and external processes, innovation and expanding the number of highly skilled professionals through our own in-company training centre. VolkerWessels specialises in the connections (cables, pipes, drilling and storage) needed for the transition from fossil fuels to clean energy. Compared to fossil fuels, clean energy tends to be initiated more locally, and this has an impact on the infrastructure (decentralisation of energy sources and delivery).

The energy transition will also affect our activities. We want to make an active and measurable contribution to projects that are demonstrably sustainable in nature. Innovative solutions such as shallow geothermal energy and initiatives like VolkerWind underline these ambitions. We are increasingly selecting clients and projects that contribute to reducing carbon emissions. This resolute course and ambition are illustrative of the VolkerWessels entrepreneurial spirit: using creativity and a healthy drive to source and capture sustainable opportunities and stay ahead of the competition.

VolkerWessels wants to improve the quality of its work by broadening its position in the value chain – not by taking over companies in the supply chain but through closer collaboration in joint ventures or partnerships with companies in the value chain. Virtual construction will become an important element of our business model. VolkerWessels already uses BIM on a number of projects and plans to extend this.

Telecoms

Market developments in 2017

The ongoing digital transformation is an important trend in the telecoms market with concepts such as IoT, Smart City, Big data, Blockchain 5G and robotisation. Although the concepts are not new, the growth of these developments may have a positive impact on the market.

Consumers and companies continue to demand high-quality broadband connections and VolkerWessels expects vitrification to increase in 2018. Where vitrification is not efficient/effective the market will look to other methods to densify the network (small cells, terrestrial connection, hybrid techniques, 4G and other wireless technique). There is an expectation that maintenance contracts will shift from corrective to preventive maintenance. Connectivity plays an increasingly important role in solving social issues in areas such as mobility, energy efficiency, health, education, environmental protection, sustainability and safety.

Companies including energy and utility companies encourage the use of telecoms applications such as smart meters and demand their own fibre-optic networks. This increased connectivity raises privacy and cyber security issues. The strong residential market is also aiding the recovery and growth in volume.

2017 Highlights
At the beginning of 2017 VolkerWessels Telecoms entered into a strategic partnership with Joulz to build the new telecoms network "STN2020" for Stedin. It also started work on the construction of an optical fibre network for CIF in the Salland Noord area. Gasunie and MapXact, a subsidiary of VolkerWessels Telecoms, formed a partnership to further develop ground radar technology to visualise the position of underground cables and pipelines in near real time.

The disciplines of VolkerWessels Telecoms Belgium and the Belgian activities of Visser & Smit Hanab were successfully merged under one management team as from 1 January 2017.

VolkerWessels Telecoms is also expanding its activities to Germany. The German government has made funds available to improve connectivity. The current activities focus on the actual connection of homes and additional servicing and management of the connectivity in close cooperation with local German companies.

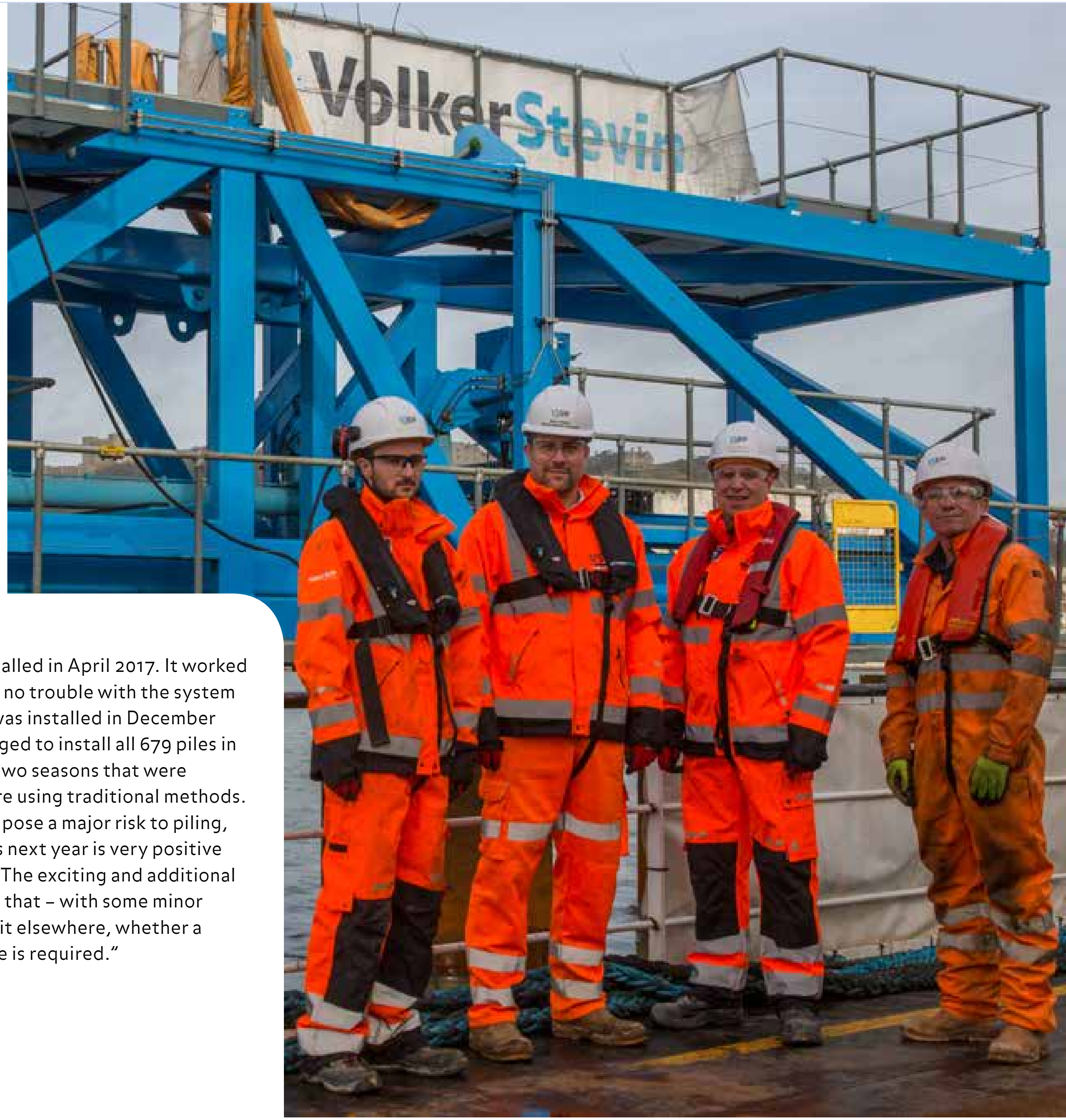
Strategy
VolkerWessels Telecoms has successfully changed from a regional organisation to a product and client-focused organisation. Diversification of products and clients plays a key role in our strategy. We have strengthened our position at the front end of the organisation by broadening our offering for existing and new clients: copper, coax and optical fibre, business and private, both in and outside the home. Complex critical communication and other networks, design, construction and maintenance: we are much more broadly positioned in the value chain than previously. This makes our position less vulnerable and enables us to better control and manage processes, projects, costs and risks. Our focus on build has been replaced by the broader proposition of design-build-operate.

Telecoms make a substantial social contribution to quality of life by creating unlimited connectivity in homes, offices, neighbourhoods, cities and systems. Moreover modern networks help reduce waste and pressure on the environment.

Providing additional data capacity during events

WALKING PILING GATE – DOVER WESTERN DOCK REVIVAL A

"We knew that the piling methodology was a key element to concentrate on whilst bidding for the DWDR project. A traditional piling installation methodology would only offer an output of 1.8 piles a day, but to win the bid we needed to increase the piling output to 3 piles a day and drive down the method related costs." said Stuart Eckersley, project director for VolkerStevin.



"The idea; a walking piling gate that would move along the pile line by itself. We found a Dutch design company who supported us in turning this idea into reality and provided analysis to prove this would work.

The walking piling gate is a standalone temporary work system that ensures piles are fully supported in the correct position whilst being installed. The automated functionality enables the gate to move along the pile line by itself. A traditional piling gate system is a static element of temporary works which once in place usually accommodates up to 6 piles and once these are driven, the gate is stripped down and erected along the line. This stripping and re-erection usually takes between 1 – 2 days. The new automated gate that we have developed is operating in a continuous cycle walking along the piles by itself, therefore no re-erection is needed, saving 20% - 40% downtime.

The first pile was being installed in April 2017. It worked from the get go and we had no trouble with the system throughout. The final pile was installed in December 2017 which meant we managed to install all 679 piles in one season, instead of the two seasons that were initially identified if we were using traditional methods. Weather conditions always pose a major risk to piling, so not having to install piles next year is very positive for our overall programme. The exciting and additional benefit of this piling gate is that – with some minor modifications – we can use it elsewhere, whether a straight or curved piling line is required."

United Kingdom

CAMBRIDGE NORTH STATION

Network Rail in Cambridge

VolkerFitzpatrick completed work on the new Cambridge North station for Network Rail. The station's first commuter services began on Monday 22 May 2017. The new station is expected to handle 3,000 passenger journeys a day. With a 4,843 ft² footprint, Cambridge North features three platforms, along with parking for 450 cars and 1,000 bicycles. It has also been fitted with solar panels, which will provide up to 10 per cent of the station's power requirement.
The original platform design required ground improvements on account of poor existing conditions. The team used a lightweight polystyrene backfill which needed minimal ground preparation. This improved installation times, reduced the number of possessions required and reduced the overall cost of the station.

VolkerFitzpatrick began construction in 2015, starting with the realignment of the underused Chesterton sidings which opened up the brownfield site for development. Over the two year lifespan of the project, it has taken months of meticulous planning, 700,000 hours of labour and 11 successful possessions to build the station on the operational West Anglia Main Line.

Operating companies and associates involved:
VolkerFitzpatrick, VolkerRail and VolkerHighways

VolkerWessels UK is a multi-disciplinary contractor that delivers innovative engineering solutions across the civil engineering and construction sectors including rail, highways, airport, marine, energy, water, environmental infrastructure and commercial and industrial building. VolkerWessels UK's collaborative approach enables clients to have an edge in their own markets.

In local currency, revenue in 2017 of £ 872 million is in line with 2016 (£877 million). EBITDA increased by £ 2 million to £ 29 million with the EBITDA margin improving by 10 basis points to 3.3%. However, taking into account the negative impact of the GBP:EUR exchange rate development revenue declined in euro terms by 7.1%, or €76 million, to €995 million in 2017 and EBITDA fell by 2.9%, or €1 million, to €33 million. In GBP terms, the UK order book increased by 7.4% to £1,077 million.

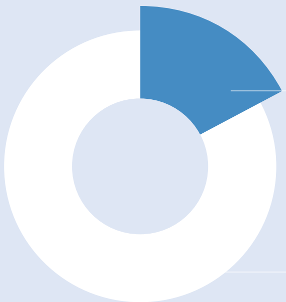
Market developments in 2017

The National Infrastructure and Construction Pipeline published by the British government in December 2017 sets out over £ 600 billion worth of projected public and private investment in the next 10 years, including over £ 240 billion by 2020/21. The British government sees infrastructure as the foundation on which the economy is built, and this updated pipeline will generate significant growth across the UK within the social infrastructure, energy, water, transport and civil infrastructure. This provides significant opportunities for VolkerWessels UK which is well positioned in these sectors. On average, in excess of 80% of the annual revenue of VolkerWessels UK comes from the infrastructure market.

During 2017, we experienced increased activity in the marine sector prompted by the growing size of container ships, growing needs in the offshore windfarm sector, and a general focus on efficiency and sustainability. We saw similar effects in the airports sector, where virtually every airport around the world, including in the UK, is in some stage of redevelopment because of the changing market, larger aircrafts and an increasing number of travellers.

Following the UK vote in 2016 to leave the European Union, VolkerWessels UK experienced a degree of market uncertainty. Nevertheless, despite the weaker pound sterling, the impact of Brexit on our companies in 2017 appears to have been limited.

REVENUE 2017
Amounts in millions of euros



995
Revenue United Kingdom

5,714
Total revenue VolkerWessels

Revenue 2017 **995** 2016: 1,071	Revenue 2017 (in GBP million) **872** 2016: 877	EBITDA 2017 **33** 2016: 34	EBITDA 2017 (in GBP million) **29** 2016: 27
EBITDA margin 2017 (in %) **3.3%** 2016: 3.2%	Order book 2017 (per end of period) **1,213** 2016: 1,176	Order book 2017 (per end of period in GBP m) **1,077** 2016: 1,003	Average number of employees 2017 **2,713** 2016: 2,590

2017 Highlights
Despite the improved market visibility and generally improving market conditions, the delivery of margin continues to be more important than volume growth and VolkerWessels UK is very selective in taking on new projects.

VolkerWessels UK strengthened its market position in the period under review by securing, extending and renewing a number of long-term contracts. These contracts provide visibility and stability in the order book for our companies, and include the Chilterns Tunnels and Colne Valley Viaduct package C1 for High Speed 2 (as part of a joint venture), Oldbury Viaduct for Highways England and the East Anglia ONE wind farm infrastructure for Scottish Power Renewables (implemented together with VolkerWessels Dutch subsidiary Visser & Smit Hanab). VolkerFitzpatrick was appointed by Hutchison Ports to undertake the latest phase of expansion at the Port of Felixstowe, and has also secured the Luton Airport Mass Passenger Transit (MPT) project. The Felixstowe project involves the design and construction of approximately 13 hectares of paved container yard directly behind berth 9.

VolkerWessels UK delivered a number of projects for the Ministry of Defence (MOD) and secured a number of design and construction orders from the Ministry in the south of the UK, demonstrating its growing reputation with the MOD. VolkerStevin was awarded a contract to construct a new jetty at Thanckes Oil Fuel Depot in Devonport, for the Defence Infrastructure Organisation.

Other highlights include the construction of a new station at Cambridge North for Network Rail, the refurbishment of the office and retail space in King William Street in the City of London, Phase 3 of the North West Electrification programme for Network Rail and the commencement of the re-development of Dover Western Docks for the Dover Harbour Board.

Strategy
The bedrock of the continued success of VolkerWessels UK is the consistency of our strategic direction, whilst also responding swiftly to market developments. Quality of earnings is more important to us than volume growth as we opt for margin over volume. We pursue this strategy with rigorous risk, process and contract management, always exceeding the expectations of our clients, encouraging entrepreneurship in our organisation and further improving our intensive and constructive collaboration with clients, partners and sub-contractors.

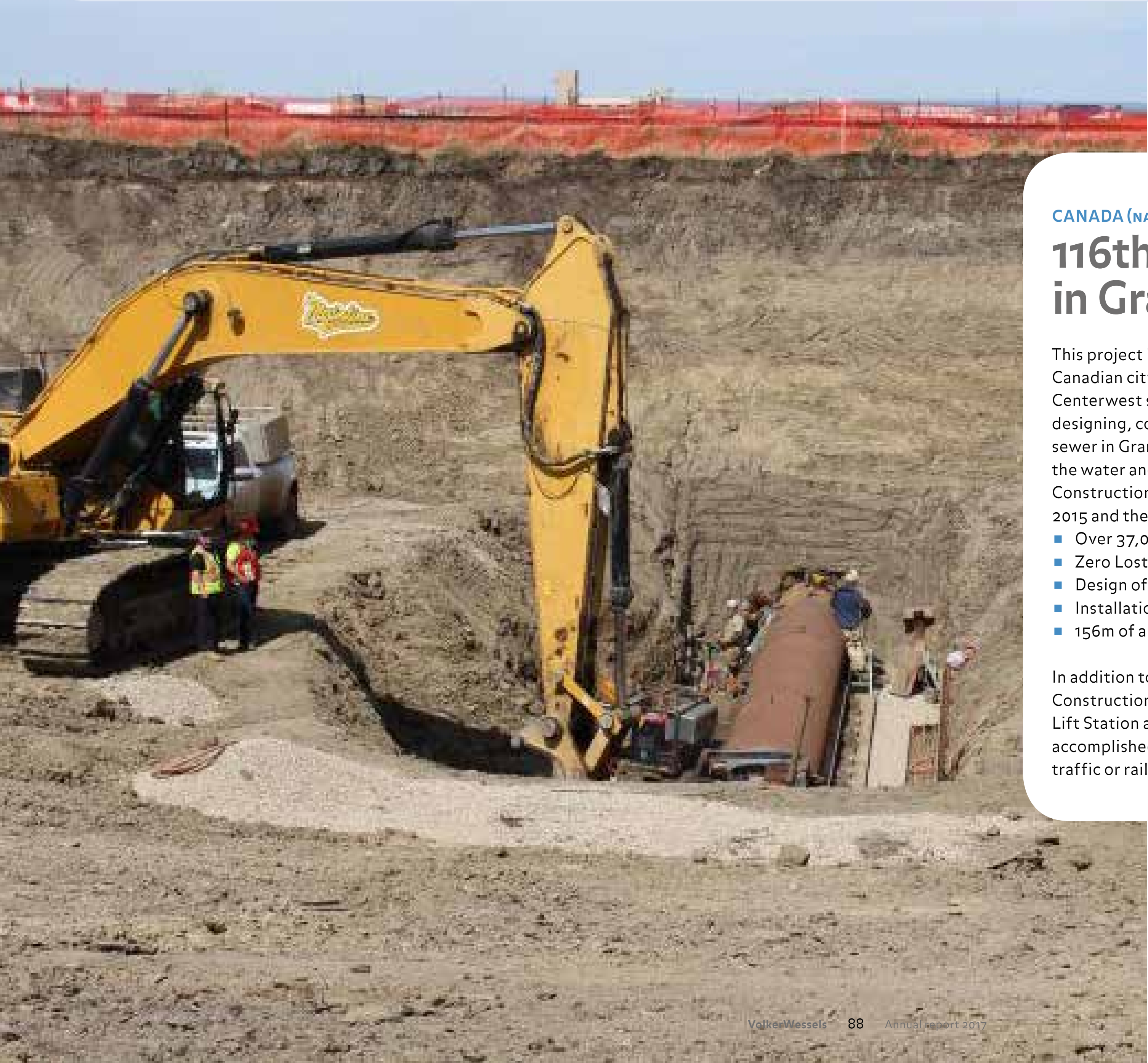
Managing costs and risks in each stage of the construction process provides an important underpinning to our results. The disciplined management of our commercial risk and project management is our main and permanent focus, both in the design stage and in operational delivery. We invest in systems and processes that help us further improve the efficiency, productivity and performance of VolkerWessels UK while providing further added value to all our stakeholders. Operational Excellence is a continuous process, and we will launch an "internal engineering social network" in early 2018 to link all engineers that work for VolkerWessels UK. This not only increases their social contact but also helps them share complex issues and challenges with one another, enabling them to develop solutions as a team.

We take great pride in our solid reputation and strong track record for working safely. We do so by enforcing a number of industry leading health and safety programmes in our companies. We invest extensively in the recruitment, selection, learning and development of people who share our core values and enhance our culture, philosophy and ambitions. We aspire to be the "employer of choice" and realise that achieving that status requires continuous effort on our part.

> We take great pride in our solid reputation and strong track record

Our core markets are undergoing volume growth, and we recognise that there is an increasing skills shortage. In that environment, VolkerWessels UK is fully equipped with the right blend of knowledge, competence and expertise to make a real difference for all stakeholders.

North America



CANADA (NA)

116th Street Trunk Sewer in Grande Prairie

This project includes the installation of a sanitary trunk line in the Canadian city of Grande Prairie, between the O'Brien Lake and Centerwest subdivisions along 116th Street. The project consisted of designing, constructing and partially financing the $10.9 million sanitary sewer in Grande Prairie. The owner of the trunk line is Aquatera Utilities, the water and sewer provider for Grande Prairie.
Construction on the 116th Street Trunk Sewer Main began in October 2015 and the project involved:

- Over 37,000 man-hours
- Zero Lost Time Accidents
- Design of entire project with Helix Engineering
- Installation of 5,400m of 1200mm sewer main at a depth of 7-13m
- 156m of auger shots under existing highways and a railroad line

In addition to the installation of the sewer trunk line, Mainline Construction was responsible for decommissioning the Pinnacle Ridge Lift Station as well as the tie-in to existing sewer systems. All of this was accomplished with little or no impact on the local neighbourhood as any traffic or rail crossings were completed using auger shots.

Operating companies and associates involved:
Mainline Construction (2014) Ltd

VolkerWessels North America operates in the infrastructure (construction and maintenance) sector in specific markets in the Canadian provinces of Alberta and British Columbia and in the greater Seattle area in the US state of Washington. It focuses on the construction and maintenance of road and highway infrastructure (including the in-house production and supply of asphalt and aggregates) and the construction and installation of underground (sewage, water, etc.) civil works and utilities.

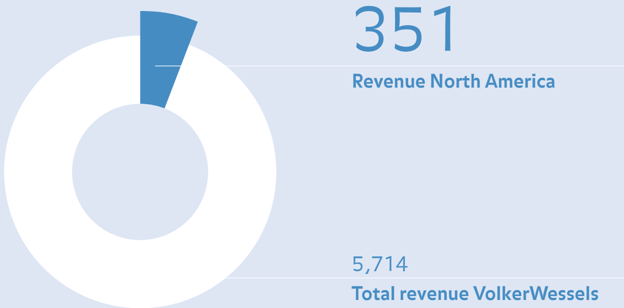
Revenue from our North America segment increased by 10.7%, or €34 million, to €351 million in 2017 as a result of favourable weather conditions in Alberta until mid-December which led to a higher activity level compared to last year. VolkerWessels managed to sustain strong margins in its North America segment, with an EBITDA margin of 15.7% in 2017 and 14.5% in 2016. The bookprofit on the disposal of our land positions in Seattle contributed to the EBITDA increase.

Market developments in 2017

Our business in Canada is based on the economy in Alberta and British Columbia. The economy is primarily resource-based and structured around the development of oil and gas reserves in Alberta and forestry and mining in British Columbia. The expectations for VolkerWessels in Canada remain strong for the coming years based on continued strong demand for work in infrastructure services for provincial, municipal and private developments. Our companies are strategically located in the provinces and operate in markets where we have good competitive advantages. Our strong relationships and focus on quality and service make us a preferred partner, creating longstanding opportunities to be successful in these areas.

In the Seattle area VolkerWessels is well-positioned to benefit from increased investment in infrastructure, particularly through its exposure to roadwork (including new construction, rehabilitation and intersections), civil work (bridges, retaining walls, etc.) as well as underground utilities and development construction.
The recently passed tax reform bill will have a positive impact on the already flourishing economy in the Seattle area.

REVENUE 2017
Amounts in millions of euros



Revenue 2017
351
2016: 317

Revenue 2017 (in CAD million)
515
2016: 465

EBITDA 2017
55
2016: 46

EBITDA 2017 (in CAD million)
81
2016: 67

EBITDA margin 2017 (in %)
15.7%
2016: 14.5%

Order book 2017 (per end of period)
828
2016: 886

Order book 2017 (at period end in CAD m)
1,249
2016: 1,253

Average number of employees 2017
1,348
2016: 1,223

The overall expectations vary per region, depending on individual markets. Overall we see increased competition from both international and regional companies.

2017 Highlights
Construction activities continue to improve following the recent recession in the Canadian province of Alberta. We have added some larger projects to our order book, such as the Anderson Road widening and 162 Avenue extension for the City of Calgary, the Clairmont Trunk Sewer & Lift Station in Grande Prairie for Aquaterra Utilities, and the Saprae Creek Water, Sewer & Road Construction in Fort McMurray for the Regional Municipality of Wood Buffalo.

> Our focus is on quality and excellent customer service

Our long-term road maintenance contracts in Alberta continue to provide a solid basis for our order book in North America. VolkerWessels started with the maintenance contract for the North-East stretch of the Anthony Henday ring road around the provincial capital of Edmonton on 1 October 2016 and successfully completed the first full-year of operations in 2017.

Weather conditions were relatively favourable for our company in 2017. The considerable snowfall in Southern Alberta early in the year resulted in record snowplough hours for the equipment fleet, whereas more gentle winter weather in Edmonton was helpful for commissioning initial operations on the new ring road.

In the US, where VolkerWessels operates MidMountain Contractors in the state of Washington, market conditions have improved as the US economy accelerates. In the Seattle region in particular, this is partly thanks to the presence of various multinationals, such as Boeing, Microsoft and Amazon, with a high level of economic activity. For VolkerWessels – having strong capabilities in the fields of civil engineering, infrastructure and area development – this resulted in opportunities and substantial growth in the order book by securing several contracts on the Sound Transit East Link Light Rail project with Kiewit/Hoffman (General Contractor/Contract Manager); and four projects at the North Satellite (N-Sat at Sea-Tac Airport) for the Port of Seattle with Hendel Phelps (General Contractor/Contract Manager).

Strategy
In North America, we are concentrating on healthy, managed growth in the face of an economic upturn. In addition to organic growth, we are interested in attractive opportunities arising in the market. We are focusing on financially solid companies with strong management, suitable scale, substantial market share and a comparable company culture that will strengthen or expand our position in the value chain. Our focus is on quality and excellent customer service, with strong long-term relationships with key players in the industry.

The acquisition of Lakes District Maintenance in British Columbia in 2016 contributed to our ambition to diversify. By bundling the knowledge and expertise of the various operations and activities, we also want to benefit in the coming years from the opportunities for growth in this Canadian coastal province. Other strategic priorities include operational excellence, a continued focus on margins over volume, and developing a sustainable competitive edge via improved bidding, project management, project execution, billing and cash collection processes.

HIGHLIGHTED

The East Link Extension Light Rail in Seattle

The East Link Extension is a planned Sound Transit Link Light Rail line in the US spanning about 23 km from downtown Seattle eastward across Lake Washington and Mercer Island, through the city of Bellevue, and terminating in the city of Redmond near the Microsoft corporate campus. The route includes nine passenger stations. Construction began in 2016 and the line is scheduled to open for service in 2023. By 2030 the East Link will be used by an estimated 50,000 passengers a day. MidMountain Contractors is participating as a major subcontractor on the largest segment: the 6.9-mile section from Seattle to South Bellevue. A joint venture of Kiewit and Hoffman Construction Company is the General Contractor / Contract Manager (GM/CM), from whom MidMountain successfully acquired four separate work packages with a total value of $65 million. MidMountain's work scope consists of heavy civil engineering and infrastructure including roadway demolition, utilities, drainage, electrical duct banks, traction power substations, earthworks, grading, roadway surfacing and landscaping. The project began in June 2017 and is expected to be completed in late 2020.

Operating companies and associates involved:
MidMountain Contractors, Inc.

Germany

OPAL-RHEINTOWER IN COLOGNE-MÜLHEIM

Residential tower on the right bank of the Rhine

The OPAL-Rheintower in Cologne-Mülheim is located on the right bank of the River Rhine. The 20-storey, 67-meter high planned luxury residential tower block is impressive with its fascinating architecture. The two to four-room spacious apartments offer unique views of the cathedral and the unmistakable Cologne skyline.

The OPAL residential project, which occupies a plot of around 4,760 m², is the latest in the Rheinrefugium modern residential quarter. With a total of 102 residential units and a small commercial section, upscale environment and associated parking (106 underground parking spaces and outdoor parking spaces), the OPAL residential tower is located close to Düsseldorfer Straße. In addition to unobstructed views of the Rhine, the leafy opposite shore and the city centre of Cologne, the property's southwest orientation is a clear advantage, making it one of the top locations in the city. Public transport is available in the vicinity. Located about 6 kilometres northeast of Cologne city centre, the district of Cologne-Mülheim has a long industrial history but with the decline of heavy industry many companies and their buildings disappeared. In the last 15 years many areas of Mülheim have undergone extensive renovation and a variety of apartment blocks have been modernised.

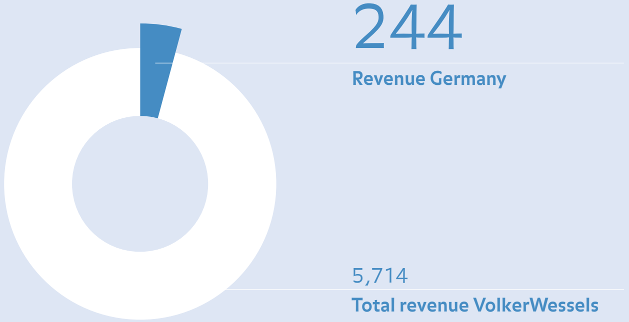
Operating companies and associates involved:
Kondor Wessels

The VolkerWessels Germany segment is focused on the development and construction of high-quality residential property and affordable residential units for the rental market. The development and construction activities in Germany are focused on four major urban areas: Berlin, North Rhine-Westphalia, Frankfurt and Munich. Economic conditions and demand for housing remain strong in these areas.

Revenue at our Germany segment increased by 17.9%, or €37 million, to €244 million and EBITDA increased by 41.7%, or €5 million, to €17 million in 2017, mainly as a result of higher volumes due to improved market conditions and the sale of several property development projects in 2017. The EBITDA margin for the segment was 7.0% in 2017 and 5.8% in 2016. The order book increased in 2017 slightly to €684 million. In 2017 we constructed and delivered a total of 1,191 houses (2016: 683). The number of houses sold from VolkerWessels' own development in Germany in 2017 was 89 (2016: 120).

Market developments in 2017
VolkerWessels expects the market in Germany to remain favourable in the coming years. If interest rates remain at the current low levels, investor demand is expected to remain high. In addition to the booming economy and low interest rate environment in Germany it is expected that a number of companies will move from London to Frankfurt because of Brexit. This will also have a positive effect on the demand for offices and housing.

REVENUE 2017
Amounts in millions of euros



Revenue 2017	EBITDA 2017	EBITDA margin 2017 (in %)
244	17	7.0%
2016: 207	2016: 12	2016: 5.8%

Order book 2017 (per end of period)	Average number of employees 2017
684	335
2016: 667	2016: 334

Construction capacity constraints are expected to be the biggest challenge for the overall German construction market. VolkerWessels Germany has significant in-house construction capacity which gives it an advantage over competitors and will enable margins to at least be kept stable. Another notable trend in Germany is that land available for construction is decreasing as making changes to zoning plans becomes increasingly difficult.

> Our products fit perfectly with current consumer trends

The larger cities are expected to continue to grow as the ongoing urbanisation trend continues. Our products fit perfectly with current consumer trends such as affordable housing, elderly-friendly housing and cradle-to-cradle construction. These trends are most prevalent in the regions where VolkerWessels operates. Expectations are that demand for housing will continue to exceed supply going forward.

2017 Highlights
Despite the continued growth in the market, margins are more important than volume and VolkerWessels remains selective when taking on new projects. This focus has enabled VolkerWessels to cautiously grow the order book in recent years while raising the profit margin.

In 2017 VolkerWessels continued construction work on the Hallesches quarter in Berlin. This project involves the construction of a total of six residential and commercial buildings. During the year the housing projects "Yours" and "Metronome" were completed.

HIGHLIGHTED

Kappus Höfe in Offenbach

VolkerWessels is preparing to build over 300 residential units on the 17,000 m² site of the former Kappus soap factory in Offenbach am Main, Germany. The units will be available for rent and purchase and offer three underground garages with 218 parking spaces. The architectural plans pay homage to the former use of the grounds while meeting the standards of modern living. With a total living area of 25,900 m², the planned residential complex is one of the largest current urban development projects in Offenbach. Each of the 17 buildings will have three or four full storeys as well as a separate rooftop unit and a basement. The spacious one to five-room apartments will feature balconies or roof terraces.

Located between Luisenstraße and Ludwigstraße, the three differently proportioned courtyards ("Höfe") will incorporate spacious green areas, playgrounds and wooded areas for activity and relaxation. The project's geometric design provides for individual buildings to cut across the courtyards, giving a sense of convenience and proximity.

Operating companies and associates involved:
Kondor Wessels

At the end of 2018 the new quarter will be complemented with an administrative building comprising a day-care centre and around 70 offices.

In Berlin VolkerWessels is working on the following projects: VivaCity Adlershof (16,000 m² with apartments, a children's day-care center, supermarket, bakery, care facility), Tannhäuserstraße (10,300 m² with 143 apartments), Grandaire Voltairestraße (270 apartments), Lehrter straße (1,000 residential units), Schützenstraße (150 residential units), Fliegerhorst Staaken (500 residential units) and Fürstenwalder Allee (200 residential units).

VolkerWessels will start on the construction of Kappus Höfe in Offenbach near Frankfurt in early 2018. This former soap factory will be transformed into 300 residential units standing on a 12,725 m² large parking garage for over 200 cars. 40 units will be sold to a housing association, 120 units will be sold to an investor and 140 units will be sold to individual buyers.

The Rosenfelder Ring in Berlin, comprising 113 one-to-four room apartments, was handed over to the owner in September 2017 after a construction period of only 19 months. VolkerWessels sold two projects in Germany, Orthoparc in Cologne and Jugendweg in Berlin. VolkerWessels added three projects in Berlin and Leipzig to the order book.

Strategy
VolkerWessels will further enhance its efficiency by standardising its internal processes and will further develop the implementation of BIM by using the experience from the newly founded BIM Competence Centre in the Netherlands. This will allow defects and deficiencies in projects to be detected and resolved more quickly and will increase efficiency, and thus ultimately reduce costs. Human resource management is also important in Germany. With experienced and highly trained people are scarce, VolkerWessels continues to develop its own staff and has extended its internal training and coaching offering.
VolkerWessels' presence in a small number of local markets enables it to respond quickly to changing market conditions and to identify opportunities.
With its ample experience VolkerWessels is able to apply technological innovations both on its own projects and on projects executed jointly with clients and to select the right locations for building new housing concepts.

> "Experienced and highly trained people are scarce"

In applying innovation and facilitating new housing concepts we ensure that there is very frequent interaction between the project developer and the building contractor to avoid misunderstandings. We work with a small number of reliable partners to minimise the interface risks.

VolkerWessels share

Investor relations
Royal VolkerWessels has been listed since 12 May 2017. After the partial exercise of the overallotment option, 28,186,650 shares (representing 35.2% of the authorised share capital) were offered in the IPO. Subsequently, at the end of 2017 Reggeborgh Holding held approximately 63.6% of the shares in VolkerWessels. This does not include 1.2% of the shares that Reggeborgh has committed to granting to the Managing Directors and certain key managers as a one-off share incentive.

VolkerWessels strives to provide existing and potential new shareholders and other stakeholders with equal and concurrent information about matters that may influence the share price. We inform the financial stakeholders by means of press releases on our website. VolkerWessels also hosts a press and analysts' meetings following the publication of the half year and annual results.

Communication with investors and analysts is furthermore arranged through analysts' meetings, roadshow programs, reverse roadshows, broker conferences and the Annual General Meeting of Shareholders. All information provided to the financial stakeholders can be found on our website: www.volkerwessels.com.

Bilateral meetings and conference calls with analysts and shareholders are not held during the closed periods. The policy on bilateral meetings can be found in the corporate governance section of our website.

VolkerWessels is covered by all the major Benelux brokers and three brokers located in the United Kingdom.

Dividend
The VolkerWessels dividend policy targets a distribution of 50% to 70% of annual reported net income attributable to the shareholders of VolkerWessels. VolkerWessels intends to pay dividends in two semi-annual instalments. The first distribution is expected to be made in the fourth quarter of the financial year and the final payment in the second quarter of the following year following shareholder approval of the annual accounts.

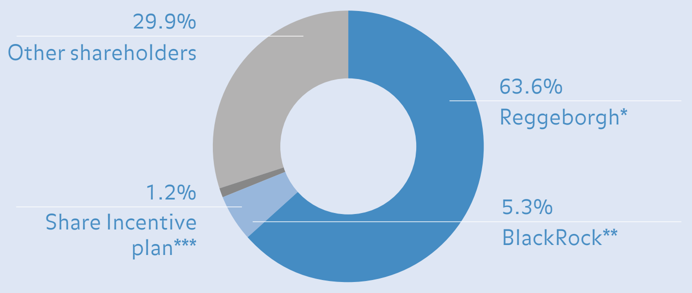
Due to the IFRS treatment of the share incentive intended for Managing Directors and other key managers of VolkerWessels, as provided for by Reggeborgh Holding, annual reported net income attributable to the shareholders of VolkerWessels in the period 2017 to 2020 will be lower than it would have been in the absence of such a share incentive. In determining the dividend to be distributed during this period, the pay-out ratio is applied to annual reported net income attributable to the shareholders of VolkerWessels, excluding personnel expenses relating to personnel expenses for the share incentive under IFRS.

In line with this policy the Management Board of VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) as an interim dividend in November 2017.

Subject to shareholder approval, VolkerWessels proposes to pay out a final dividend of €61.6 million (€0.77 per share). If the proposed final dividend is approved, the total dividend (proposed final dividend plus interim dividend) for 2017 amounts €84.0 million or €1.05 per share, which is 60% of reported net income attributable to shareholders (excluding personnel expenses relating to the share incentive under IFRS). After approval, the final dividend will be paid on 16 May 2018.

Major shareholders
At the end of 2017 the number of outstanding shares totalled 80 million. According to the public register of the Dutch Authority for the Financial Markets (AFM), the distribution of VolkerWessels shares is as follows:

SHAREHOLDER STRUCTURE (YEAR-END 2017)
In %



* Based on the over-allotment press release dated 2 June 2017.

** Based on the AFM register 6 December 2017, on 15 February 2018 the AFM register recorded a shareholding of Blackrock of 4.6%.

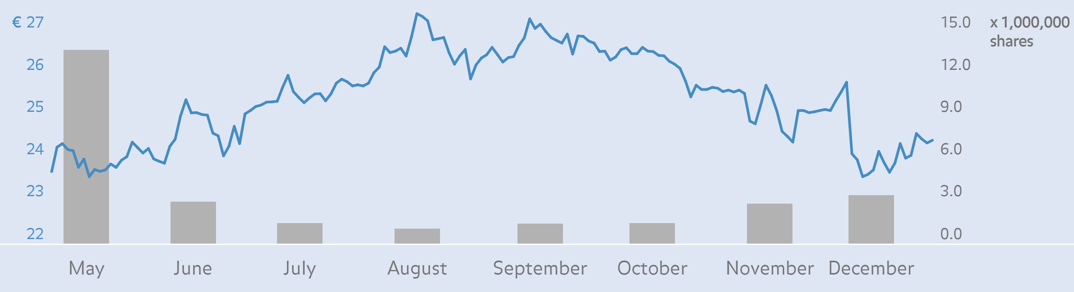
*** The Selling Shareholder (Reggeborgh) has committed to grant 1.2% of the shares to the Managing Directors and certain key managers under an one-off share incentive, which will be subject to lock-up periods of at least 360 days (as disclosed in the Prospectus).

Performance of the share

VolkerWessels became a listed company on 12 May 2017, with its shares priced at €23.00. The share price increased to €23.75 at year end 2017, indicating a performance of 3.3 % excluding the interim dividend and 4.5% including the interim dividend. The highest closing price of €26.75 was recorded on 15 August 2017, the lowest price of €22.88 on 22 May 2017 on Euronext Amsterdam. From 12 May to 31 December 2017 a total of 28.8 million VolkerWessels shares were traded. The average daily trading volume was €4.2 million, averaging 175,377 shares per day.

DAILY CLOSINGPRICE AND MONTHLY TURNOVER

In number of shares VolkerWessels on Euronext



Financial calendar

Event	Date
Annual General Meeting of shareholders	3 May 2018
Ex-dividend date (final dividend 2017)	7 May 2018
Record date (final dividend 2017)	8 May 2018
Payment date (final dividend 2017)	16 May 2018
Publish first quarter 2018 trading update (before trading)	17 May 2018
Publish half year results 2018 (before trading)	30 August 2018
Publish nine months trading update 2018 and interim dividend 2018 announcement (before trading)	15 November 2018
Ex-dividend date (interim dividend 2018)	21 November 2018
Record date (interim dividend 2018)	22 November 2018
Payment date (interim dividend 2018)	28 November 2018

For further information on VolkerWessels' investor relations activities, please contact our Investor Relations department at IR@volkerwessels.com or by phone: +31 88 1866658.

Financial statements 2017

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	Note		2017		2016
Continuing operations					
Revenue	6		5,714		5,490
Costs of raw materials and consumables		–1,230		–1,266	
Costs of outsourced work and other external costs		–2,777		–2,576	
Employee benefit expenses	7	*–1,173		–1,118	
Depreciation and impairment of property, plant and equipment	9	–69		–73	
Amortisation and impairment of intangible assets	9	–13		–16	
Other operating costs	8	–301		–286	
Operating expenses			–5,563		–5,335
Result from sale of participating interest(s)	39	**26		1	
Share of result from associates and joint ventures	18	14		9	
Share in results of associates and joint ventures (after income tax)			40		10
Operating result			191		165
Financial income	10	21		26	
Financial expenses	10	–17		–52	
Net financial result			4		–26
Result before tax			195		139
Income tax	11		–45		–36
Result from continuing operations			150		103
Result from discontinued operations (after income tax)	14		1		38
Result for the financial year			151		141
Attributable to:					
Shareholders of the Company			135		139
Minority interests			16		2
Result for the financial year			151		141

* Including share incentive charge of €5 million.

** Including third party result of €13 million.

EARNINGS PER SHARE

Amounts in euros

	Note	2017	2016*
Basic			
Continuing operations	12	1.68	20.45
Discontinued operations	12	0.01	7.66
Total		1.69	28.11
Diluted			
Continuing operations	12	1.68	20.45
Discontinued operations	12	0.01	7.66
Total		1.69	28.11

* In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding. Due to a share issuance at 21 December 2016, the total number of shares outstanding increased to 80,000,000. As a result, the average shares outstanding in 2016 amounted to only 4,941,713. As of 2017 the average number of shares outstanding is 80,000,000.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

	Note		2017		2016
Result for the financial year			151		141
Revaluations of commitments/(assets) in connection with defined benefit pension plans	11, 33	–5		–	
Income tax	11	1		–	
Items which will never be transferred to the income statement			–4		–
Foreign currency exchange differences for foreign operations		–29		9	
Reclassification of currency exchange differences on sale of group companies		–		–1	
Share of unrealised result from associates and joint ventures		5		–7	
Effective portion of changes in fair value of cash flow hedges	11	4		5	
Income tax	11	–1		–1	
Items which have been or may be transferred to the income statement			–21		5
Total other comprehensive income after income tax			–25		5
Total comprehensive income for the financial year			126		146
Attributable to:					
Shareholders of the Company			110		145
Minority interests			16		1
Total comprehensive income for the financial year			126		146
Total comprehensive income attributable to shareholders of the Company arises from:					
– Continuing operations			109		108
– Discontinued operations			1		37
Total comprehensive income attributable to shareholders of the Company			110		145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2017		31 December 2016	
Land and buildings		237		253	
Machinery and equipment		198		184	
Other fixed operating assets		44		43	
Property, plant and equipment under construction		4		8	
Property, plant and equipment	16		483		488
Goodwill		407		406	
Other intangible assets		29		26	
Intangible assets	17		436		432
Investments in associates and joint ventures	18	126		133	
Non-current receivables	19	85		100	
Other non-current assets	20	29		5	
Deferred tax assets	21	52		54	
Other non-current assets			292		292
Total non-current assets			1,211		1,212
Land	22	193		230	
Property held for sale	23	69		112	
Inventories	24	241		229*	
Construction contracts	25	410		468*	
Trade and other receivables	26	967		894	
Income tax receivable		8		7	
Assets held for sale	27	12		10	
Cash and cash equivalents	28	494		412	
Total current assets			2,394		2,362
Total assets			3,605		3,574

* Year-end 2016 is adjusted in the line item 'Construction contracts' against 'Inventories' for €55 million, relating to Kondor Wessels Holding, which was acquired in December 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2017		31 December 2016	
Equity attributable to shareholders of the Company		1,124		1,116	
Minority interests		11		12	
Total group equity	29		1,135		1,128
Loans and other financing obligations	30	71		94	
Derivatives	32	–		–	
Employee benefits	33	44		59	
Provisions for associates and joint ventures	34	11		32	
Other provisions	34	89		101	
Deferred tax liabilities	21	41		24	
Total non-current liabilities			256		310
Loans and other financing obligations	30	126		124	
Derivatives	32	–		5	
Construction contracts	25	485		421	
Trade and other payables	35	1,508		1,506	
Employee benefits	33	19		11	
Provisions for associates and joint ventures	34	2		5	
Other provisions	34	40		43	
Income tax payable		26		13	
Liabilities held for sale	27	8		8	
Total current liabilities			2,214		2,136
Total equity and liabilities			3,605		3,574

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2017	2017	2016	2016
Cash flow from operating activities					
Result from continuing operations excluding minority interests		134		101	
Adjustments for:					
– Depreciation and impairment of property, plant and equipment	9	69		73	
– Amortisation and impairment of intangible assets	9	13		16	
– Proceeds from sale of property, plant and equipment		–4		–3	
– Result from the sale of participating interests	39	–26		–	
– Share of result, less dividend received, from associates and joint ventures	18	–2		9	
– Financial income	10	–21		–26	
– Financial expenses	10	17		52	
– Income tax	11	45		36	
– Share incentive	38	5		–	
Operating cash flow before changes in working capital and provisions			230		258
Changes in land, property classified as held for sale, inventories and construction contracts		166		64	
Changes in trade and other receivables		–120		–2	
Changes in trade and other payables		16		–9	
Changes in provisions and employee benefits		–6		–3	
			56		50
Cash (used in)/generated by operating activities			286		308
Interest paid		–14		–37	
Interest received		18		23	
Income tax paid		–16		–8	
Income tax received		–		–	
			–12		–22
Net cash (used in)/generated by from continuing operating activities			274		286
Net cash (used in)/generated by from discontinued operating activities	14		–7		4
Net cash (used in)/generated by from operating activities			267		290

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2017		2016	
Cash flow from investment activities					
Acquisition of subsidiaries, net of cash	15	–5		–15	
Investment in property, plant and equipment		–81		–70	
Investment in intangible assets		–10		–11	
Proceeds from the sale of property, plant and equipment		18		9	
Granted borrowings		–71		–52	
Repayments of borrowings		83		41	
Investments in other financial assets	20	–4		–	
Other changes in financial fixed assets		–8		–5	
Acquisition transaction under common control	15	–		–109	
Proceeds from sale of subsidiaries, net of cash		30		–	
Net cash (used in)/generated by continuing investment activities			–48		–212
Net cash (used in)/generated by discontinued investment activities	14		–		133
Net cash (used in)/generated by investment activities			–48		–79
Cash flow from financing activities					
Receipts from non-current loans and borrowings		51		91	
Repayment of non-current loans and borrowings		–45		–224	
Payment arising from financial lease liabilities		–10		–18	
Dividends paid to shareholders of the Company	13	–106		–	
Other movements		–		–1	
Net cash (used in)/generated by continuing financing activities			–110		–152
Net cash (used in)/generated by discontinued financing activities	14		–		–21
Net cash (used in)/generated by financing activities			–110		–173

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2017	2016
Change in cash and cash equivalents			
Cash and cash equivalents as at 1 January		386	357
Effect of exchange rate differences on cash, cash equivalents and bank overdrafts		–11	–9
Net cash (used in)/generated by operating activities		267	290
Net cash (used in)/generated by investment activities		–48	–79
Net cash (used in)/generated by financing activities		–110	–173
Cash and cash equivalents as at 31 December		484	386
Composition of cash position as at 31 December			
Cash and cash equivalents	28	494	412
Bank overdrafts	30	–10	–26
Total cash and cash equivalents as at 31 December		484	386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

			Legal reserves			Other reserves					
	Issued share capital	Share premium reserve	Translation reserve	Hedge reserve	Other legal reserves	Actuarial reserve	Other reserves	Result for the year	Total	Minority interests	Total group equity
Balance as at 1 January 2017	1	1,278	17	–24	–	–7	–288	139	1,116	12	1,128
Comprehensive income for the financial year											
Result for the financial year	–	–	–	–	–	–	–	135	135	16	151
Other comprehensive income for the financial year	–	–	–29	8	–	–4	–	–	–25	–	–25
Total comprehensive income for the financial year	–	–	–29	8	–	–4	–	135	110	16	126
Appropriation of profit for 2016	–	–	–	–	–	–	139	–139	–	–	–
Dividends	–	–106	–	–	–	–	–	–	–106	–14	–120
Acquisition of minority interests that do not lead to a change of control	–	–	–	–	–	–	–1	–	–1	–1	–2
Transfer from retained earnings	–	–	–	–	4	–	–4	–	–	–	–
Share based payments by the majority shareholder	–	5	–	–	–	–	–	–	5	–	5
Other movements	–	–	–	–	–	–	–	–	–	–2	–2
Balance as at 31 December 2017	1	1,177	–12	–16	4	–11	–154	135	1,124	11	1,135

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in millions of euros

			Legal reserves			Other reserves					
	Issued share capital	Share premium reserve	Translation reserve	Hedge reserve	Other legal reserves	Actuarial reserve	Other reserves	Result for the year	Total	Minority interests	Total group equity
Balance as at 1 January 2016	–	723	8	–21	1	–5	–387	107	426	11	437
Comprehensive income for the financial year											
Result for the financial year	–	–	–	–	–	–	–	139	139	2	141
Other comprehensive income for the financial year	–	–	9	–3	–	–	–	–	6	–1	5
Total comprehensive income for the financial year	–	–	9	–3	–	–	–	139	145	1	146
Appropriation of profit for 2015	–	–	–	–	–	–	107	–107	–	–	–
Conversion subordinated loans	1	555	–	–	–	–	–12	–	544	–	544
Transfer to retained earnings	–	–	–	–	–1	–2	3	–	–	–	–
Other movements	–	–	–	–	–	–	1	–	1	–	1
Balance as at 31 December 2016	1	1,278	17	–24	–	–7	–288	139	1,116	12	1,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Reporting entity
Koninklijke VolkerWessels NV has its registered office in Rotterdam, the Netherlands with its head office located at Podium 9, Amersfoort, the Netherlands. At 12 May 2017, VolkerWessels BV changed her articles of association and the legal form has changed from a private company (BV) to a limited company (NV). At the same date Koninklijke VolkerWessels NV was listed on Euronext Amsterdam. The Chamber of Commerce number of Koninklijke VolkerWessels NV is 34270985. Before the listing on Euronext Amsterdam the shares of the Company were solely held by Reggeborgh Holding BV, the ultimate parent company. After the listing Reggeborgh Holding BV is still the majority shareholder.

The consolidated financial statements of the Company for the 2017 financial year comprise the Company and its subsidiaries (collectively referred to as 'VolkerWessels' or 'the Company' or 'the Group').

VolkerWessels is the preferred partner for its stakeholders to shape a sustainable society in terms of construction, transport, energy and communications.

Group relationships
The Group consists of a closely related group of operating companies of which Koninklijke VolkerWessels NV, based in Amersfoort, acts as head of the Group. The home markets are located predominantly in the Netherlands, United Kingdom, North America and Germany.

An overview of the Group and its subsidiaries has been filed separately with the Chamber of Commerce in accordance with Article 379 of Book 2 of the Dutch Civil Code.

2 Significant accounting principles

2.1 Statement of compliance
These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations that were issued by the IFRS Interpretations Committee ('IFRIC') as endorsed by the European Union as applicable for financial years commencing on 1 January 2017. These financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable.

The policies have been consistently applied to all the years presented, unless stated otherwise. Certain comparative figures have been reclassified to conform to current year presentation.

2.2 Basis of preparation
Historical cost or fair value
These financial statements have been prepared on historical cost bases, with the exception of the following material assets and liabilities:
- derivative financial instruments are shown at their fair value;
- assets held for sale and groups of assets that are divested are valued at the lower of book value and fair value after deduction of estimated sale costs;
- plan assets related to defined benefit obligations are valued at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that process is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are in the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:
- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liability, either directly or indirectly; and;
- Level 3: inputs are unobservable inputs for the assets of liability.

Use of estimates and judgements
The preparation of the financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of principles and reported values of assets and liabilities, and of income and expenses. Based on past experience the Group makes estimates and

assumptions with regard to the future, that could reasonably be expected to occur. The outcome may differ from these estimates.

The estimates and underlying assumptions are constantly re-evaluated. Revisions of accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation uncertainty and critical assessments in the application of the accounting principles are particularly important if they have a significant impact on the amounts included in the financial statements.
The Group acknowledges the following areas:
- the valuation of trade receivables;
- the percentage of completion of construction contracts and the expected costs and revenue to complete the construction contracts;
- the height of potential liabilities arising from guarantees, claims, legal cases, and environmental and remediation costs;
- the useful life estimate of assets;
- fair value measurements and valuation processes.

The nature of the judgements and estimates including the assumptions are included in the notes of the related accounts if they contribute to the presentation requirements of IAS 1.122 and IAS 1.125.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in euros (€), which is the Group's presentation currency.

Transactions in foreign currency

Transactions in foreign currency are translated into euros at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into euros as at the reporting date at the exchange rate prevailing on that date. The differences that arise from the translation are recognised in the income statement. Non-monetary assets and liabilities that are denominated in a foreign currency and valued on the basis of historical cost are translated at the exchange rate on the transaction date.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at the exchange rate valid on the reporting date. Revenues and expenses of foreign operations are translated into euros at the rate which approximates to the exchange rate on the transaction date. Currency translation differences are included directly in the translation reserve. When a foreign operation is wholly or partially sold, the corresponding amount is transferred from the translation reserve to the income statement.

Currency rates

The euro exchange rate against the significant currencies for the Group are as follows:

	Average exchange rate		Closing rate	
	2017	2016	2017	2016
GBP	1.14	1.22	1.13	1.17
CAD	0.68	0.68	0.66	0.71

Segment information

Operational segments are reported in line with the internal reporting provided to the Management Board. The Management Board considers the business from a geographical perspective and identifies Construction & Real Estate Development the Netherlands, Infrastructure the Netherlands, Energy & Telecoms Infrastructure the Netherlands, United Kingdom, North America and Germany as operating segments. In the Netherlands the segments are based on the nature of the activities.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables and payables, and financial derivatives. For the accounting principles for primary financial instruments, reference is made to the recognition per balance sheet item.
The Group uses derivative financial instruments to hedge interest rate risks and foreign exchange risks arising from its operating, financing and investment activities. In accordance with its treasury policy the Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are measured at fair value. The gain or loss from revaluation to fair value is recognised immediately in the income statement. However, if derivatives qualify for hedge accounting, the recognition of any result, gain or loss, depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the exposure to the variability of cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and shown in the hedging reserve in equity.

Any ineffective portion of changes in the fair value of the derivative instrument is incorporated directly in the income statement. If the expected transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the related cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. If a hedge of an expected transaction results in the recognition of a financial asset or liability, then the associated gains or losses, which were recognised directly in equity, are transferred to the income statement in the same period or periods in which the asset acquired or the liability assumed affects the income statement.

If a hedge instrument no longer satisfies the conditions for hedge accounting or is sold, terminated or exercised, hedge accounting is prospectively terminated. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss that is recognised in equity is immediately transferred to the income statement.

Hedging of monetary assets and liabilities

Where a derivative financial instrument is used as an economic hedge for the currency exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is accounted for in the income statement.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability or direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If deemed necessary, the accounting policies of consolidated subsidiaries and other entities are revised in accordance with the Group accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

The consolidated financial statements of the Group include the financial data of companies belonging to the Group and other legal entities over which control can predominantly be exercised. The Group has control over an entity if the Group is exposed to, or has the rights to variable returns from its involvement with the entity and is able to use its power to affect the amount of the investor's returns. Subsidiaries and other entities over which the Group has control, are fully consolidated from the date on which control is transferred to the Group. The non-controlling interest in equity and comprehensive income is presented separately.
The financial data of the subsidiaries and other entities included in the consolidation have been included in full, to the exclusion of intercompany relationships, intercompany profit and intercompany receivables and liabilities between subsidiaries and other entities included in the consolidation, to the extent that the results are not realised by a third party outside the Group. Unrealised losses on intercompany transactions are eliminated unless they concern impairments.

Acquisitions and disposals of subsidiaries
The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred to and the liabilities incurred by the former shareholders of the subsidiary. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Subsequent changes to the fair value of a contingent consideration that is deemed to be an asset or liability are recognised in the income statement.

The acquisition of subsidiaries by the Group is accounted for using the acquisition method.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Transaction costs are directly recognised in the income statement. Non-controlling interests that are acquired are accounted for as transactions with shareholders in their capacity as shareholders and for such transactions no goodwill is recognised.
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amount recognised at that date

Investments in joint arrangements
Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations.

Joint ventures are joint arrangements whereby the Group and other parties that have joint control over the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have contractually agreed that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture. Joint ventures are accounted for using the equity method. This method is explained in the paragraph related to associates.

Joint operations are joint arrangements whereby the Group and other parties that have joint control over the arrangement have rights to the assets and obligations for the liabilities, relating to the joint operation. The Group recognises its share in the joint operations' individual revenues and expenses, assets and liabilities and combines it on a line-by-line basis with corresponding items in the Group's financial statements.

Investments in associates
Associates are those entities over which the Group exerts significant influence on, but no control over the financial and operating policy. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in other comprehensive income is reclassified to the income statement, where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and

its carrying value and recognises the amount in the income statement.
Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor interests in the associates.
Unrealised losses are eliminated unless the transaction provides evidence of an impairment on the asset transferred.

The result of associates and joint ventures after tax constitute part of the operating result. This provides a greater insight into the Group's result and is in line with common practice in the industry.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the shareholders in their capacity as shareholders.
The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

If the Group ceases to have control over an entity, any retained interest in the entity is remeasured to fair value at the date when control is lost, with the change in carrying amount recognised in the income statement.
The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or other financial asset. Amounts previously recognised in other comprehensive income are reclassified to profit or loss.
Deconsolidation occurs when the Group no longer controls a subsidiary.

3 Application of new and revised International Financial Reporting Standards and interpretations

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2017. These standards and interpretations have not been applied in preparing these consolidated statements.

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 and addresses the classification and measurement of financial instruments, including a new expected credit loss (ECL) model for calculating impairment on financial assets and new general requirements for hedge accounting.

Impact

Classification and measurement

The Group does not expect that the changes in classification and measurement requirements of IFRS 9 will have a significant impact on its balance sheet or equity. All financial assets and liabilities will be classified on the same bases as currently adopted under IAS 39.

Impairment

IFRS 9 requires the Group to recognise loss allowances for expected credit losses for financial assets measured at cost (loans and trade receivables), lease receivables, contract assets, loan commitments and financial guarantee contracts to which the impairment requirements from IFRS 9 apply. The Group will apply the simplified approach and assess lifetime expected losses on all trade receivables.
The Group has determined the impact on equity, which is expected to be limited, being the additional impairment loss on trade receivables when applying the lifetime expected loss model.

Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.
As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

Mandatory application date

The standard is effective for accounting periods beginning on or after 1 January 2018 (early adoption is permitted). The Group will adopt the standard as from 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts and related interpretations, including IFRIC 15, Agreements for the construction of real estate.
The core principle of IFRS 15 is that revenue has to be recognised based on the transfer of control of the promised goods or services to customers. The amount of revenue should be based on the consideration to which the entity expects to be entitled for those goods or services. IFRS 15 includes a five-step approach for revenue recognition. IFRS 15 also contains additional disclosure requirements for the assumptions applied and estimates made.

Impact

During the second half year of 2017 management has performed an impact assessment to assess the effects of applying the new standard on the group's financial statements. VolkerWessels is currently in the process of

finalizing this impact assessment and will calculate the impact on the accumulative revenue relating to their contracts as per 1 January 2018 during the first quarter of 2018.
IFRS 15 includes different guidance relating to a number of areas. For example relating to contract modifications, performance obligations, variable considerations, revenue recognition at a point in time or over time, progress measurement, etc. However, based on the current status of the impact assessment we do not expect a major impact of IFRS 15 on the financial statements 2018. We summarized the main results of our impact assessment below:

Performance obligations
IFRS 15 requires to identify the performance obligations included in contracts with customers and to allocate the contract price to the performance obligations on the basis of the relative standalone selling price of the performance obligations. For the contracts in which VolkerWessels identified multiple performance obligations (for example build and maintenance contracts) applying the allocation guidance of IFRS 15 does not result in revenue recognition that materially differs from the current IFRS standards.

Revenue recognition at a point in time or over time
IFRS 15 includes new guidance to determine whether revenue should be recognised at a point in time or over time. For construction contracts, VolkerWessels currently applies the percentage of completion method in accordance with IAS 11. No construction contracts have been identified where revenue cannot be recognised over time as these contracts mainly relate to assets which are controlled by the customer or to assets which do not have an alternative use to VolkerWessels and VolkerWessels has a right to payment for work to date.

Progress measurement
IFRS 15 distinguishes input methods and output methods for measuring progress. VolkerWessels expects to measure progress of most contracts based on costs (input measure), quantity surveys or milestones (output measures), depending on the nature of the contract. When using costs to measure progress, costs which do not result in progress in transferring control of goods or services to the customer have to be excluded. Examples are costs for mobilization of equipment on a construction site or uninstalled materials. This results in a postponed recognition of revenue and expenses.
The impact of these changes do not result in a material impact on the financial statements.
Also costs that relate to significant inefficiencies (wasted materials, labour or other resources) have to be excluded from the progress measurement. As for projects with significant inefficiencies provisions already have been recognised, no material impact is identified.

Onerous construction contracts
IAS 11 contained specific requirements on the costs an entity includes and does not include in identifying, recognising and measuring an onerous construction contract. In contrast, IFRS 15 does not include such requirements. Based on requests for clarification the IFRS Interpretations Committee decided to start a project to clarify the meaning of the term 'unavoidable costs' in the IAS 37 definition of an onerous contract. Awaiting this clarification, VolkerWessels has taken the position that the unavoidable costs in measuring onerous construction contracts are in line with the existing IAS 11 requirements.
Based on IAS 11 an expected loss shall be recognised as an expense immediately, when it is probable that total contract costs will exceed total contract revenue, whereas IAS 37 requires to consider the wider 'economic benefits'. Based on the difference between contract revenue and the wider economic benefits, it is not considered defendable to account for a provision at contract inception. VolkerWessels has assessed the impact of this difference on the opening balance sheet as per 1 January 2018 and no material impact is identified.

Variable considerations
IFRS 15 includes changed guidance relating to the accounting for variable considerations. The variable considerations of VolkerWessels mainly relate to variation orders on projects for which the price negotiations have to be finalized, claims on customers and bonus and penalty clauses. Based on VolkerWessels' impact assessment, the measurement of variable considerations will not materially change based on IFRS 15.

Significant financing component
IFRS 15 includes more detailed guidance relating to the accounting for significant financing components in construction contracts. Taking into account the application of the practical expedient when the period between the payment and delivery of promised goods or services is shorter than one year, no material impact is identified.

Mandatory application date
The standard is effective for accounting periods beginning on or after 1 January 2018 (early adoption is permitted). The Group will adopt the standard as from 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance including IAS 17 and introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard allows exemptions for on-balance sheet recognition for short-term contracts and products of low value.

Impact

VolkerWessels is currently assessing the impact of IFRS 16 and expects an increase in assets and liabilities.

Additionally, the nature of expenses will change from other operating costs to depreciation and interest costs. Consequently the Group expects an increase in EBITDA with a limited impact on net result.

Mandatory application date

The standard is effective for accounting periods beginning on or after 1 January 2019 (early adoption is permitted). The Group will adopt the standard as from 1 January 2019.

4 Accounting policies

a Accounting policies for assets and liabilities

Intangible assets

Intangible assets are valued at historical cost after deduction of accumulated amortisation and any impairments. Amortisation is calculated on a straight-line basis as a percentage of the purchase cost. The expected useful life and the amortisation method are reviewed each reporting period.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For associates and joint ventures, the book value of goodwill is included in the book value of the investment.
Goodwill is valued at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and not systematically amortised.

Other intangible assets

Acquired intangible assets with a finite useful life, are valued at cost less cumulative amortisation and cumulative impairment losses.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure after initial recognition

Expenditure on intangible assets, excluding goodwill, is capitalised after initial recognition only if it is expected that this will increase future economic benefits. These benefits are embodied in the specific asset to which the expenditure relates. All other expenditure is recognised in the income statement when it is incurred.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life of the intangible assets, unless this life is indefinite. Amortisation commences as soon as the assets are ready for use. The estimated useful economic life is as follows:

Software	3 – 10 years
Customer files/contracts	5 – 10 years
Brands	10 years
Capitalised development costs	5 – 10 years

Property, plant and equipment

Owned assets

Property, plant and equipment are valued at cost less accumulated depreciation and any impairment losses. The cost includes costs directly attributable to the acquisition of the asset. The cost of self-constructed assets includes material costs, direct labour costs, financing costs and any other costs that are directly attributable to ensuring that the asset can be used. When property, plant and equipment consist of components with differing useful lives, the component approach is used.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are charged to the income

statement during the financial period in which they are incurred.
In the book value of an item of property, plant and equipment, the Group recognises the cost of replacing a portion of the asset where such costs are incurred. This happens when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably determined. All other costs are recognised in the income statement when they are incurred.

Land is not depreciated. Depreciation on other assets is, calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 30 years
Machinery and equipment	5 – 20 years
Other fixed operating assets	3 – 5 years

Property, plant and equipment acquired under a financial lease agreement are capitalised. Commitments arising from the financial lease agreement are accounted for as a liability.
The interest in future lease instalments is charged over the result over the term of the financial lease agreement.

The costs of future replacement are capitalised based on the component approach. Under this approach the total costs are allocated to the 'component assets'. Government grants on investments are deducted from the purchase price or manufacturing price of the assets to which the government grants relate.

A provision is taken into account for obligations to recover or remove assets after usage (demolition costs) for the expected amount at the moment of capitalisation. This amount is included in the carrying amount of the asset to which the provision relates.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the income statement.

Impairments on non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A test for impairment will also take place if there is an indication for impairment.

An impairment loss is the difference between the asset's carrying amount and its recoverable amount. An impairment loss is directly recognised as an expense.

The recoverable amount is the highest of an asset's fair value less costs of disposal and value in use. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Assets held for sale and discontinued operations
Immediately before classification as an asset held for sale, the valuation of assets (and all assets and liabilities of a disposal group) is brought in line with the relevant EU-IFRS standards. Subsequently, fixed assets and disposal groups, on initial recognition as held for sale, are valued at the lower of the book value and the fair value less the sale costs. Impairment losses on initial classification as held for sale are recognised as a loss in the income statement. Once recognised as held for sale, intangible assets and property, plant and equipment are not amortised or impaired.

Classification as discontinued operations occurs upon disposal or liquidation, or earlier, if the operations meet the criteria for classification as discontinued operations. The results of discontinued operations must be presented separately in the income statement and the comparative figures are adjusted accordingly. In the disclosures to the income statement the amounts are presented excluding the discontinued operations.

Financial fixed assets
The Group classifies financial assets in the following categories: loans and receivables and financial fixed assets carried at fair value with changes in fair value recognised in other comprehensive income.

Loans and receivables
Receivables and loans to subsidiaries and other receivables are recognised initially at fair value and subsequently at amortised cost after deduction of provisions deemed necessary.

Other non-current assets
Other investments comprise equity interests in entities where the Group has no control or significant influence. These investments are accounted for as securities available for sale and are recognised at fair value with changes in the fair value through other comprehensive income. Upon disposal the accumulated fair-value adjustments on the investments concerned are eliminated from equity and included in the income statement. If no reliable fair value can be determined, the remaining investment is valued at cost.
Dividends, as well as the book profit or book loss made on the sale of these other investments, are accounted for in the income statement.

Deferred tax assets

The deferred tax assets are stated under financial fixed assets if and to the extent it is probable that the tax claim can be realised in due course. These deferred tax assets are valued at nominal value and are long term by nature.

Land and property held for sale

Land and property held for sale are reported at the lower of cost and net realisable value.
Interest is not capitalised until the time at which planning permission is sought. A substantial period of time may elapse between the point of acquisition and the submission of the planning application.

The non-capitalisation of interest in this period reduces our risk profile on these positions. If no development and construction activities take place for an extended period, interest is no longer capitalised.
As soon as the building permit has been received and the construction activities have been started, the landbank positions will be transferred to property development or construction contracts.

Inventories

Inventories are valued at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventories is based on the first-in, first-out principle (FIFO) and includes expenses incurred in acquiring the inventories and related purchase costs. The cost of inventories of finished products includes a reasonable share of the indirect overhead based on normal production capacity.

Sand and gravel pits are valued at purchase price plus directly attributable costs.
A provision is made if there is a refurbishment obligation on the acquired sand or gravel pit.

Housing and other projects not covered by the definition of construction contracts are classified under inventories.

Construction contracts

Construction contracts are valued at cost plus the profit recognised to date less a provision for foreseeable losses and less progress billings. The cost includes all expenses directly related to specific projects and an allocation of fixed costs and variable indirect costs made in relation to the contract activities based on normal operating capacity.

The progress percentage applied consists of the proportion of recognised costs against the total expected costs for each individual project. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract cost incurred that is likely to be recoverable.

Pre-contract costs for major projects are capitalised under construction contracts when the project is awarded or if the Group is designated as preferred bidder.

For residential projects for which the transfer of risks and rewards is based on the stage of completion, revenue and costs are recognised in line with the stage of completion. These projects are included in the financial statements as the total of progress billings, costs, recognised profit in line with the stage of completion and expected losses.

Construction contracts includes projects resulting from property development, to the extent that an unconditional sale has been agreed upon for parts of the project before or during the construction.
If the amount of progress billings on a project is smaller than the costs incurred plus recognised profit, the balance is recognised in the statement of financial position under the current assets as construction contracts (due from customers). If the amount of progress billings on a project is greater than the costs incurred plus recognised profit, the balance will be recognised in the statement of financial position under the current liabilities as construction contracts (due to customers).

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost. At initial recognition the fair value and amortised cost price are equal to the nominal value.
If bad debts are certain, the impairment is deducted directly from the original receivable. The impairment is determined based on an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value. Cash and cash equivalents include cash at banks, cash in hand and bank deposits. The deposits have a residual term of no more than one month and are callable at any time. In the cash flow statement cash and cash equivalents comprises cash at banks, cash in hand and bank deposits including bank overdrafts.

Impairments of financial assets

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the effect of the event on the estimated future cash flows can be estimated reliably.

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statements.
If in a subsequent period the amount of the impairment loss decreases, a reversal of a previously recognised impairment loss is recognised in the income statement.

Equity

Share capital

Ordinary shares and preference shares are classified as equity. The preference shares are valued at nominal value increased with additional paid-in capital relating to these shares and unpaid dividends.

Reserves

The reserves consist of a share premium reserve, a translation reserve, a legal reserve for participating interests, a legal reserve for capitalised development costs an actuarial reserve and a hedge reserve.

Other reserves

These include the cumulative results from prior financial years net of the dividend set and changes in the legal reserves.

Minority interests

The share of third parties concerns the minority interests of third parties in total equity from consolidated entities.
The minority interests in the result of consolidated entities is presented separately in the balance sheet and income statement.
The entity shall attribute the total comprehensive income to the shareholders of the parent and to the minority interests even if this results in the minority interests having a deficit balance.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Non-current and current liabilities

Loans and liabilities are initially recognised at fair value and subsequently at amortised cost. Transaction costs that are directly attributable to the acquisition of long-term liabilities are included in the initial valuation. Non-current liabilities are valued at amortised cost after initial recognition, which is equivalent to the amount that includes any discount or premium, less transaction costs. The difference between the carrying value and redemption value is recognised as interest expense in the income statement over the period of the borrowings using the effective interest method.

Provisions

General

A provision is recognised in the statement of financial position if the Group has a legal or constructive obligation as a result of a past event, if it is likely that the settlement of such an obligation will require an outflow of resources, and if such obligation can be reliably estimated. If the effect of this is material, provisions are calculated by discounting the expected future cash flows using a discount rate before tax that reflects current market assessments of the time value of money and, where appropriate, the specific risks related to the liability. Interest accruals on the provision is recognised as a financial expense.

Provision for deferred tax liabilities

If the carrying amount of the asset exceeds the tax base, the amount of taxable economic benefits exceeds the amount that will be allowed as a deduction for tax purposes.
The difference is recognised as a deferred tax liability based on the total of the differences multiplied by the applicable tax rate.
The deferred tax liability is deducted with carry forward losses to the extent that it is likely that fiscal profits will be available in the future for compensation.

Deferred taxes are recognised at nominal value.

Guarantee provisions

Guarantee provisions are recognised for the expected outflow of resources (costs) that will be required to settle the present obligation (i.e. guarantee obligations based on delivered goods and/or services) at balance sheet date. Granted guarantee claims are paid out of the guarantee provision.

Restructuring provision

Restructuring provisions are recognised if the Group has a detailed and formal restructuring plan and the restructuring has commenced or has been publicly announced. No provision has been made for future operating expenses.

Environmental and remediation costs

The provision for environmental and remediation costs is intended to cover possible expenditure on environmental modifications.

Provision for associates and joint ventures

If the Group's share in losses exceeds the carrying amount of the investment (including separately presented goodwill and other uninsured receivables), further losses will not be recognised, unless the Group has provided securities to the associate or joint venture, committed to liabilities or payment on behalf of the associate and joint venture. In that case, the excess will be provided for.

Decommissioning provision
Decommissioning provisions are recognised for the expected outflow of resources (costs) that will be required to settle the present obligation at balance sheet date related to restoration obligations.

Onerous contracts
A provision for onerous contracts is included in the statement of financial position if the economic benefits the Group expects to derive from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Employee benefits

Defined contribution plans
For defined contribution plans, the Group pays contributions on a mandatory, contractual or voluntary basis to pension funds or insurance companies. Apart from the payment of premiums, the Group has no obligations. Obligations concerning contributions to pension schemes based on defined contributions are recognised as an expense in the income statement when the contributions are due.

Defined benefit plans
Defined benefit plans are all post-employment benefit plans other than defined contribution plans.
The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have accrued in return for their service in current and prior periods. The present value of these benefits is determined and the fair value of the plan assets is deducted from this. The discount rate is the yield, at the reporting date, of high-quality corporate bonds where the maturity date is approaching that of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. This method takes into account future salary increases as a result of career opportunities for employees and general wage developments including adjustments for inflation. If the pension entitlement under a plan improves, the portion of the increased pension entitlement that relates to past service by employees is recognised directly as an expense in the income statement.

The Group recognises all remeasurements related to defined benefit plans in other comprehensive income. These remeasurements comprise: actuarial gains and losses, the return on plan assets (excluding amounts included in net interest) and any change in the effect of the asset ceiling (excluding amounts included in net interest).

Other non-current employee benefits
The Group's net liability in respect of non-current employee benefits, other than pension schemes, is the amount of future entitlements, such as long-service awards, bonuses and ex gratia payments that employees have earned in exchange for their service during the reporting period and previous periods. The liabilities are calculated using the projected unit credit method and are discounted to net present value.
The discount rate is the yield at the reporting date of high quality corporate bonds where the maturity date is approaching that of the Group's obligations.
Any actuarial gains or losses are recognised in the income statement in the period in which they occur.

Trade and other payables

Trade and other payables are valued at amortised cost. The initial recognition is at fair value less attributable transaction costs.

b Accounting policies for the determination of the result

Revenue recognition

Construction contracts
If the outcome of a construction contract can be estimated reliably and if it is probable that the contract will be profitable, contract revenue and costs are recognised in the income statement in proportion to the stage of completion of the project using the percentage of completion method. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that is likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and which can be estimated reliably.

Property development
The sale of property development is recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the balance sheet date and all conditions are fully satisfied by the date on which the contract is signed. Rental income from incidental operations in connection with property development is recognised in the income statement on an accruals basis.

The profit on the disposal of property development is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the reporting period including additions in the period and any residual commitments. Expected losses are directly recognised in the income statement.

If the buyer is able to specify major structural elements of the design of property development before construction begins and/ or specify major structural changes once construction is in progress, revenue is recognised in accordance with the milestones set out in the construction contract. In real estate property projects in which land has been legally transferred to the buyer, control and significant risks and rewards lie with the buyer as the construction progresses. Revenue is recognised over time accordingly.
If the Group transfers control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses to the buyer, revenue is recognised in accordance with the construction contracts. This may be the case in real estate property projects as from the moment that the land and buildings, have been legally transferred to the buyer.

Service and maintenance

Revenue in connection with service and maintenance comprises construction and/or upgrade activities as well as operating, maintenance and exploitation activities. Revenue from construction contracts and/or upgrade activities is recognised in accordance with the revenue recognition principles of construction contracts. Revenue from operating, maintenance and exploitation activities is recognised in the period in which the related services are rendered.

Goods sold and services rendered

Revenue from the sale of goods is recognised when the most significant risks and benefits of ownership have been transferred to the buyer, which is the moment of delivery. Revenues generated through services rendered are recognised in the income statement in proportion to the stage of completion of the transaction on the reporting date. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. Expenditure related to these services is allocated to the same period.

Government grants

Grants to offset costs incurred by the Group are systematically recognised as revenue in the income statement in the same period in which the costs are incurred. Subsidies to compensate the Group for the costs of an asset are systematically recognised as revenue in the income statement over the useful life of the asset.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Lease agreements

At the inception of an agreement, the Group assesses if the agreement contains a lease. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease.

The Group leases certain property, plant and/ or equipment. Leases of property, plant and/ or equipment where the Group has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charge. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and/or equipment acquired under financial leases is depreciated over the shorter of the useful life of the asset and the lease term.

Financial income and expenses

The net financial result is the balance of financial expenses and income. Financial income includes interest income on invested funds, foreign currency gains, and the expected return on plan assets and results on hedging instruments that are recognised in the income statement. Financial expenses include interest incurred on borrowings calculated using the effective interest method, interest accruals for provisions, foreign currency losses and losses on hedging instruments that are recognised in the income statement.

Financing expenses that are directly attributable to the acquisition, construction or production of a qualifying asset must be attributed to all qualifying assets such as construction contracts.

Currency translation differences

Exchange differences arising on the settlement of monetary items shall be recognised in the income statement in the period in which they arise, unless hedge-accounting is applied.

Dividends

Dividends to be received from associates and other interests that are not accounted for based on the equity method are recognised when the Group has been granted the rights to the dividends.

Share-based payments arrangements
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line based over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share in the results of associated companies
The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Dividends from associates of which the Group has no significant influence over the financial and operating policy are recognised as result. These dividends are included in the results within financial income and expenses.

c Accounting policies for the statement of cash flows

The statement of cash flows is prepared using the indirect method.

The net cash position in the statement of cash flows consists of cash and cash equivalents, deposits and bank overdrafts. The deposits have a remaining maximum duration of one month and are available at all times.

Cash flows in foreign currencies are converted using the average exchange rate. Exchange rate differences on the net cash position are presented separately in the statement of cash flow.

Income tax, interest received and paid, and dividends received are included in the cash flow from operations.

The purchase price of acquisitions of subsidiaries is included in the cash flow from investing activities insofar as payments have taken place.
Cash and cash equivalents in the subsidiaries are deducted from the purchase price.

Non-cash transactions are not included in the statement of cash flows.

5 Segment information

Koninklijke VolkerWessels NV mainly operates in four geographical areas: the Netherlands (including Belgium), the United Kingdom, North America and Germany.
The segment 'Other' includes a real estate portfolio of which a large part is rented internally, facility management, holding companies and eliminations. Management primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments.

	The Netherlands							
	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2017								
External revenue	2,037	1,410	665	995	351	244	12	5,714
Intrasegment revenue	6	64	9	–	–	–	–79	–
Total revenue	2,043	1,474	674	995	351	244	–67 [1]	5,714
EBITDA	106 [4]	52	32	33	55	17	–22 [5]	273 [4/5]
Amortisation and depreciation	–18	–23	–2	–5	–19	–1	–14	–82
Operating result (EBIT)	88	29	30	28	36	16	–36	191
Net financial result								4
Result before tax								195
Income tax								–45
Result from discontinued operations (after income tax)								1
Result for the financial year								151
Total assets								3,605
Total liabilities								2,470
Investments in property, plant and equipment	15	38	5	7	13	–	3	81
Average number of employees	3,716	4,983	2,789	2,713	1,348	335	295 [2]	16,179
Order book[3]	2,831	1,568	1,005	1,213	828	684	–38 [1]	8,091

1 In revenue in 'Other' an amount of €–94 million is included regarding eliminations. In the order book in 'Other' an amount of €–98 million is included regarding eliminations.
2 Including discontinued operations. The total average number of employees of discontinued operations is: 49.
3 Unaudited non-GAAP information.
4 Includes €13 million third party result.
5 Includes €5 million share incentive charge.

	The Netherlands							
	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2016								
External revenue	1,934	1,310	639	1,071	317	207	12	5,490
Intrasegment revenue	12	61	10	–	–	–	–83	–
Total revenue	1,946	1,371	649	1,071	317	207	–71[1]	5,490
EBITDA	79	73	31	34	46	12	–21	254
Amortisation and depreciation	–19	–29	–2	–5	–17	–1	–16	–89
Operating result (EBIT)	60	44	29	29	29	11	–37	165
Net financial result								–26
Result before tax								139
Income tax								–36
Result from discontinued operations (after income tax)								38
Result for the financial year								141
Total assets								3,574
Total liabilities								2,446
Investments in property, plant and equipment	20	22	1	7	16	–	5	71
Average number of employees	3,627	4,900[2]	2,819[2]	2,590	1,223	334	292[2]	15,785
Order book[3]	2,737	1,562	1,151	1,176	886	667	–22[1]	8,157

[1] In revenue in 'Other' an amount of €-106 million is included regarding eliminations. In the order book in 'Other' an amount of €- 88 million is included regarding eliminations.
[2] Including discontinued operations. The total average number of employees of discontinued operations is: 55.
[3] Unaudited non-GAAP information.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

6 Revenue

	2017	2016
Construction contracts	4,212	4,260
Property development	673	496
Service and maintenance	674	567
Goods sold and services rendered	155	167
Total	5,714	5,490

7 Employee benefit expenses

	2017	2016
Wages and salaries	–938	–897
Social security costs	–148	–139
Pension costs – defined contribution plans	–87	–82
Pension costs – defined benefit plans	–	–
Total	–1,173	–1,118

At the end of 2017 the Group had 16,001 employees expressed in FTE (2016: 15,714), of which 4,791 FTE (2016: 4,614 FTE) are working outside the Netherlands.
The average number of employees was 16,179 FTE (2016: 15,785), of which 4,970 FTE (2016: 4,723 FTE) are working outside the Netherlands.

Share incentive

In 2017, a total amount of €4.6 million for the share incentive plan for the members of the Management Board including other managers was charged to the income statement.

For more information on the share incentive plan, see note 38.

8 Other operating costs

Restructuring costs

A sum of €9 million (2016: €5 million) is included in employee benefit expenses and other operating costs for restructuring costs.

These costs relate mainly to organisational changes in the following segments:
- Construction & Real Estate Development;
- Infrastructure;
- Energy & Telecoms Infrastructure.

9 Depreciation/amortisation and impairment of property, plant and equipment and intangible assets

	2017	2016
Depreciation of property, plant and equipment	–69	–73
Impairment of property, plant and equipment	–	–
Total depreciation and impairment of property, plant and equipment	–69	–73
Amortisation of intangible assets (excluding goodwill)	–9	–11
Impairment on goodwill and other intangible assets	–4	–5
Total amortisation and impairment of intangible assets	–13	–16
Total	–82	–89

10 Financial income and expenses

	Note	2017		2016	
Financial income					
Interest income from non-current receivables		8		12	
Interest income from current receivables		8		9	
Capitalised interest on construction contracts		1		2	
Return on plan assets	26, 33	2		3	
Other financial income		1		–	
Exchange differences (positive)		1		–	
Total financial income			21		26
Financial expenses					
Interest expense for non-current liabilities		–9		–15	
Interest expense for current liabilities		–5		–10	
Interest expense for subordinated loans		–		–13	
Interest accrual on provisions		–1		–2	
Exchange differences (negative)		–		–5	
Interest on employee benefits obligations	33	–2		–2	
Other financial expense		–		–5	
Total financial expenses			–17		–52
Net financial result			4		–26

An average interest rate of 2% was used during the financial year (2016: 2%) to calculate the interest to be recognised on construction contracts.

11 Income tax

	2017	2016
Current income tax expense		
Current year	–23	–18
Adjustments for previous years	–2	–
Total current income tax expense	–25	–18
Deferred income tax expense		
Related to temporary differences	–21	–18
Change in tax rate	–1	–
Write down or reversal of write down of deferred tax asset	2	–
Total deferred income tax expense	–20	–18
Total income tax	–45	–36

The effective tax rate is 23.1% (2016: 25.9%).
The difference compared to the nominal tax rate in the Netherlands of 25% is caused by the following items:

	2017	2016
Result from continuing operations	150	103
Total income tax	45	36
Result (excluding income tax)	195	139
Tax calculated based on Dutch tax rate	49	35
Tax effects of:		
– Different tax rates in several countries	1	–
– Participation exemption	–8	–
– Impairment of goodwill	2	1
– Adjustments for previous years	–	1
– Investment schemes	–	–1
– Other differences	1	–
Effective tax	45	36
Effective tax rate (%)	23.1	25.9

Income tax directly recognised in other comprehensive income

2017	Before tax	Tax income (expense)	After tax
Effective portion of changes in fair value of cash flow hedges	4	–1	3
Actuarial gain (losses) on defined benefit pension plans	–5	1	–4
Total	–1	–	–1

2016	Before tax	Tax income (expense)	After tax
Effective portion of changes in fair value of cash flow hedges	5	–1	4
Actuarial gain (losses) on defined benefit pension plans	–	–	–
Total	5	–1	4

12 Earnings per share

	2017	2016
Weighted average number of ordinary shares in issue (x 1)	80,000,000	4,941,713
Net result attributable to shareholders (in million €)	*135	139
Basic earnings per share (in €)	1.69	28.11
Net result from continuing operations attributable to shareholders (in million €)	134	101
Basic earnings per share from continuing operations (in €)	1.68	20.45
Net result from discontinued operations attributable to shareholders (in million €)	1	38
Basic earnings per share from discontinued operations (in €)	0.01	7.66

Allowing for dilution, the earnings per share are as follows:

	2017	2016
Weighted average number of ordinary shares in issue (x 1)	80,000,000	4,941,713
Net result attributable to shareholders (in million €)	*135	139
Diluted earnings per share (in €)	1.69	28.11
Net result from continuing operations attributable to shareholders (diluted) (in million €)	134	101
Diluted earnings from continuing operations per share (in €)	1.68	20.45
Net result from discontinued operations attributable to shareholders (diluted) (in million €)	1	38
Diluted earnings from discontinued operations per share (in €)	0.01	7.66

* Including share incentive charge of €5 million.

In accordance with IAS 33, the earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:
- own shares held by group companies are deducted from the total number of ordinary shares in issue;
- the computation is based on daily averages.

Due to a share issuance at 21 December 2016, the total number of shares outstanding increased to 80,000,000. As a result, the average number of shares outstanding in 2016 amounted to only 4,941,713. As of 2017 the average number of shares outstanding is 80,000,000.

13 Dividends per share

The total dividends paid to shareholders of ordinary shares in 2017 amounts to €105.6 million (€1.32 per share). This consists of €83.2 million (€1.04 per share) dividend (paid in May 2017) in relation to prior year and €22.4 million (€0.28 per share) interim dividend for current year (paid in November 2017).
The total dividends paid to shareholders of ordinary shares in 2016 amounts €0 million (€0.00 per share). For more information see note 29.

14 Result from discontinued operations

Discontinued operations includes:
- road activities in Germany (as from 2011);
- Volker Construction International and Volker Stevin Construction Europe (as from 2014);
- offshore activities (as from 2016).

Result from discontinued operations

	2017	2016
Revenue	9	15
Depreciation and impairment of property, plant and equipment	–1	–1
Amortisation and impairment on intangible assets	–	–
Other operating costs	–3	–25
Share in result of associates and joint ventures	–1	–2
Share in result of investments	–	–
Net financial result	–2	–
Result from operating activities	2	–13
Income tax	–1	2
Result from operating activities, after tax	1	–11
Book profit on sale of discontinued operations	–	46
Income tax gain on sale of discontinued operations	–	3
Result from discontinued operations after income tax	1	38

The result from discontinued operations after income tax amounting to €1 million (2016: €38 million) is fully attributable to the shareholders of the Company.

Cash flow from discontinued operations

	2017	2016
Profit after tax for the financial year	1	38
Adjustments for:		
– Depreciation and impairment of property, plant and equipment	–	1
– Amortisation and impairment on intangible assets	–	38
– Result from the sale of participating interests	–	–85
– Share of result, less dividend received, from associates and joint ventures	1	5
– Financial expenses	2	–
– Income tax	1	–5
Operating cash flow before changes in working capital and provisions	5	–8
Changes in land, property classified as held for sale, inventories and construction contracts	–2	2
Changes in trade and other receivables	1	4
Changes in trade and other payables	2	2
Changes in provisions and employee benefits	–13	5
Cash (used in)/generated by discontinued operations	–7	5
Income tax paid	–	–1
Income tax received	–	0
Net cash (used in)/generated by discontinued operations	–7	4
Cash flow from investment activities		
Investment in property, plant and equipment	–	–1
Other changes in financial assets	–	–1
Proceeds from sale of discontinued operations, net of cash	–	136
Other movements	–	–1
Net cash (used in)/generated by investment activities	–	133
Cash flow from financing activities		
Repayment of non-current loans and borrowings	–	–21
Net cash (used in)/generated by financing activities	–	–21
Net cash (used in)/generated in the financial year	–7	116

15 Acquisition of subsidiaries and minority interests

2017

In July 2017 VolkerWessels acquired 100% of the shares in Wareco BV in the Netherlands, a specialist engineering firm in watermanagement. The acquisition price amounted to €4.5 million, including a €0.5 million contingent consideration. In the takeover agreement a contingent liability is included for an additional payment to the seller in 2018 when it comes to achieving some specific performance indicators. The fair value of the assets and liabilities at the acquisition date amounts to €2.8 million. Goodwill amounting to €1.7 million has arisen as a result of the transaction in connection with the acquired workforce, the synergy benefits to be achieved, the revenue growth that can be realized and the future expected market developments in the Wareco expertise area. These benefits can not be identified separately from goodwill as they do not meet the criterion for the identification of (in)tangible fixed assets.

2016

In March 2016 VolkerWessels acquired 80% of the shares in Lakes District Maintenance LTD in Canada, a highway road and bridge maintenance company.
The acquisition price amounted to €16 million, including a €4 million contingent consideration. The fair value of the assets and liabilities amounts to €16 million.
Acquisition-related costs of €1 million have been recognised in the income statement for the period ended 31 December 2016.
The amount of revenue and profit for Lakes District Maintenance LTD after obtaining control amounts to €19 million and €2 million, respectively. If the acquisition would have taken place on 1 January 2016, revenue and profit would have been €24 million and €3 million, respectively.

In December 2016 VolkerWessels acquired 94.88% of the shares of Kondor Wessels Holding GmbH.
The acquisition has been treated as a transaction under common control and predecessor accounting has been applied. The results and balance sheet of Kondor Wessels Holding GmbH are incorporated into VolkerWessels as if both entities had always been combined. The result is the retrospective consolidation of Kondor Wessels Holding GmbH from 1 January 2014, with €57 million (being the difference between the acquisition price of €109 million and the book value of €52 million as at 1 January 2014) having been deducted from the share premium reserve.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

16 Property, plant and equipment

2017	Land and buildings	Machinery and equipment	Other fixed operating assets	Property, plant and equipment under construction	Total property, plant and equipment
Balance as at 1 January 2017					
Cost	464	611	142	8	1,225
Accumulated depreciation and impairments	–211	–427	–99	–	–737
Book value	253	184	43	8	488
Changes					
Reclassification	2	–	2	–	4
Acquisitions	–	–	–	–	–
Deconsolidated	–	–	–	–	–
Investments	7	51	12	11	81
Disposals	–5	–5	–2	–	–12
Taken into use	–	15	–	–15	–
Depreciation	–17	–41	–11	–	–69
Foreign currency exchange differences	–3	–6	–	–	–9
Total changes	–16	14	1	–4	–5
Balance as at 31 December 2017					
Cost	458	647	136	4	1,245
Accumulated depreciation and impairments	–221	–449	–92	–	–762
Book value	237	198	44	4	483

No impairments were reversed in financial year 2017 nor in 2016.

For contractual obligations in respect of property, plant and equipment, see note 36.

Property, plant and equipment include assets which were financed by means of financial leases. The legal title to these assets is vested with third parties.
The related lease obligations are included in current and non-current liabilities.

Below is a summary of assets by category which are financed through financial lease agreements:

	31 Dec 2017
Land and buildings	–
Machinery and equipment	7
Other fixed operating assets	25
Total	32

	Land and buildings	Machinery and equipment	Other fixed operating assets	Property, plant and equipment under construction	Total property, plant and equipment
					2016
Balance as at 1 January 2016					
Cost	449	722	144	5	1,320
Accumulated depreciation and impairments	−197	−469	−104	–	−770
Book value	252	253	40	5	550
Changes					
Reclassification	3	−1	–	−1	1
Acquisitions	6	9	–	–	15
Deconsolidated	–	−72	–	–	−72
Investments	11	34	18	8	71
Disposals	−3	−3	–	–	−6
Taken into use	–	4	–	−4	–
Depreciation	−17	−42	−15	–	−74
Foreign currency exchange differences	1	2	–	–	3
Total changes	1	−69	3	3	−62
Balance as at 31 December 2016					
Cost	464	611	142	8	1,225
Accumulated depreciation and impairments	−211	−427	−99	–	−737
Book value	253	184	43	8	488

Below is a summary of assets by category which are financed through financial lease agreements:

	31 Dec 2016
Land and buildings	–
Machinery and equipment	13
Other fixed operating assets	27
Total	40

17 Intangible assets

2017	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2017				
Cost	658	21	29	708
Accumulated amortisation and impairments	–252	–11	–13	–276
Book value	406	10	16	432
Changes				
Investments	6	6	4	16
Acquisitions	–	1	2	3
Disposals	–	–	–	–
Amortisation	–	–4	–5	–9
Impairments	–4	–	–	–4
Foreign currency exchange differences	–1	–	–1	–2
Other changes	–	–	–	–
Total changes	1	3	–	4
Balance as at 31 December 2017				
Cost	664	31	33	728
Accumulated amortisation and impairments	–257	–18	–17	–292
Book value	407	13	16	436

2016	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2016				
Cost	718	22	23	763
Accumulated amortisation and impairments	–275	–10	–15	–300
Book value	443	12	8	463
Changes				
Investments	5	3	3	11
Acquisitions	–	–	12	12
Disposals	–38	–	–	–38
Amortisation	–	–4	–7	–11
Impairments	–5	–	–	–5
Foreign currency exchange differences	–	–1	1	–
Other changes	1	–	–1	–
Total changes	–37	–2	8	–31
Balance as at 31 December 2016				
Cost	658	21	29	708
Accumulated amortisation and impairments	–252	–11	–13	–276
Book value	406	10	16	432

No impairments were reversed in the financial year 2017, nor in 2016.

Impairment testing for cash-generating units to which goodwill has been allocated
Goodwill that is acquired in business combinations is allocated at the acquisition date to the cash generating units (CGUs) or group of CGUs expected to benefit from that business combination. The following segments have goodwill items:

	31 Dec 2017	31 Dec 2016
The Netherlands		
– Construction & Real Estate Development	106	106
– Infrastructure	113	111
– Energy & Telecoms Infrastructure	75	75
	294	292
United Kingdom	49	49
North America	64	65
Germany	–	–
Total	407	406

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired.

The goodwill is tested for impairment by comparing the current book values of the assets (including allocated goodwill) of the cash-generating units with their net realisable value. The net realisable values are calculated based on projected cash flows, which in turn were based on forecasts of revenues and profit margins (after tax). The cash flows for the subsequent period after the fifth consecutive year were extrapolated using annual growth of 2%. The forecasts are based on past experiences and expectations about the market and developments in the different segments. The estimated cash flows are discounted at a discount rate of 8% before tax that reflects the current market situation, the time value of money and the risks attached to the asset.

There are no significant differences in the growth rate and discount rate per segment.
The Company believes that any reasonably possible change in the key assumptions on which recoverable amount is based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating units.

There were no changes with regard to acquisitions made up to and including 2017 and 2016.

18 Investments in associates and joint ventures

Investments in associates and joint ventures recognised in the balance sheet are as follows:

	31 Dec 2017	31 Dec 2016
Associates	62	55
Joint ventures	64	78
Total	126	133

Associates and joint ventures
The associates and joint ventures with an equity value, or total assets, or total revenue of > €12.5 million (our share) were:

2017
OpenIJ holding BV, SAAone holding BV, Naober 18 holding BV, WEVI BV, Amsterdam Airport Hotel Owner BV, Traffic Service Nederland BV, Laagraven Investment BV, Consortium Frankemaheerd CV and Park Strijp CV.

2016
OpenIJ holding BV, SAAone holding BV, Naober 18 holding BV, WEVI BV, Amsterdam Airport Hotel Owner BV, Amsterdam Waterfront BV, Traffic Service Nederland BV, Ontwikkelingsmaatschappij KIBO BV, Laagraven Investment BV and Park Strijp CV.

No associate or joint venture is individually material to the Group, therefore no financial information is disclosed separately.

In 2017 the Group received €11 million in dividend payments from investments in associates and joint ventures (2016: €15 million).
The associates and joint ventures include participating interests in which the Group holds less than 20% of the potential voting rights, but in which the Group exercises significant influence through its seats on the Management Boards and/or Supervisory Boards.
For a number of participating interests there are substantial restrictions on the transfer of funds. These mainly relates to general restrictions (i.e. negative equity; no majority of the voting rights). In addition this concerns provisions requiring repayment of external debt to take precedence over dividends.

The total amount invested in associates and joint ventures includes €6 million goodwill (2016: €8 million). No impairment was recognised on this goodwill in 2017, nor in 2016.

To recognise the financial results of associates and joint ventures in a timely manner in the Group's financial reports, the cooperating entities have decided to adapt the financial year of these partnerships. The financial year of such partnerships often runs from 1 December to 30 November.

The share in the assets, liabilities, revenue and results of associates and joint ventures is as follows:

31 December 2017

	Current assets	Fixed assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	54	123	47	109	21	91	–79	12
Joint ventures	290	179	–24	268	225	201	–200	1
	344	302	23	377	246	292	–279	13
Netting by parent company of receivable on associate/joint venture with a negative equity value			84					
Goodwill of associates and joint ventures			6					
Total net investments in associates and joint ventures			113					
To assets held for sale			–					
To provision for negative participating interests			13					
			126					13
Result of associates and joint ventures of discontinued operations								–1
Result excluding discontinued operations								14

31 December 2016

	Current assets	Fixed assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	68	81	45	80	24	84	–73	11
Joint ventures	245	174	–30	220	229	165	–169	–4
	313	255	15	300	253	249	–242	7
Netting by parent company of receivable on associate/joint venture with a negative equity value			73					
Goodwill of associates and joint ventures			8					
Total net investments in associates and joint ventures			96					
To assets held for sale			–					
To provision for negative participating interests			37					
			133					7
Result of associates and joint ventures of discontinued operations								–2
Result excluding discontinued operations								9

19 Non-current receivables

	31 Dec 2017	31 Dec 2016
Non-current receivables from associates and joint ventures	51	46
Non-current receivables from third parties	34	54
Total	85	100

Non-current receivables from associates and joint ventures
Non-current receivables from associates and joint ventures relate mainly to finance provided to partnerships for the purpose of project development and delivery. These receivables have terms of less than five years and market interest rates are charged.

Non-current receivables from third parties
The item 'Non-current receivables from third parties' relates in particular to loans provided to clients to finance property development projects and loans issued to owners of certain land holdings who have agreed to sell these to VolkerWessels in the future.
The non-current receivables have terms of less than five years and market interest rates are charged.

No impairments or reversal of impairments were made in 2017 or 2016.

With regard to the non-current receivables from third parties, securities have been provided by the counterparties involved, e.g. in the form of a lien on shares and mortgage rights on the property and/or land for which the financing was provided.

20 Other non-current assets

	31 Dec 2017	31 Dec 2016
Investments	29	5
Total	29	5

Investments mainly relate to unlisted participating interests in which the Group does not have a significant influence, including an equity investment in a PPS project.

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities recognised in the statement of financial position
The net amount of deferred tax assets and liabilities resulting from temporary differences between the tax and commercial valuation of items in the statement of financial position and from the measurement of tax losses carried forward is composed as follows:

	Assets		Liabilities		Net	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Tax losses carried forward	40	40	–	–	40	40
Property, plant and equipment	2	2	–30	–34	–28	–32
Intangible assets	2	1	–1	–1	1	–
Financial fixed assets	3	6	–1	–	2	6
Land	1	21	–	–	1	21
Construction contracts	1	3	–9	–13	–8	–10
Derivatives	–	1	–	–	–	1
Employee benefits	2	2	–3	–2	–1	–
Provisions	1	2	–5	–10	–4	–8
Other items	11	15	–3	–3	8	12
Tax assets/(liabilities)	63	93	–52	–63	11	30
Netting of tax assets and liabilities	–11	–39	11	39	–	–
Net tax assets/(liabilities)	52	54	–41	–24	11	30

The opening balance of the tax losses carried forward in the Dutch fiscal unity amounts to €37 million. Operating results in 2017 have led to an amount of €22 million being recognised in the income statement. This decrease in the position has been largely offset by a tax agreement reached on losses incurred in the past on land positions, which were already valued as temporary differences, for an amount of €20 million. The closing balance of the tax losses carried forward in the Dutch fiscal unity amounts to €36 million.

Deferred tax assets not recognised in the statement of financial position

	31 Dec 2017	31 Dec 2016
The Netherlands	2	–
Foreign markets	16	20
Total	18	20

The deferred tax assets not recognised in the statement of financial position must be offset within the following financial years:

	31 Dec 2017	31 Dec 2016
Offset before or no later than in 2017	–	–
Offset before or no later than in 2018	–	–
Offset before or no later than in 2019	–	–
Offset before or no later than in 2020	–	–
Offset after 2020 but not without time limit	4	4
Can be offset unlimited	14	16
Total	18	20

	31 Dec 2017	31 Dec 2016
Deferred tax assets:		
– Maturity longer than 1 year	18	16
– Maturity less than 1 year	34	38
	52	54
Deferred tax liabilities:		
– Maturity longer than 1 year	−27	−21
– Maturity less than 1 year	−14	−3
	−41	−24
Net deferred tax assets and liabilities	11	30

The recognition of deferred tax assets and liabilities is as follows:

	2017	2016
As at 1 January	30	48
Recognised in the income statement	−18	−16
Recognised in other comprehensive income	–	−1
Changes income tax rate	−1	–
Exchange differences	–	−1
As at 31 December	11	30

22 Land

	31 Dec 2017	31 Dec 2016
The Netherlands	184	208
Foreign markets	9	22
Total	193	230

This item mainly relates to land acquired in order to be developed as a construction site in the near future.

Each year, the Group analyses the property holdings in the Netherlands and in the foreign markets. These analyses focus on the riskiest positions, mainly in land and land developments, and are based on current expectations in respect of development potential, the development period and the price level.

The positions as included in the landbank in the Netherlands are spread throughout the country and includes the landbank of consolidated joint operations. The Group also owns land positions in joint ventures which are not consolidated.

The land shown as 'foreign markets' is located mainly in the United States.

No impairments or reversal of impairments were made in 2017, nor in 2016.

23 Property held for sale

	31 Dec 2017	31 Dec 2016
Leased	43	59
Unleased	33	81
Impairments	–7	–28
Total	69	112

Property held for sale includes a number of leased and unleased apartment buildings and houses.
The impairment charge in 2017 amounts to €1 million (2016: €0 million). No reversal of impairments were made in 2017, nor in 2016. The movement in impairment relates to projects that have been sold in 2017.

24 Inventories

	31 Dec 2017	31 Dec 2016
Property development in own management	175	170*
Raw materials and consumables	59	55
Finished goods and goods for sale	9	8
Provision for obsolescence	–2	–4
Total	241	229

* Year-end 2016 is adjusted in the line item 'Property development in own management' against 'construction contracts – property development on behalf of clients' (note 25) for €55 million, relating to Kondor Wessels Holding, which was acquired in December 2016.

In 2017 the Group recognised a write-down on raw materials and consumables, finished goods and goods for sale of €0 million (2016: €1 million).
In 2017 no reversal of the provision for obsolescence was recognised, nor in 2016.

25 Construction contracts

The split between work performed in respect of construction projects, service and maintenance projects and property development projects on behalf of clients is as follows:

31 December 2017	Construction projects	Service and maintenance projects	Property development projects on behalf of clients	Total
Cost, including result realised in proportion to progress, less provision formed	9,156	531	717	10,404
Progress billings	–9,246	–516	–717	–10,479
Total	–90	15	–	–75

31 December 2016	Construction projects	Service and maintenance projects	Property development projects on behalf of clients	Total
Cost, including result realised in proportion to progress, less provision formed	7,972	465	612	9,049
Progress billings	–7,928	–462	–612	–9,002
Total	44	3	–	47

The recognition on the balance sheet of construction contracts is as follows:

	31 Dec 2017	31 Dec 2016
Construction contracts		
Construction contracts due from customers (debit balance)	410	468
Construction contracts due to customers (credit balance)	–485	–421
Total	–75	47*

* Year-end 2016 is adjusted in the line item 'Construction contracts due from customers (debit balance)' against 'Inventories – property development in own management' (note 24) for €55 million, relating to Kondor Wessels Holding, which was acquired in December 2016.

A portion of construction contracts due to customers is advance finance provided by clients.

The composition of the progress billings is as follows:

	31 Dec 2017	31 Dec 2016
Composition of progress billings		
Instalments received	–10,005	–8,617
Outstanding instalments	–459	–366
Retained on instalments	–15	–19
Total	–10,479	–9,002

Advances received on projects to be started, as recognised under other liabilities, amounts to €8 million (2016: €6 million).

A degree of uncertainty about the estimates relating to the valuation of construction contracts and property development is inherent in the Company's operations, particularly with respect to the expected costs to complete the work and, consequently, the recognised profit or expected loss, respectively, in relation to the progress.

26 Trade and other receivables

	31 Dec 2017	31 Dec 2016
Trade receivables	639	584
Less allowance for doubtful debts	–17	–14
Net trade receivables	622	570
Receivables from associates and joint ventures	135	116
Current portion of non-current receivables	12	28
Amounts to be billed for completed projects	52	38
Receivable from majority shareholder	17	–
Other receivables	76	92
Prepayments and accruals	53	50
Total	967	894

Trade and other receivables are due within one year.

The receivable from the majority shareholder of €17 million as at 31 December 2017 relates to wage tax on the share incentive plan which is compensated by Reggeborgh Holding BV in full in 2018. For more information we refer to note 38.

Credit and currency risks as well as write downs associated with trade and other receivables (excluding construction projects) are discussed in note 40.

The age structure of trade receivables as at the reporting date is as follows:

	31 Dec 2017		31 Dec 2016	
	Gross	Provision	Gross	Provision
Not yet due	468	–	405	–
Overdue 1 to 60 days	119	–1	118	–
Overdue 61 to 180 days	26	–1	34	–1
Overdue 181 days to one year	4	–1	6	–2
More than one year	22	–14	21	–11
	639	–17	584	–14
Less allowance for doubtful debts	–17		–14	
Net trade receivables	622		570	

27 Assets and liabilities classified as held for sale

	31 Dec 2017	31 Dec 2016
Assets held for sale		
Non-current assets	–	–
Inventories	6	7
Construction contracts	2	–
Trade and other receivables	3	3
Cash and cash equivalents	1	–
Total	12	10
Liabilities held for sale		
Non-current liabilities	–	–
Current liabilities	8	8
Total	8	8

The assets and liabilities classified as held for sale relate to VRS Railway Industry BV. VRS Railway Industry BV is part of the Infrastructure segment and located in the Netherlands, the disposal is planned for the year 2018.

28 Cash and cash equivalents

	31 Dec 2017	31 Dec 2016
Deposits	59	39
Cash and bank balances	435	373
Total	494	412

Deposits have a residual term of no more than one month and are callable at any time.
The availability of an amount of €41 million is subject to a restriction (2016: €36 million). Of this amount, €26 million relates to restricted bank accounts (2016: €17 million).

29 Equity

For a numerical explanation of equity movements, see the consolidated statement of changes in equity.

Capital management
The policy of the Management Board is aimed at maintaining a strong equity position to uphold the confidence of shareholders, creditors, credit providers and the market and safeguard the future development of the Company's operations. The Management Board is focused on the return on capital employed in our Company.

Share capital
The authorised capital of the Company consists of 300,000,000 shares, divided into 150,000,000 ordinary shares and 150,000,000 preference shares, all with a nominal value of €0.01 per share. The total authorised capital amounts to €3,000,000. The issued share capital of €800,000 consists of 80,000,000 (2016: 80,000,000) ordinary shares with a nominal value of €0.01 each.

Share premium reserve
The share premium reserve comprises the excess received on shares issued above their nominal value.

Translation reserve
Exchange differences arising on translation of the equity of foreign participations are credited or charged directly to the translation reserve.
In 2017 the change amounted to €–29 million (2016: €9 million).

Other legal reserves
Other legal reserves consist of a legal reserve for participating interests and a legal reserve for capitalised development costs.

The legal reserve for participating interests consists of unappropriated results from participating interests, the distribution of which is subject to restrictions.

The legal reserve for capitalised development costs has been recognised for capitalised development costs in accordance with applicable legal provisions.

Hedge reserve
The hedge reserve comprises the cumulative change in the fair value of hedging instruments if the hedged transactions have not occurred or the hedged position has not yet been terminated.

Actuarial reserve
The actuarial reserve includes the cumulative change in the fair value of pension liabilities due to changes in actuarial valuations.

Proposed appropriation of the result
The 2017 result attributable to shareholders of the Company amounts €135 million. Excluding the share incentive charge of €5 million the result attributable to shareholders amounts €140 million. The proposal to the General Meeting of Shareholders is that a total dividend of €84.0 million will be paid out. In November 2017 an interim dividend of €22.4 million (€0.28 per share) has already been paid out. Subject to approval of the general meeting of shareholders in May 2018 the final dividend of €61.6 million will be paid out. The remaining result shall be recognised in other reserves.

The 2016 result attributable to shareholders of the Company amounts €139 million, of which €83.2 million has been paid out as dividend in May 2017 (€1.04 per share). The remaing result has been recognised in other reserves.

30 Loans and other financing obligations

This note contains information on the contractual provisions of the interest-bearing loans and other financing obligations of the Group, which are recognised at amortised cost. For more information on the risk incurred by the Group on interest and currency, see note 40.

	31 Dec 2017	31 Dec 2016
Committed credit facility	–	–
Other financing	154	148
Financial lease obligations	33	44
Bank overdrafts	10	26
	197	218
Repayment in coming year (including bank overdrafts)	–126	–124
Total	71	94

Committed credit facility
In December 2016 the Company and Volker Wessels Stevin Financial Services BV (VWS FS) as borrowers, entered into a €600 million committed credit facility (a revolving credit facility, the "RCF") under Dutch law. The RCF is provided by a syndicate of seven Dutch and non-Dutch lenders, being ABN AMRO Bank NV, BNP Paribas SA, Netherlands Branch, Coöperatieve Rabobank UA, Crédit Agricole Corporate and investment Bank SA, Belgium Branch, HSBC Bank Plc, ING Bank NV and MUFG Bank (Europe) NV.

The RCF is based on Loan Market Association investment grade documentation. Several Dutch asset companies guarantee the obligations of the borrowers under the RCF. No security other than these guarantees is provided. Interest under the RCF is based on EURIBOR (with a 0% floor) plus a margin (which is calculated according to a leverage grid ranging between 95 and 175 basis points, based on net debt to EBITDA ratio). The effective interest rate is approximately equal to the nominal interest rate. The RCF can be used by the Group for general corporate and working capital purposes (including acquisitions, capital expenditure, dividend distributions and interest expenses). The RCF also contains an uncommitted accordion feature which allows the Company to request an increase in the facility of up to €200 million. The RCF terminates on 31 January 2022.

The RCF contains customary mandatory prepayment events for a facility of this type including illegality, change of control and certain disposals (subject to agreed exceptions and thresholds). In addition, the RCF contains several market standard undertakings and default events, and includes the following financial covenants which are tested on a semi-annual basis on 30 June and 31 December (the 'test dates'):
- Leverage Ratio (being the ratio of consolidated total net recourse debt to consolidated LTM EBITDA) must be less than 2.75:1 at each test date; and
- Interest Cover Ratio (being the ratio of consolidated LTM EBITDA to the consolidated net interest expense) must be at least 5.00:1 at each test date.

The RCF stipulates that the Company may pay a dividend to its shareholders of up to 75% of its net result per financial year (the Basket'). A dividend exceeding that Basket may be paid provided that the projected Leverage on the first relevant test date after that dividend payment is expected to be less than 2.00:1. The dividend arrangement under the RCF also contains a carry forward arrangement for unused amounts in respect of a previous year where the dividend payment was less than the Basket. As at 31 December 2017 and as at 31 December 2016, VolkerWessels had no outstanding borrowings under the RCF.

Other financing
These loans were mainly drawn to finance land for property development and property development projects in progress and, where possible, were obtained on a stand-alone basis from several banks. At the balance sheet date an amount of €105 million (2016: €88 million) relates to non-recourse financing.
This non-recourse financing relates to securities held in the form of mortgages and liens on project-related land and/or buildings or future project results. The interest on these loans is mostly variable and based on Euribor plus a margin.

Uncommitted credit facilities
The Netherlands
The Group has three overdraft facilities in the Netherlands of €60 million in total, to support its cash management: an uncommitted overdraft facility of €30 million with ABN AMRO Bank NV, an uncommitted overdraft facility of €20 million with ING Bank NV and an uncommitted overdraft facility of €10 million with Coöperatieve Rabobank UA.

United Kingdom
In the UK, BNP Paribas SA, London Branch, has provided an uncommitted current account facility of GBP 10 million to VolkerWessels UK Ltd., a wholly-owned subsidiary of the Company.

North America
VolkerWessels has access to an uncommitted credit facility provided by HSBC of CAD 16 million with an annual seasonal limit increase to CAD 21 million from June to November and uncommitted lease facilities totaling CAD 16 million in Canada. In the US, Columbia State Bank has provided an uncommitted credit facility of USD 4 million to MidMountain Contractors Inc., a wholly-owned subsidiary of the Company.

Financial lease obligations
No financial lease agreements were concluded during the reporting year (2016: €11 million). These agreements are mainly for financing the purchase, replacement or expansion of plant and buildings and vehicles and special equipment in the Infrastructure segment.

The term of the financial leases are as follows:

	31 Dec 2017	31 Dec 2016
Less than 1 year	13	14
Later than 1 year and less than or equal to 5 years	20	30
More than 5 years	–	–
Future finance charges on financial leases	33	44

The present value of financial lease liabilities is as follows:

	31 Dec 2017	31 Dec 2016
Less than 1 year	13	14
Later than 1 year and less than or equal to 5 years	19	28
More than 5 years	–	–
Present value of financial lease liabilities	32	42

Supply chain finance
In the Netherlands, Coöperatieve Rabobank UA has provided a Supply chain finance facility of €45 million, allowing our suppliers access to their payments ahead of the contractual terms, reducing their need for working capital. At the balance sheet date an amount of €36.7 million (2016: €20.6 million) was used.

31 Reconciliation of liabilities arising from financing activities and net cash position

The table below details changes in the Company’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company’s consolidated statement of cash flows as cash flows from financing activities.

	Note	1 January 2017	Financing cash flows	Effect of changes in foreign exchange rates*	Changes in fair value*	Other changes	31 December 2017
Committed credit facility	30	–	–	–	–	–	–
Other financing	30	148	6	–1	–	1	154
Financial lease obligations	30	44	–10	–1	–	–	33
Bank overdrafts	30	26	–	–	–	–16	10
Derivatives	32	5	–	–	–5	–	–
Total		223	–4	–2	–5	–15	197

* These columns relate to non-cash changes.

Net cash position

	Note	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	28	494	412
Non-current loans and other financing obligations	30	–71	–94
Non-current derivatives	32	–	–
Bank overdrafts	30	–10	–26
Current loans and other financing obligations (excluding bank overdrafts)	30	–116	–98
Current derivatives	32	–	–5
Net cash position		297	189
Non-recourse financing		105	88
Net cash position adjusted for non-recourse financing		402	277

32 Derivatives

	31 December 2017		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–	–
Interest rate swaps – current	–	–	–
Total	–	–	–

	31 December 2016		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–	–
Interest rate swaps – current	–	–5	–5
Total	–	–5	–5

VolkerWessels' interest policy is designed to limit the influence of fluctuating interest rates on the Group's result and to optimise net interest expenses. To this end, part of the floating interest rate exposure in 2016 and 2017 was fixed by a floating-to-fixed interest rate swap of €250 million that expired in December 2017. In February 2018, the Company entered into a new interest rate swap for an amount of €250 million with a fixed interest rate of 0.38% and a floor of 0%. The maturity date of the swap is 31 January 2022.

A number of interest rate swaps were also arranged in associates and joint ventures (not consolidated), to hedge the interest rate risk on some project-related financing facilities.

33 Employee benefits

Employee benefits relate to defined benefit plans, long-service awards and other employee-related obligations. Their composition is as follows:

	31 Dec 2017	31 Dec 2016
Present value of unfunded schemes	–3	–4
Present value of funded schemes	–90	–90
	–93	–94
Fair value of the plan assets	83	89
Present value of net obligations	–10	–5
Other employee benefit obligations	–37	–50
Long-service award obligations	–16	–15
Total	–63	–70
Non-current portion	–44	–59
Current portion	–19	–11
Total	–63	–70

Other employee-related obligations concern a long term investment scheme for a particular group of employees that is payable more than one year after the reporting date, as well as obligations in Canada and the US.

Commitments for defined benefit plans in the Netherlands
Pension schemes apply to a number of group companies in the Netherlands with a commitment being included in the statement of financial position. These schemes have been closed to new entrants.

Defined contribution plans in the Netherlands
The vast majority of workers in the Netherlands participate in an industry-wide pension scheme or an insured scheme with an insurance company.

Below is a summary of the most significant industry-wide schemes within the Group:

Pensioenfonds voor de Bouwnijverheid and Pensioenfonds Metaal en Techniek (Dutch pension fund for the construction industry and Dutch pension fund for the metal and engineering industry)
Both funds carry an indexed career average pension scheme. These defined benefit plans are recognised as

defined contribution plans because the funds accounts are not designed to be able to identify the part of the pension liabilities and assets belonging to the Group. The Group is obliged to pay a pre-agreed contribution to these plans. The Group is not entitled to any surplus and is not liable for any deficit, except by future adjustments to the contribution rates. The coverage ratio of Pensioenfonds voor de Bouwnijverheid at 31 December 2017 was 115.2%, an increase of 9.8% compared to 31 December 2016. The coverage ratio of Pensioenfonds Metaal en Techniek at 31 December 2017 was 102.1%, an increase of 4.9% compared to 31 December 2016.

Spoorwegpensioenfonds (Dutch railway pension fund)

For accounting purposes, this scheme qualifies as a defined contribution plan. A distinguishing feature of this pension scheme is that the Group is obliged to pay a predetermined annual contribution to this fund. Once the agreed premium has been paid, the Group has no obligation to pay additional amounts in the event of a deficit in the fund. Likewise, VolkerWessels group companies are not entitled to any surpluses in the fund. The actuarial risks and investment risks are borne by the pension fund and its participants. The coverage ratio at 31 December 2017 was 112.7%, an increase of 10.0% compared to 31 December 2016.

Obligation to defined benefit plans in the United Kingdom

The Group has a number of defined benefit plans in the United Kingdom whose employment commenced before 1 January 2005. The accrual of these defined benefit plans ended on 31 December 2007 and has been fully financed through annual contributions to the pension funds.

Obligation to defined benefit plans in Germany

In Germany, the Group has several smaller defined benefit plans.

Below is a summary of the changes in the obligations arising from defined benefit plans:

Pension scheme assets

	The Netherlands	UK	Germany	Total
Pension scheme assets on 1 January 2017	34	55	–	89
Foreign currency exchange differences	–	−2	–	−2
Return on plan assets	1	1	–	2
Employer's contribution	−1	2	–	1
Employee contribution	−1	–	–	−1
Curtailment	–	–	–	–
Pension benefits paid	−1	−2	–	−3
Actuarial results	–	−3	–	−3
Pension scheme assets on 31 December 2017	32	51	–	83

Pension obligation

	The Netherlands	UK	Germany	Total
Pension obligation as at 1 January 2017	−39	−52	−3	−94
Foreign currency exchange differences	–	2	–	2
Service costs	–	–	–	–
Interest expenses	−1	−1	–	−2
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	1	2	–	3
Actuarial results	–	−2	–	−2
Pension obligation as at 31 December 2017	−39	−51	−3	−93

Net balance of obligation and plan assets

	The Netherlands	UK	Germany	Total
Balance of obligations and plan assets as at 31 December 2017	−7	–	−3	−10

Status of pension fund

	The Netherlands	UK	Germany	Total
Gross pension obligation as at 1 January 2017	–5	3	–3	–5
Unrecognised assets	–	–	–	–
Net pension obligation as at 1 January 2017	–5	3	–3	–5
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	–	–5	–	–5
Paid pension contributions and disbursed pensions	–2	2	–	–
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2017	–7	–	–3	–10

Pension scheme assets

	The Netherlands	UK	Germany	Total
Pension scheme assets on 1 January 2016	32	54	–	86
Foreign currency exchange differences	–	–8	–	–8
Return on plan assets	1	2	–	3
Employer's contribution	–	1	–	1
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	–1	–2	–	–3
Actuarial results	2	8	–	10
Pension scheme assets on 31 December 2016	34	55	–	89

Pension obligation

	The Netherlands	UK	Germany	Total
Pension obligation as at 1 January 2016	–36	–52	–3	–91
Foreign currency exchange differences	–	7	–	7
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	1	3	–	4
Actuarial results	–3	–9	–	–12
Pension obligation as at 31 December 2016	–39	–52	–3	–94

Net balance of obligation and plan assets

	The Netherlands	UK	Germany	Total
Balance of obligations and plan assets as at 31 December 2016	–5	3	–3	–5

Status of pension fund

	The Netherlands	UK	Germany	Total
Gross pension obligation as at 1 January 2016	–5	3	–3	–5
Unrecognised assets	–	–	–	–
Net pension obligation as at 1 January 2016	–5	3	–3	–5
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	–	–	–	–
Paid pension contributions and disbursed pensions	–	–	–	–
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2016	–5	3	–3	–5

The plan assets consist of:

	31 Dec 2017	31 Dec 2016
Cash and other insurance contracts	33	33
Shares	25	22
Bonds and receivables	25	34
Total	83	89

The actual return on the plan assets was €2 million in 2017 (2016: €3 million).

Expenses recognised in the income statement for defined benefit plans

	2017			
	The Netherlands	UK	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Return on plan assets	1	1	–	2
Curtailments	–	–	–	–
Total	–	–	–	–

	2016			
	The Netherlands	UK	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Return on plan assets	1	2	–	3
Curtailments	–	–	–	–
Total	–	–	–	–

The Group anticipates a contribution of approximately €0 million to the financed defined benefit plans in 2018.

These costs were included in the following items in the income statement:

	2017			
	The Netherlands	UK	Germany	Total
Employee benefit expenses	–	–	–	–
Net financial result	–	–	–	–
Total	–	–	–	–

	2016			
	The Netherlands	UK	Germany	Total
Employee benefit expenses	–	–	–	–
Net financial result	–	–	–	–
Total	–	–	–	–

Actuarial assumptions

The main actuarial assumptions for 2017 were as follows:

	2017		
	The Netherlands	UK	Germany
Discount rate	1.65%	2.50%	1.40%
Return on plan assets	1.63%	2.50%	0.00%
Future salary increases	0.00%	0.00%	0.00%
Inflation	1.00%	3.20%	2.00%

The main actuarial assumptions for 2016 were as follows:

	2016		
	The Netherlands	UK	Germany
Discount rate	1.63%	2.60%	1.40%
Return on plan assets	1.63%	2.08%	0.00%
Future salary increases	0.00%	3.30%	0.00%
Inflation	0.75%	2.80%	2.00%

The applied discount rate is based on the return on high-quality European corporate bonds as at the reporting date.

The expected return on plan assets is determined by taking into account the expected long-term return on investments under the schemes, as well as the distribution of investments across the various investment categories, such as shares, bonds and other types of investment, and also expected material changes in the relative proportions of the various investment categories in the near future.

Expectations in respect of future mortality rates and life expectancy are based on published mortality tables.

Historical information

	2017	2016	2015	2014	2013
Present value of obligations under defined benefit plans	–93	–94	–91	–93	–79
Fair value of plan assets	83	89	86	86	68
Present value of net obligation	–10	–5	–5	–7	–11

Remeasurement gains/(losses)

	2017	2016
Actuarial gains and losses arising from demographic assumptions	–1	–9
Actuarial gains and losses arising from changes in financial assumptions	–2	–3
Return on plan assets (excluding amounts included in net interest)	2	10
Change in limit on recognition of assets	–4	–
Total	–5	–2

Expenses recognised in the income statement for defined contribution plans

The expenses recognised in the income statement for defined contribution plans in 2017 amounts to €87 million (2016: €82 million). We refer to note 7.

34 Provisions

	Other provisions						
	Guarantees	Restructuring	Environ-mental and remediation costs	Other	Subtotal	Associates and joint ventures	Total
As at 1 January 2017	80	8	4	52	144	37	181
Addition	19	9	2	18	48	–	48
Withdrawal	–9	–9	–	–8	–26	–	–26
Release	–21	–1	–1	–17	–40	–	–40
Interest accrual	1	–	–	–	1	–	1
Other movements	–	–	–	2	2	–24	–22
As at 31 December 2017	70	7	5	47	129	13	142
Non-current portion	53	2	5	29	89	11	100
Current portion	17	5	–	18	40	2	42
Total	70	7	5	47	129	13	142

	Other provisions						
	Guarantees	Restructuring	Environ-mental and remediation costs	Other	Subtotal	Associates and joint ventures	Total
As at 1 January 2016	90	16	4	52	162	45	207
Addition	12	10	–	13	35	–	35
Withdrawal	–8	–12	–2	–7	–29	–	–29
Release	–15	–6	2	–7	–26	–	–26
Interest accrual	1	–	–	1	2	–	2
Other movements	–	–	–	–	–	–8	–8
As at 31 December 2016	80	8	4	52	144	37	181
Non-current portion	61	2	2	36	101	32	133
Current portion	19	6	2	16	43	5	48
Total	80	8	4	52	144	37	181

The purpose of the provision for guarantees is to cover potential liabilities in respect of completed works within the guarantee periods.

The restructuring provision relates to expenditure in respect of changes to the operational structure that are deemed necessary in order to continue to respond to changing market demands.

A provision for restructuring is recognised only when the Group has approved a detailed and formal restructuring plan and the restructuring has commenced or been publicly announced.

The provision for environmental and remediation costs is meant to cover potential expenditure on environmental modifications.

The provisions for other risks are varied and are meant to cover potential liabilities arising from claims, legal cases, additional disability and sickness benefits, and old competition fines, etc.

The non-current part of the provisions (excluding the provision for associates and joint ventures) has been discounted at a rate of 2% (2016: 2%).

35 Trade and other payables

	31 Dec 2017	31 Dec 2016
Advances received on projects to be started	8	6
Trade payables	878	842
Other creditors and accrued expenses	206	273
Amounts owed to associates	12	9
Amounts owed to joint ventures	16	10
Taxes and social charges	162	133
Expected accrual on delivered projects	55	53
Holiday accrual	53	50
Accruals and deferred income	118	130
Total trade and other payables	1,508	1,506

36 Contingent liabilities

	31 Dec 2017	31 Dec 2016
Guarantees		
Guarantees relating to performance	489	549
Guarantees relating to credit facilities	1	1
Guarantees relating to prepayments received	10	11
Guarantees issued to clients based in North America	239	230
Total bank guarantees	739	791
Guarantees relating to performance	1,175	1,791
Guarantees relating to credit facilities	152	217
Guarantees relating to prepayments received	8	–
Total parent company guarantees	1,335	2,008

From the total bank guarantees as at 31 December 2017 an amount of €29 million (2016: €33 million) relates to joint ventures.
From the total parent company guarantees as at 31 December 2017 an amount of €51 million (2016: €132 million) relates to joint ventures.

Bank guarantees
At the request of a project company or subsidiary of the Company, VolkerWessels may request a financial institution to provide a bank guarantee or surety bond to its clients. A bank guarantee typically guarantees the (performance and/or warranty) obligations of such project company or subsidiary under a (construction and/or maintenance) agreement. Each bank guarantee is issued under a bank guarantee or bonding facility and the borrower of such facility is a holding and/or operating company of VolkerWessels. As the obligations of each borrower are also counter-indemnified by one or more (other) holding companies within the Group, a provider of a bank guarantee or bonding facility has recourse against the Group. VolkerWessels strives to provide the counter-indemnities for a bank guarantee or bonding facility at the lowest possible (holding company) level to avoid cross-links between its various segments as much as possible.

The Group has entered into bank guarantee or bonding facilities with various financial institutions.
Bank guarantees in Europe typically guarantee a part of the contract price whereas bank guarantees in North America guarantee up to the full contract price.
The wording of each bank guarantee is tested on compliance with our internal guarantee policy guidelines. Bank guarantees relating to credit facilities are issued typically as security for project financings which have been granted in connection with a construction project or as security for a bank guarantee or bonding facility. Bank guarantees relating to prepayments received reflect prepayments received in connection with construction projects.

Parent company guarantees
At the request of a project company or subsidiary of the Company, certain holding companies within the Group may provide a parent company guarantee (a 'PCG').
A PCG mainly guarantees the performance and/or warranty obligations of such project company or subsidiary under a construction and/or maintenance agreement. Providing a PCG is carefully considered and the text of a PCG is tested on compliance with our internal guarantee policy guidelines. VolkerWessels aims to provide a PCG at the lowest possible holding company level to avoid cross links between its various operating segments as much as possible.

Other contingent liabilities

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2017
Lease agreements	48	33	28	–	109
Rental agreements	25	23	49	21	118
Leasehold agreements	–	–	–	2	2
(Contingent) obligation to purchase building land	36	41	11	34	122
Property, plant and equipment under construction	–	–	–	–	–
Other	43	3	4	1	51
Total	152	100	92	58	402

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2016
Lease agreements	41	29	24	–	94
Rental agreements	22	20	49	32	123
Leasehold agreements	1	1	2	1	5
(Contingent) obligation to purchase building land	44	16	22	50	132
Property, plant and equipment under construction	1	–	–	–	1
Other	31	2	3	–	36
Total	140	68	100	83	391

The obligations arising from lease agreements relate mainly to vehicles. Operational lease expenses charged to the income statement for 2017 amount €33 million (2016: €36 million).

The obligations under rental agreements relate mainly to property.

The contingent obligations to purchase building land relate to, among other items, the amendment of development plans, the obtainment of building permits and the actual completion of property development plans.

If a construction consortium is set up in the form of a general partnership, joint and several liability is only recognised if, and insofar as, this is prompted by the financial status of the consortium and/or that of one or more partners therein. The total obligation to third parties of entities for which the Group is jointly and severally responsible (such as general partnerships) at year-end 2017 amounts to €418 million (2016: €472 million).

Off-balance sheet assets and liabilities

In previous years the Group selectively sold residential property at a discount, sharing in any gain on resale. As the size and timing of the future gains on resale are uncertain, the respective entitlement qualifies as a contingent asset. Any future gains are recognised at the time of resale.

The Group has contingent assets in respect of current proceedings and disputes with clients. It is impossible to determine with sufficient certainty the amount and the timing of receipt of any economic benefits. Accordingly, these contingent assets are not recognised.

In the normal course of business the Group is involved in legal proceedings predominantly concerning litigation in connection with (completed) construction contracts. The legal proceedings, whether pending, threatened or unasserted, if decided adversely or settled, may have a material impact on the Group's financial position, operational result or cash flows. The Group may enter into discussions regarding settlement of these and other proceedings and may enter into settlement agreements, if it believes settlement is in the best interests of the Company. In accordance with current accounting policies, the Group has recognised provisions with respect to these proceedings, where appropriate, which are reflected in its balance sheet.

37 Related party transactions

The Group identifies the shareholders, subsidiaries, associates, joint arrangements and key management as related parties.

The transactions with the shareholders and key management can be specified as follows:

- VolkerWessels (ultimate) shareholders, including close family members of the VolkerWessels (ultimate) shareholders and entities (in)directly controlled by VolkerWessels' (ultimate) shareholders (together called: Reggeborgh entities);
- joint ventures between VolkerWessels companies and Reggeborgh entities (Joint ventures between VolkerWessels and Reggeborgh);
- entities where Reggeborgh entities have the ability to exercise significant influence (Reggeborgh associates);
- VolkerWessels' Management Board and Supervisory Board (to the extent they are not a Reggeborgh entity), including legal entities controlled by individual Management and Supervisory Board members (Management Board).

Related party transactions with the shareholders and key management can be categorized as follows:

- sales transactions to related parties in the ordinary course of business;
- purchase transactions from related parties in the ordinary course of business;
- other related party transactions;
- key management remuneration; we refer to note 38 for more information.

We refer to note 18 and 19 for the relation between the Group and the associates and joint ventures.

These related party transactions have been concluded at arm's length.

Sales transactions to related parties in the ordinary course of business

Sales transactions to related parties in the ordinary course of business can be specified as follows:

	Transaction value		Outstanding balance as at 31 December		Commitments as at 31 December	
	2017	2016	2017	2016	2017	2016
Sales by:						
– VolkerWessels consolidated entities	165	179	12	16	96	97
– VolkerWessels joint ventures	–	–	–	–	3	3
– VolkerWessels associates	16	9	–	1	12	6
Total	181	188	12	17	111	106
Sales to:						
– Reggeborgh entities	124	148	11	14	104	88
– Joint ventures between VolkerWessels and Reggeborgh	18	30	–	2	3	13
– Reggeborgh associates	39	10	1	1	–	–
– Management Board	–	–	–	–	4	5
Total	181	188	12	17	111	106

Sales to Reggeborgh entities primarily consist of:

- revenue in the Construction & Real Estate Development segment, including land, real estate completed and sale of non-current third party receivables, to Reggeborgh entities of €92 million (2016: €102 million);
- revenue in the Germany segment, including land and real estate completed, to Reggeborgh entities of €31 million (2016: €46 million);
- revenue in the Energy & Telecoms Infrastructure segment of €1 million (2016: €0 million).

The total commitment at year-end 2017 amounts to €104 million (2016: €88 million) and relates to construction contracts for the delivery of real estate concluded but not yet completed or delivered.

Sales to joint ventures between VolkerWessels and Reggeborgh primarily consist of:

- revenue in the Construction & Real Estate Development segment of €15 million (2016: €29 million);
- revenue in the Infrastructure segment of €3 million (2016: €0 million);
- revenue in the Germany segment of €0 million (2016: €1 million).

The total commitment at year-end 2017 amounts to €3 million (2016: €13 million) and mainly relates to construction contracts concluded but not yet completed or delivered.

Sales to Reggeborgh associates primarily consist of:
- revenue in the Construction & Real Estate Development segment of €32 million (2016: €0 million);
- revenue in the Energy & Telecoms Infrastructure segment related to maintenance of oil terminals of a Reggeborgh associate of €5 million (2016: €10 million);
- revenue in the Infrastructure segment of €2 million (2016: €0 million).

Sales to the Management Board primarily consist of:
- revenue, including real estate sold in the Construction & Real Estate Development segment for the year 2017 €0.5 (2016: €0.3 million).

The total commitment at year-end 2017 amounts to €4 million (2016: €5 million) and relates to construction contracts for the delivery of real estate concluded but not yet completed or delivered.

All these transactions were approved by the Supervisory Board.

Purchase transactions from related parties in the ordinary course of business

Purchase transactions from related parties in the ordinary course of business can be specified as follows:

	Transaction value		Outstanding balance as at 31 December		Commitments as at 31 December	
	2017	2016	2017	2016	2017	2016
Purchases by:						
– VolkerWessels consolidated entities	12	13	1	3	46	52
– VolkerWessels joint ventures	–	–	–	–	–	–
– VolkerWessels associates	–	–	–	–	–	–
Total	12	13	1	3	46	52
Purchases from:						
– Reggeborgh entities	6	7	–	–	36	43
– Joint ventures between VolkerWessels and Reggeborgh	–	2	–	2	–	–
– Reggeborgh associates	6	4	1	1	10	9
– Management Board	–	–	–	–	–	–
Total	12	13	1	3	46	52

Purchases from Reggeborgh entities primarily consist of:
- rent of property in several locations in the Netherlands and Germany from Reggeborgh entities of €6 million (2016: €6 million);
- 2016 includes management- and monitoring fees, including charged expenses to VolkerWessels companies for an aggregate approximate amount of €1 million. As from 1 January 2017 no management- and monitoring fees are invoiced by related parties, except for €0.2 million advisory fees of Mr. D. Wessels.

The total commitment at year-end 2017 amounts to €36 million (2016: €43 million) and mainly relates to the contractually agreed rent period.

Purchases from Reggeborgh associates primarily consist of:
- rent of property locations from Reggeborgh associates of €1 million (2016: €1 million);
- Reggeborgh associates delivering construction materials and services to VolkerWessels companies for an amount of €5 million (2016: €2 million).

The total commitment at year-end 2017 amounts to €10 million (2016: €9 million) and mainly relates to the contractually agreed rent period.

Other related party transactions

Acquisition of KondorWessels Germany GmbH in 2016

On 28 December 2016, VWS International B.V. acquired from a Reggeborgh entity 94.88% of the shares in the German company Kondor Wessels Holding GmbH. The remaining 5.12% of the shares in Kondor Wessels Holding GmbH continues to be held by a another Reggeborgh entity.

Joint ventures between VolkerWessels and Reggeborgh entities

Certain VolkerWessels companies, active in the Construction & Real Estate Development segment and in the Germany segment, hold joint participations in property development companies together with Reggeborgh entities. The range of participations of the Reggeborgh entities varies from 14% to 63% in the Construction & Real Estate Development and from 6% to 40% in the Germany segment.

The amount of equity provided by Reggeborgh entities as at 31 december of each year was as follows:

	2017	2016
Equity provided as at 31 december		
Construction & Real Estate Development	21	28
Germany	–	1
Total	21	29

Loans to VolkerWessels joint ventures

Reggeborgh entities provided loans to joint ventures in the Construction & Real Estate Development segment. Movements in the loans provided can be specified as follows:

	2017	2016
Project loans provided by Reggeborgh entities to joint ventures with the Construction & Real Estate Development segment		
Loans as at 1 January	5	9
Provided during the year	1	1
Repaid during the year	–	–5
Loans as at 31 December	6	5

Loans to VolkerWessels Associates

In 2015, a Reggeborgh entity provided a loan of €3 million to an associate of VolkerWessels, of which an amount of €2 million was outstanding as at 31 December 2016.
The outstanding amount as at 31 December 2017 is €2 million.

Subordinated Shareholder Loans

In prior periods Reggeborgh entities provided subordinated shareholder loans to the Group:

	2017	2016
Shareholder loans as at 1 January	–	498
Provided during the year	–	35
Converted into equity	–	–544
Compounded interest	–	11
Shareholder loans as at 31 December	–	–

In 2016, an amount of €544 million was converted into ordinary shares, placed with a Reggeborgh entity. Compounded charged interest amounted to 3% in 2016. No shareholder loans were outstanding as at 31 December 2017 or as at 31 December 2016.

Other related party financing arrangements

In 2015 a cooperation agreement has been concluded between VolkerWessels and a third party for a specific development project. VolkerWessels will perform future construction activities within the scope of this project, while a Reggeborgh entity provided a loan of €30 million to this third party.

Other transactions

Koninklijke VolkerWessels NV charged a Reggeborgh company for expenses incurred in 2017 related to the initial public offering for a total amount of €3.8 million.

Wage tax payable in relation to the share incentive plan has been compensated by Reggeborgh Holding B.V. in full in 2018. A receivable for this amount is accounted for, refer to note 26.

38 Management remuneration

Key management includes members of the Management Board and the Supervisory Board.

Management Board

The compensation paid or payable to the Management Board for services provided in 2017 is shown below:

Amounts in thousands of euros	Base pay	Pension benefits	Short-term incentive	Management participation plan	Subtotal*
					2017
J.A. de Ruiter (chairman)[1]	458	121	425	562	1,566
J.G. van Rooijen	550	115	425	562	1,652
A. Vos	550	112	495	562	1,719
D. Boers	550	134	425	562	1,671
H.J. van der Kamp	550	155	250	562	1,517
Total	2,658	637	2,020	2,810	8,125

[1] Appointed as Chairman of the Management Board with effect from 1 March 2017.

* Subtotal is excluding share incentive charge. Please refer to the second table in this note on page 157.

The compensation paid or payable to the Management Board for services provided in 2016 is shown below:

Amounts in thousands of euros	Base pay	Pension benefits	Short-term incentive*	Management participation plan**	Total
					2016
J.G. van Rooijen	438	128	450	1,946	2,962
A. Vos	488	138	450	3,502	4,578
D. Boers	488	142	450	1,946	3,026
H.J. van der Kamp	479	157	450	1,946	3,032
Total	1,893	565	1,800	9,340	13,598

* Comparative number is changed from a pay-out basis to an accrual basis as going forward the short-term incentive is approved by the Supervisory Board before the issuance date of the financial statements.

** Comparative number is changed to an after corporate income tax basis.

Base pay

This represents a fixed cash remuneration consisting of the base salary including holiday allowance.

Pension and other benefits

This reflects the individual pension obligation paid out for participation in VolkerWessels' pension scheme, similar to the other VolkerWessels employees in the Netherlands who are not covered by a collective bargaining agreement or industrial pension fund. It includes an additional compensation payment for the pension entitlement relating to the part of the salary that exceeds the amount established for Dutch tax purposes on which the company can make a tax deductible contribution to a pension fund, as established from time to time. In addition, the members of the Management Board are eligible for other pension related benefits, such as old-age and life insurance, as determined by the Supervisory Board from time to time. The Management Board also received an expense reimbursement, as well as a compensation for a company car. As these two are intended to compensate for expenses incurred, they are not included in the remuneration schedule.

Short-term incentive

A short-term incentive in the form of an annual cash bonus is applicable to the members of the Management Board. This incentive is intended to focus them on the delivery of pre-set short-term results in line with VolkerWessels' strategy, long-term value creation and appropriately reflects both quantitative and qualitative criteria. The target and maximum bonus opportunity and the targets pertaining to the short-term incentive are set annually at the discretion of the Supervisory Board (at the proposal of the Remuneration Committee) in accordance with the remuneration policy. As from 2017, the 'at target' short-term incentive is equal to 80% of annual base pay. The maximum pay-out under the short-term incentive is 100% of annual base pay.

The basis for the 2017 payments under the STI scheme is the balanced scorecard 2017 which has been set for each individual board member. The KPI's for the balanced scorecard 2017 are 50% financially driven (EBITDA, EBITDA margin, free cash flow and return on capital employed); 25% is driven by operational excellence targets and the remaining 25% is driven by safety, integrity and sustainability KPI's. For both the chairman and the CFO, the financial KPI's are based on the aggregate group numbers. For the board members with direct responsibility for the divisions, the financial KPI's (50% of total balanced scorecard) are for 20% determined at the aggregate group numbers and for 30% on the divisional numbers. Operational excellence KPI's are designed at the level of responsibility of each board member. The KPI's for safety, integrity and sustainability are the same for each board member. Based on the results over 2017, the STI payments for each individual board member has been set as presented in the above table.

The chairman of the Management Board discusses the results on the balanced scorecard with each of the board members and makes a recommendation of the payments under the STI scheme to the remuneration committee. The payment under the STI scheme for the chairman of the Management Board is proposed by the remuneration committee. All payments are subsequently discussed and approved by the Supervisory Board.

The chairman of the management board J.A. de Ruiter has been awarded a short-term incentive for 2017 equal to 116% of his 'at target' short term incentive (equal to 80% of the pro-rated annual base pay) in view of the achievement of targets set for 2017.

Board member A. Vos has been awarded a short-term incentive for 2017 equal to 113% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2017.

The board members J.G. van Rooijen and D. Boers have been awarded a short-term incentive for 2017 equal to 97% of their 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2017.

Board member H.J. van der Kamp has been awarded a short-term incentive for 2017 equal to 57% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2017.

The balanced scorecard 2018 will follow a similar division in KPI's as the balanced scorecard 2017.

Management participation plan

The members of the Management Board are eligible to participate in VolkerWessels' long-term management participation plan. Together with a group of over 150 managers, the members of the Management Board may share in the profits of VolkerWessels by holding, through a management investment company, a leveraged profit participating loan, which instrument has been issued by VolkerWessels. Participation in the management participation plan is subject to a limited investment by, and the continued employment of, the participants with VolkerWessels. The management participation plan is intended to drive sustainable performance through cash-backed earnings with due regard of the risk-appetite of VolkerWessels and to foster alignment of interests of the participants with shareholders. The interest on the profit participating loan is dependent on the financial performance of VolkerWessels as a whole and is calculated as a percentage of the operational profit before tax. At the end of each performance year, once the financial statements for that year are finalised, the interest payments to the management investment company (and therefore to the participants) are made. At that time, one-third of the entitlement is paid out, whilst the remaining two-thirds is deferred in two equal annual instalments. Deferred payments can be adjusted downwards, in part or in full, if VolkerWessels incurs losses in future years or the management participation plan entitlement over a certain performance year has been based on incorrect data. In addition, good and bad leaver provisions apply. In unforeseen circumstances, the Supervisory Board may adjust or terminate the management participation plan, in whole or in part, without the approval of the participants being required.

The benefits due to the Management Board under the management participation plan amounted to €2.8 million for the year 2017, payable in the years 2018-2020.

The benefits due to the Management Board under the management participation plan amounted to €9.3 million for the year 2016, payable in the years 2017-2019. This amount consists of €3.2 million relating to the 2016 performance and the remainder relates to the better than expected performance of VolkerWessels over the performance period 2014-2016, including the one-off financial result from the sale of the offshore activities in 2016.

The members of the Management Board do not hold any shares in VolkerWessels, except for shares granted under the share-incentive plan (referred to below), nor have any loans or advances been granted.

Pay ratio

In compliance with best practice provision 3.4.1 (iv) of the Dutch Corporate Governance Code we report on the ratio between the pay of the Management Board members and the other employees within VolkerWessels as from financial year 2017. For this pay ratio calculation we use the remuneration obtained, including base pay, pension benefits, short-term incentive and management participation plan and excluding share incentive.

We compare the average pay of the five Management Board members (five as of March 2017, four before March 2017) with the average pay of all other employees within VolkerWessels. The following table shows the 2017 ratio compared with the 2016 ratio:

	Management Board		Other employees	
Amounts in thousands of euros	**2017**	**2016**	**2017**	**2016**
Average number of FTE's	**4.83**	4.00	**16,174**	15,781
Employee benefit expenses	**8,125**	13,598	**1,160,094**	1,104,400
Average pay	**1,682**	3,400	**72**	70

The pay ratio (calculated as: Average pay of Management Board / Average pay of other employees) in 2017 is 23.36 (2016: 48.57).
The main reason for the decrease in the pay of the Management Board members in 2017 compared to 2016 relates to additional benefits in 2016 paid under the management participation plan due to the better performance of VolkerWessels over the performance period 2014-2016, including the one-off financial result from the sale of the offshore activities in 2016.

Supervisory Board

The remuneration paid or payable to the Supervisory Board for services is shown below:

Amounts in thousands of euros	2017	2016
J.H.M. Hommen[1]	**58**	–
H.M. Holterman	**58**	43
R.J.H.M. Kuipers	**55**	30
S. Hepkema[2]	**45**	–
D. Wessels[3]	**55**	30
R.L.J. van Rappard[4]	**–**	30
Total	**271**	133

[1] Appointed as Chairman of the Supervisory Board with effect from 12 May 2017.
[2] Appointed as member of the Supervisory Board with effect from 12 May 2017.
[3] Deceased on 21 November 2017.
[4] Resigned on 1 January 2017.

As of 12 May 2017 the compensation for the chairman of the Supervisory Board has been set at €90,000 per year and the compensation for each of the other Supervisory Board members has been set at €70,000 per year. The compensation paid in 2017 includes the remuneration for Mr. Holterman, Mr. Kuipers and Mr. Wessels and as from 12 May 2017 for Mr. Hommen and Mr. Hepkema.

No shares have been granted to the members of the Supervisory Board. As at 31 December 2017 Mr. Hommen holds 5,000 shares in the company, which were acquired on a personal title. The other members of the Supervisory Board do not (directly) hold any shares in VolkerWessels. However, Mr. Holterman is the solely authorised director of Reggeborgh Holding BV (indirectly through Reggeborgh Bestuur BV) and as such a non-independent Supervisory Board member as referred to in best practice principles 2.1.7 and 2.1.8 of the Code. Mr. Kuipers is not considered independent due to its position as member of the Management Board of Reggeborgh Invest BV, an affiliate company of Reggeborgh Holding BV. Reggeborgh Holding BV is the majority shareholder of VolkerWessels. There have been no loans or advances granted to the members of the Supervisory Board.

Share incentive

On 12 May 2017, Reggeborgh Holding BV granted a one-off share incentive, on an after tax basis, to the members of the Management Board and to other key managersto ensure a smooth transition from a privately held company to a publicly held company. The financial costs of these incentive shares – including any taxes- are and will be born by Reggeborgh Holding BV. These ordinary shares are placed in a blocked securities account and are subject to a lock-up period as set out below.

The chairman of the Management Board was granted 70,000 ordinary shares and each of the other Managing Directors were granted 110,000 ordinary shares. The additional 40,000 ordinary shares for each Managing Director (other than the chairman of the Management Board) reflect their contribution prior to 2017. The 70,000 ordinary shares that are granted to the chairman of the Management Board will be released to him one day after the general meeting in 2020, on the condition that he continues to be employed by VolkerWessels on such date. For the other Managing Directors, these ordinary shares will be released as follows: 20,000 ordinary shares one day after the later of (x) the general meeting of the Company in 2018 or (y) the period of 360 days following the Settlement date (16 May 2017) having been lapsed, 20,000 ordinary shares one day after the general meeting of the Company in 2019 and the remaining 70,000 ordinary shares one day after the general meeting of the Company in 2020, on the condition that the relevant Managing Director continues to be employed by the Company on these dates.

In the event a Managing Director voluntarily ceases to be employed by the Company prior to (i) one day after the later of (x) the general meeting of the Company in 2018 or (y) the period of 360 days following the Settlement Date having been lapsed, or (ii) one day after the general meeting of the Company in 2019, he will be entitled to 50% of the ordinary shares that would have been available on such date and the remaining ordinary shares granted under the share incentive will be transferred back to Reggeborgh Holding BV.

At the end of each reporting period, VolkerWessels revises its estimates of the number of shares that are expected to vest based on the lock-up conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The development of the share incentive plan (in number of shares) during 2017 for the members of the Management Board and for all other participants is shown below:

	As at 1 January 2017	Granted	Vested	Forfeited	As at 31 December 2017
J.A. de Ruiter	–	70,000	–	–	70,000
J.G. van Rooijen	–	110,000	–	–	110,000
A. Vos	–	110,000	–	–	110,000
D. Boers	–	110,000	–	–	110,000
H. van der Kamp	–	110,000	–	–	110,000
Other managers	–	376,500	–	–	376,500
Total granted shares		886,500			886,500

	As at 31 December 2017
Granted shares	886,500
Reserved shares for future granting	73,500
Total number of shares made available by Reggeborgh Holding B.V.	960,000

The fair value per share of the 2017 grant, for the share incentive participants, is determined based on the value as per grant date, taking into account a discount for the lock-up period in line with tax rules as applicable in the Netherlands. As participants receive dividend compensation the dividend yield on the awards equals nil. The most important assumptions used in the valuations of the fair values were as follows:

2017 Share price at grant date (in €)	23.00
Discount for a one-year period (in %)	5.50
Discount for a two-year period (in %)	10.00
Discount for a three-year period (in %)	13.50

In 2017, a total amount for the share incentive plan (including other managers) of €4.6 million was charged to the income statement.

The charge to the income statement 2017 until 2020 for the share incentive plan for the Management Board is summarized in the table below:

Amounts in thousands of euros	2017	2018	2019	2020	Total
J.A. de Ruiter	290	464	464	174	1,392
J.G. van Rooijen	691	834	542	174	2,241
A. Vos	691	834	542	174	2,241
D. Boers	691	834	542	174	2,241
H. van der Kamp	691	834	542	174	2,241
Total	3,054	3,800	2,632	870	10,356

The total charge to the income statement in 2017 in respect of the Management Board for the remuneration as well as the share incentive is summarized in the table below:

Amounts in thousands of euros	Remuneration subtotal	Share incentive	Total
J.A. de Ruiter	1,566	290	1,856
J.G. van Rooijen	1,652	691	2,343
A. Vos	1,719	691	2,410
D. Boers	1,671	691	2,362
H. van der Kamp	1,517	691	2,208
Total	8,125	3,054	11,179

39 Result from sale of participating interest(s)

In April 2017, the Company sold its shares in a project development company. The result on this transaction is €25.6 million. The minority interest on this sale transaction is €12.6 million, which is the main part of the total result to minority interest in 2017 of €16.0 million (we refer to the consolidated income statement and the consolidated statement of changes in equity).
The remaining part of the result from sale of participating interest(s) of €0.4 million relates to some small divestments in 2017.

The result from sale of participating interests in 2016 amounted to €1 million. This mainly relates to some small divestments.

40 Financial instruments

The Group recognises financial risk factors with respect to currency, interest rates, credit and liquidity. These financial risks are neither unusual in their nature nor at variance with industry practice. The Group has a strict policy aimed at minimising and controlling these risks to the fullest extent possible, for which end it employs general controls such as internal procedures and instructions, specific measures and/or financial instruments. These measures are accompanied by adequate reporting systems and short communication lines. The Group's financial risk factors, controls and the remaining risks are explained in this note.

Credit risk

Credit risk is the risk of a financial loss for the account of the Group stemming from failure of a third party to meet its contractual obligations. As a significant percentage of VolkerWessels' clients are public sector organisations (i.e. government bodies), the credit risk for this portion of the Group's revenue is limited.
Other than our exposure to public sector organisations, there were no significant concentrations of credit risk as at 31 December 2017. The credit risk is under constant review. The Company limits its credit risk by doing business exclusively with clients, subcontractors or suppliers whose creditworthiness is acceptable. If there are any doubts about their underlying creditworthiness, the policy is to have all or part of the underlying obligations to VolkerWessels guaranteed by a bank or other financial institution. Prepayments are used to further limit the credit risk where possible. Credit insurance is also used to hedge the credit risk.
The Group further limits its credit risk on financial institutions by spreading the credit, bank guarantee and bonding facility limits and its surplus liquidity among several financial institutions with a good credit rating.

	31 Dec 2017	31 Dec 2016
Assets subject to credit risk		
Non-current receivables	85	100
Trade receivables	622	570
Other receivables	345	324
Cash and cash equivalents	494	412
Total	1,546	1,406

The age structure of trade receivables as at the reporting date is as follows:

	31 Dec 2017		31 Dec 2016	
	Gross	Provision	Gross	Provision
Not yet due	468	–	405	–
Overdue 1 to 60 days	119	–1	118	–
Overdue 61 to 180 days	26	–1	34	–1
Overdue 181 days to one year	4	–1	6	–2
More than one year	22	–14	21	–11
Total	639	–17	584	–14

The changes in the provision for doubtfull debts relating to receivables during the year were as follows:

	2017	2016
As at 1 January	14	12
Provisions made during the financial year	5	4
Provisions used during the financial year	–2	–1
Release of provisions during the financial year	–	–1
As at 31 December	17	14

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations in the short term.
The liquidity management of VolkerWessels is aimed at maintaining its credit profile and, where possible, improving it to ensure that the Group retains access to the banking / financial markets on terms acceptable to the Company.
The Company's policy is to keep a significant part of its RCF headroom available at all times for unforeseen events. VolkerWessels has an ongoing focus on its working capital and capital demands and commits its cash as efficiently and effectively as possible within the Group.

In the past years, the Group's focus on cash flow and working capital has enabled it to realise annual reductions of its net debt despite pressure on its working capital from the sluggish processing of change requests (i.e. additional work) by key clients.
The Company applies a strict investment policy in order to manage its cash position. This means that the permission of the Management Board is required if large amounts of cash are invested or if cash is invested for a longer period of time. The Group has committed and uncommitted bank guarantee and bonding facilities with several banks and other financial institutions in order to satify client requirements in respect of providing bank guarantees or surety bonds.

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2017:

	31 Dec 2017 Book value	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Loans (including current)	154	168	39	67	16	13	33
Derivatives (including current)	–	–	–	–	–	–	–
Financial lease obligations (including current)	33	35	3	3	15	10	4
Bank overdrafts	10	10	10	–	–	–	–
Trade and other payables	1,508	1,508	1,388	120	–	–	–
Total	1,705	1,721	1,440	190	31	23	37

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2016:

	31 Dec 2016 Book value	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Loans (including current)	148	162	41	40	26	17	38
Derivatives (including current)	5	5	3	2	–	–	–
Financial lease obligations (including current)	44	47	8	8	13	18	–
Bank overdrafts	26	26	26	–	–	–	–
Trade and other payables	1,506	1,506	1,364	142	–	–	–
Total	1,729	1,746	1,442	192	39	35	38

Market risk

Foreign exchange risk

As a result of the geographical spread of the Group's operations, foreign exchange rates affect the Group's results of operations and shareholder's equity.
The Company records its financial results in euros, but receives revenues and incurs costs in a variety of other currencies, including the pound sterling, Canadian dollar and US dollar. As a result, these non-euro assets, liabilities, revenues and costs are translated into euro at the prevailing exchange rate for purposes of preparing the Company's accounts and financial statements. Changes in the value of the euro, on the one hand, and the pound sterling, Canadian dollar or US dollar, on the other, could result in translational gains or losses in a given year as compared to prior operating periods. The translation risk on equity is not hedged.

The principal exchange rates during the year were as follows:

	Average exchange rate		Closing rate	
	2017	2016	2017	2016
GBP	1.14	1.22	1.13	1.17
CAD	0.68	0.68	0.66	0.71

Sensitivity analysis

The influence of a stronger or weaker euro exchange rate against the above currencies would have had an impact on the profit for the financial year and equity at the reporting date. This analysis is based on assumptions made by the Group with respect to possible currency fluctuations at the reporting date. In this analysis, it is assumed that all other variables, in particular interest rates, remain constant.

	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
2017				
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–10	–1	10	1

	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
2016				
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–12	–1	12	1

Interest rate risk

VolkerWessels' interest policy is designed to limit the influence of fluctuating interest rates on the Group's result and to optimise net interest expenses. To this end, part of the floating interest rate exposure in 2016 and 2017 was fixed by a floating-to-fixed interest rate swap of €250 million that expired in December 2017.
In February 2018, the Company entered into a new interest rate swap for an amount of €250 million with a fixed interest rate of 0.38% and a floor of 0%.
The maturity date of the swap is 31 January 2022. Partly because of this swap, an increase of 100 basis points in the interest rate at the reporting date has no material impact on the results and cash flows of the Group.
However, due to such hedging instruments, the Group runs a fair-value interest rate risk as the value of the instrument (mark-to-market value) correlates with market interest rates which may fluctuate. Due to this and its average (operational) cash position, the Group is not entirely insensitive to changes in interest rates.

Instruments with a fixed interest rate

	31 Dec 2017	31 Dec 2016
Non-current receivables from associates and joint ventures	46	43
Non-current receivables from third parties	19	35
Financial lease obligations	–33	–44
Total	32	34

Instruments with a variable interest rate

	31 Dec 2017	31 Dec 2016
Non-current receivables from associates and joint ventures	5	3
Non-current receivables from third parties	15	19
Other financing obligations	–154	–148
Cash and cash equivalents	494	412
Bank overdrafts	–10	–26
Total	350	260

Sensitivity analysis

The fair value of the instruments with a fixed and variable interest rate approximates to their book value. A 1% increase or decrease in the interest rate as at the reporting date would have affected the result and equity by the amounts shown below. In this analysis it is assumed that all other variables, in particular foreign currency rates, remain constant.

	31 December 2017			
	Result (before tax)		Equity	
	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points	Decrease by 100 basis points
Instruments with a variable interest rate				
Non-current receivables from associates and joint ventures	–	–	–	–
Non-current receivables from third parties	–	–	–	–
Other financing obligations	–2	2	–	–
Cash and cash equivalents	5	–5	–	–
Bank overdrafts	–	–	–	–
Total	3	–3	–	–
Interest rate swaps – non-current	–	–	–	–
Sensitivity of cash flows (net)	3	–3	–	–

	31 December 2016			
	Result (before tax)		Equity	
	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points	Decrease by 100 basis points
Instruments with a variable interest rate				
Non-current receivables from associates and joint ventures	–	–	–	–
Non-current receivables from third parties	–	–	–	–
Other financing obligations	–1	1	–	–
Cash and cash equivalents	4	–4	–	–
Bank overdrafts	–	–	–	–
Total	3	–3	–	–
Interest rate swaps – non-current	–	–	–	–
Sensitivity of cash flows (net)	3	–3	–	–

Fair value of financial instruments

The table below shows the fair value of financial instruments.

	31 Dec 2017	31 Dec 2016
Fair value of derivatives		
Interest swaps	–	–5
Receivables		
Non-current receivables	85	100
Trade and other receivables	967	894
Cash and cash equivalents	494	412
Total receivables	1,546	1,406
Financial liabilities at amortised cost		
Financial lease obligations (current and non-current)	–33	–44
Committed credit facility	–	–
Other financing obligations (current and non-current)	–154	–148
Trade and other payables	–1,508	–1,506
Bank overdrafts	–10	–26
Total financial liabilities at amortised cost	–1,705	–1,724

The book value of financial instruments that are not valued at fair value is approximate to the fair value as at the reporting date.

The fair value of financial instruments is determined as follows:

Derivatives

Interest rate swaps are valued based on quoted market prices or by deducting the current cash price from the discounted contractual forward price.

Non-current receivables and borrowings
Fair value is calculated on the basis of discounted future repayments and interest payments.

Financial lease obligations
Fair value is estimated at the cash value of future cash flows, discounted against the interest for homogeneous lease agreements. The estimated fair value reflects changes in the interest rate.

Trade and other receivables/trade and other payables
For receivables and liabilities that fall due within one year, the nominal value is regarded as a reflection of the fair value. All other receivables and liabilities are discounted to determine the fair value.

Determination of fair value
The following table provides an overview of financial instruments recognised at fair value, by measurement method. The various levels are defined as follows:
Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (in the form of prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Interest rate swaps used for hedging

	31 December 2017		
	Non-current liabilities	Current liabilities	Total
Level 1	–	–	–
Level 2	–	–	–
Level 3	–	–	–
Total	–	–	–

	31 December 2016		
	Non-current liabilities	Current liabilities	Total
Level 1	–	–	–
Level 2	–	–5	–5
Level 3	–	–	–
Total	–	–5	–5

41 Joint operations

A part of the Group's activities is carried out in joint arrangements classified as joint operations. This applies to all activities and all countries in which the Group operates. Joint arrangements remain in place until the project is finished. The Group's share of the balance sheet and income statement of joint operations is indicated below:

	31 Dec 2017	31 Dec 2016
Assets		
Non-current assets	3	–
Current assets	178	172
Total assets	181	172
Liabilities		
Non-current liabilities	8	7
Current liabilities	259	256
Total liabilities	267	263
Net balance	–86	–91

	2017	2016
Total revenues	498	331
Total costs	–529	–346
Total net result	–31	–15

42 Audit fees

The following fees relating to services provided by Deloitte Accountants are charged to the Company, its subsidiaries and other companies that are fully consolidated, as defined in Article 2:382a of the Dutch Civil Code.

	Deloitte Accountants BV 2017	Other Deloitte network 2017	Total Deloitte 2017
Audit of the financial statements *	3	1	4
Other audit assignments *	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	3	1	4

* The above fees are excluding charged fees relating to the Initial Public Offering for an amount of €1.3 million which are passed through to a Reggeborgh Company (please refer to note 37).

	Deloitte Accountants BV 2016	Other Deloitte network 2016	Total Deloitte 2016
Audit of the financial statements	2	1	3
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	2	1	3

43 Research and development

The costs of research and development recognised in the income statement during the 2017 financial year amounted to €5 million (2016: €4 million).

44 Government grants

The subsidies received in 2017 and 2016 relate mainly to training, research and development and labour costs. The subsidies received are offset against the costs incurred.

45 Events after the reporting date

No material events after the reporting date have occurred.

COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2017		31 December 2016	
Intangible assets	1	369		369	
Participations in group companies	2	1,127		995	
Total non-current assets			1,496		1,364
Deferred tax assets		34		24	
Receivable from majority shareholder		17		–	
Cash and cash equivalents		–		–	
Total current assets			51		24
Total assets			1,547		1,388
Issued share capital		1		1	
Share premium reserve		1,177		1,278	
Translation reserve		–12		17	
Hedge reserve		–16		–24	
Other legal reserves		4		–	
Other reserves		–165		–295	
Result for the year		135		139	
Total equity	3		1,124		1,116
Provisions	4	11		7	
Total non-current liabilities			11		7
Provisions	4	8		2	
Payable to group companies	5	390		263	
Other liabilities		14		–	
Total current liabilities			412		265
Total equity and liabilities			1,547		1,388

COMPANY INCOME STATEMENT

Amounts in millions of euros

	Note	2017	2017	2016	2016
Revenue			–		–
Employee benefit expenses		–17		–5	
Depreciation and impairment of property, plant and equipment		–		–	
Amortisation and impairment of intangible assets	1	–		–38	
Other operating costs		–		–1	
Operating expenses			–17		–44
Operating result			–17		–44
Financial income	7	–		–	
Financial expenses	7	–13		–13	
Net financial result			–13		–13
Share in result of investments	2		157		189
Result before tax			127		132
Taxes			8		7
Result after tax			135		139

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General

The company financial statements form part of the financial statements 2017 of Koninklijke VolkerWessels NV ('the Company').

Accounting principles

The principles applied by the Company for the measurement of assets and liabilities and for determining the result of her separate financial statements are in accordance with the option allowed in Article 2:362 paragraph 8 of the Dutch Civil Code. This means that the principles applied for the measurement of assets and liabilities and determination of the results (hereafter referred to as 'measurement principles') of the separate financial statements are identical to those used for the consolidated IFRS financial statements.

Participating interests over which significant influence is exercised are measured according to the equity method, which is determined on the basis of the measurement principles used in the consolidated IFRS financial statements. We refer to notes 1 to 4 of the consolidated IFRS financial statements.

1 Intangible assets

	Goodwill	
	2017	2016
Balance as at 1 January		
Cost	528	588
Accumulated amortisation and impairments	–159	–181
Book value	369	407
Changes		
Amortisation and impairment of intangible assets	–	–38
Other changes	–	–
Total changes	–	–38
Balance as at 31 December		
Cost	528	528
Accumulated amortisation and impairments	–159	–159
Book value	369	369

The amortisation of goodwill in 2016 amounting to €-38 million relates to the sale of the offshore activities.

2 Participations in group companies

Participations in group companies developed as follows:

	2017	2016
Balance as at 1 January	995	504
Investments	–	500
Share in result	157	189
Received dividends	–	–205
Other movements	–2	1
Foreign currency exchange differences	–23	6
	1,127	995
To provision	–	–
Balance as at 31 December	1,127	995

The investments in 2016 amounting to €500 million relates to the internal restructuring of VWS International.

Having due regard for the relevant legal requirements, a list of group companies and other participating interests of the Company has been filed with the Rotterdam Trade Register for inspection by the public.

3 Equity

We refer to note 29 in the consolidated financial statements.

Proposed appropriation of the result of 2017

The 2017 result attributable to shareholders of the Company amounts €135 million. Excluding the share incentive charge of €5 million the result attributable to shareholders amounts €140 million. The proposal to the General Meeting of Shareholders is that a total dividend of €84.0 million will be paid out. In November 2017 an interim dividend of €22.4 million (€0.28 per share) has already been paid out. Subject to approval of the general meeting of shareholders in May 2018 the final dividend of €61.6 million will be paid out. The remaining result shall be recognised in other reserves.

4 Provisions

This item comprises the provision for other employee benefits:

Other employee benefits

	2017	2016
Balance as at 1 January	9	7
Addition	15	5
Release/Usage	–5	–3
Balance as at 31 December	19	9
Non-current portion	11	7
Current portion	8	2
Total	19	9

5 Payable to group companies

The amounts owed to group companies are specificed as follows:

	31 Dec 2017	31 Dec 2016
Victor Holdings B.V.	–	24
Volker Wessels Stevin Financial Services B.V.	384	239
Other Group companies	6	–
Total	390	263

Interest is paid on debts to group companies amounting to 4% (2016: 4%).

6 Contingent liabilities

Koninklijke VolkerWessels NV together with most of its wholly-owned domestic subsidiaries, is included in the tax group of Koninklijke VolkerWessels NV for income tax purposes. On that basis, the Company is jointly and severally liable for the income tax liability of the tax group as a whole.

The corporate income tax is calculated as if the Company would be independently liable and is accrued in the current account with Koninklijke VolkerWessels NV.

In declarations filed with the Trade Registers, Koninklijke VolkerWessels NV has assumed joint and several liability arising from juristic acts by a number of its Dutch subsidiaries.

Koninklijke VolkerWessels NV, as stand-alone company, has not issued any guarantees. The guarantees which are disclosed in note 36 of the consolidated financial statements have been issued by certain holding companies within the Group.

7 Financial income and expenses

	2017		2016	
Financial income				
Interest income – intercompany	–		–	
Other financial income	–		–	
Total financial income		–		–
Financial expenses				
Interest expense – intercompany	–13		–	
Interest expense for subordinated loans	–		–13	
Other interest expense	–		–	
Total financial expenses		–13		–13
Total		–13		–13

The interest expense-intercompany in 2017 amounting to €-13 million relates to the interest on the payable to group company VolkerWessels Stevin Financial Services BV.

The interest expense for subordinated loans in 2016 amounting to €-13 million relates to the interest on the subordinated shareholder loans which were converted to equity at 21 December 2016.

8 Related party transactions

We refer to note 37 in the consolidated financial statements.

9 Management remuneration

The remuneration of the Board of Management and the Supervisory Board of Koninklijke VolkerWessels NV is included in note 38 of the consolidated financial statements.

10 Events after the reporting date

No events after the reporting period have occurred.

Rotterdam, 14 March 2018

Management Board
J.A. de Ruiter
J.G. van Rooijen
A. Vos
D. Boers
H.J. van der Kamp

Supervisory Board
J.H.M. Hommen
H.M. Holterman
R.J.H.M. Kuipers
S. Hepkema

Other information

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Supervisory Board of Koninklijke VolkerWessels NV

Report on the audit of the financial statements 2017 included in the annual report 2017

Our opinion

We have audited the accompanying financial statements 2017 of Koninklijke VolkerWessels NV (Volker Wessels or the Company), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion

- The accompanying consolidated financial statements give a true and fair view of the financial position of Koninklijke VolkerWessels NV as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Koninklijke VolkerWessels NV as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2017.
2. The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2017.
2. The company profit and loss account for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.
We are independent of Koninklijke VolkerWessels NV in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at €20 million.

Additional explanation

Based on our analysis of the common information needs of users of the financial statements, we consider profit before tax the most appropriate benchmark to determine materiality. However, profit before tax has been volatile in recent years. For this reason we considered multiple benchmarks. Based on professional judgement the benchmark applied is revenue, which is the lower end of an acceptable range. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.
We agreed with the Supervisory Board that misstatements in excess of €1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Koninklijke VolkerWessels NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke VolkerWessels NV.
Our group audit mainly focused on significant group components.
In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient.

- Those where a full audit was required included the Dutch components Construction & Real Estate Development, Infrastructure, Energy & Telecoms Infrastructure, the United Kingdom, North America and Germany, making up 93% of revenues.
- For other non-significant entities we performed review procedures or specific audit procedures.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.
These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

General observation:

The company has established an internal control framework which has been improved in 2017. During 2017 the company started implementing an enhanced information security policy and related control environment. Additionally the company has set up an internal audit department.
Depending on the maturity of the internal control environment in the individual components a control or non-control reliance approach is applied. With respect to the United Kingdom we applied a control reliance approach.
For all other components we do not rely on the Company's internal control framework as it relates to our audit procedures on the key audit matters.
As part of our 2017 audit of the financial statements we tested the design and the implementation of the most relevant controls with respect to information security. Additionally we tested the design and implementation of certain selected key financial controls including controls related to segregations of duties, construction contracts, manual journal entries and cash/payment related controls.

Valuation of large and or complex construction contracts

Key audit matter:

Inherent to the business the Company's net result is affected by the performance of construction contracts. The net result is driven by a wide range of contracts from non-complex residential projects to more complex "one off" projects. The volatility of the net result is especially affected by contracts that carry a higher risk than others due to the type of contract, technical complexities, size and phase of the project.
The valuation of these contracts, and the related recognition of results, involves estimations in relation to contact complexities, costs to complete, technical progress, and the settlement of significant variation orders and claims. The inherent uncertainty around these estimates is critical from a risk and financial impact perspective, and therefore the valuation of these construction contracts is considered a key audit matter.

How our audit addressed the matter:

We evaluated the internal accounting policies for compliance with EU-IFRS. Our audit procedures included an evaluation of the design and implementation of the relevant key project controls. Performing substantive procedures including testing the company's position against supporting documentation and the company's accounting policy, site visits, vouching project costs and challenging the company's estimates including project valuation. We performed substantive procedures on the valuation of claims and variation orders and validated compliance with internal accounting policies on revenue recognition and loss provision criteria.
Additionally in cases with a higher degree of judgement, on an as needed basis, we involved technical engineering expertise to evaluate technical progress, valuation of uncertainties and the anticipated result.
For long-term contracts we performed a retrospective review to ensure consistency in the valuation applied and forecasted project results by the company.

Our observations on the matter:

We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (note 25) to the financial statements being proportionate. We note that VolkerWessels concluded that a degree of uncertainty about the valuation of work in progress development and property development is inherent to the company's operations, particularly as regards the expected costs to complete the work and, consequently, the recognised profit or expected loss, respectively, in relation to the process.

Valuation of land and property held for sale

Key audit matter:

The valuation of the land and property held for sale is based on the historical cost or lower net realizable value. The assessment of the net realizable values involves assumptions relating to future market developments, decisions of governmental bodies, discount rates and future changes in costs and selling prices. These estimates involve various terms and are sensitive to scenarios and assumptions used.
The estimation uncertainty for land positions is therefore considered to be a key audit matter.

How our audit addressed the matter:
We tested the design and implementation of the relevant controls. We substantively tested the calculations of net realisable values and challenged the reasonableness and consistency of the assumptions and model used by the company. We verified that the company's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external sources.
We compared the company's assumptions concerning the development of land and property prices with independent market references of external parties and institutions. Expected future costs and interest expenses are assessed based on reasonableness.
We involved a valuation specialist to assess the underlying assumptions and methodologies used.

Our observations on the matter:
We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (Note 23 and 24) to the financial statements being proportionate. We note that the analyses of VolkerWessels focusses on the riskiest positions, mainly in land and land developments, and are based on current expectation in respect of development potential, the development period and the price level.

Related parties
Key audit matter:
The company is partly owned by VolkerWessels' (ultimate) shareholders together called the Reggeborgh entities. Related party transactions with the shareholders can be categorised as: sales transactions to related parties, purchase transaction from related parties and other related party transactions.

How our audit addressed the matter:
We performed substantive testing procedures to test if sales transactions, purchase transactions and other related party transactions, including transactions with the Reggeborgh entities, are at arm's length.
Additionally we audited the related parties' disclosure notes.

Our observations on the matter:
We note that VolkerWessels has concluded that all related party transactions have been concluded at arm's length. We performed procedures to test the recognition and measurement criteria of the related party transactions. Our procedures did not result in material findings for the related party transactions.
Additionally we consider that there is adequate disclosure in Note 37 of the nature and amounts of the related party transactions in accordance with the applicable standards.

Report on the other information included in the annual report 2017
In addition to the financial statements and our auditor's report thereon, the annual report 2017 contains other information that consists of:

- Management Board's Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.
By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Engagement
We were engaged by the Supervisory Board as auditor of Koninklijke VolkerWessels NV on 16 June 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements
Responsibilities of management and the Supervisory Board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.
The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.
Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

- We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.
We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.
We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 14 March 2018

Deloitte Accountants B.V.
Signed on the original: A.G. van Bochove

PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

Article 36 of the Articles of Association states:

36.1
After adoption of the annual accounts, but no later than within six months from the end of the financial year concerned, a cash distribution will be made on the Preference Shares in respect of the previous financial year, which distribution will be calculated as follows:
(i) if the payment of the Preference Shares has been charged to the reserves of the Company, the annual distribution for all issued Preference Shares will amount to the aggregate amount of one thousand euro (EUR1,000);
(ii) otherwise, the distribution will be a percentage equal to the average one monthly Euribor (Euro Interbank Offered Rate) – weighted to reflect the number of days for which the payment is made – plus a premium, to be determined by the Management Board, subject to the approval of the Supervisory Board, of at least one percentage point and at most four percentage points, depending on the prevailing market conditions.

The distributions mentioned under (i) and (ii) shall be calculated over the proportionate period of time if the relevant Preference Shares were issued in the course of the financial year. Distributions in respect of the Preference Shares are calculated over the paid up part of their nominal value. The making of such distributions is subject to the provision of article 36.5.
The amounts of said distributions will be charged to the profits realised during the financial year in respect of which it is made or, if such profits are insufficient, any other part of the Company's distributable equity. No further distributions will be made on the Preference Shares.

36.2
The Management Board, with the approval of the Supervisory Board, may decide that the profits realised during a financial year and remaining after application of article 36.1 are fully or partially appropriated to increase or form reserves.

36.3
The profits remaining after application of articles 36.1 and 36.2 shall be put at the disposal of the General Meeting. The Management Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

36.4
The Company's policy on reserves and dividends shall be determined and can be amended by the Management Board, subject to the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting under a separate agenda item.

36.5
The Company may distribute profits to Shareholders and other persons eligible to receive any share of the distributable profits only insofar as the Company's shareholders' equity exceeds the total amount of the paid-up and called-up capital plus the statutory reserves.

OVERVIEW OF GROUP COMPANIES

Per 15 February 2018 – this is the operational structure which differs from the legal structure

Entities marked with an * means the share of VolkerWessels is not equal to 100%.

The Netherlands Construction & Real Estate Development

VolkerWessels Bouw & Vastgoedontwikkeling BV
D. Boers, L.F.J. Bruggink, M. den Harder, L.A.S. van der Ploeg

VolkerWessels Bouw & Vastgoedontwikkeling Nederland BV
M.H. Luchjenbroers
A.H.M. de Koning, director integrated projects
Biesterbos BV E.B.H. de Weijer
Jongen Projectontwikkeling BV C.P.H. Külter
Credo Integrale Planontwikkeling BV J. Boxem
Credo Real Estate Development Espana sl* P.M.J.M. Jacobs
G&S Vastgoed BV* J.F. Blackmore, M.B. Gründemann
KondorWessels Vastgoed BV W.A. Gaijmans, R.H.K. Elbersen
Kontour Vastgoed Holding BV* J. van der Mijl, H. Tillema
Kondor Wessels Projecten BV H.T.J.M. Roelofs, R.G.J. Hasselerharm, J. Quist
Loostad BV H. Driesen
Stam + de Koning Vastgoed BV F.P.M. Gremmen, D.M.A.H. van de Ven
VolkerWessels Vastgoed BV M.H. Schipper, A. Vink, H.J.W.B. Spanjers,
ZorgID BV H. Soepenberg
VolkerWessels Woonconsult BV
VolkerWessels Logistics Development BV M.R. van den Berg, E.J.A. Sprakel

VolkerWessels Bouw & Vastgoedontwikkeling Noord-Oost BV
D.H.C. van der Hulst
Koenen, Bouw- en Aannemingsmaatschappij BV B.J.M. Poelman, W.M. van Vilsteren
Rottinghuis' Aannemingsbedrijf BV B.J.M. Poelman, W.M. van Vilsteren
Goossen Te Pas Bouw BV H.J. Nijkamp, G.D.J. van den Berg
Bouwmaatschappij Ufkes Apeldoorn BV V. Klompenhouwer, H.J. Schoonhoven
Bouwbedrijf Wessels Rijssen BV C.J. Knoot, P.G.M. Bekhuis
Systabo BV R.M.C. van Hoof
Veluwezoom Verkerk Bouw BV F.T.M. Verkerk, R.A. Brons
Bouwbedrijf Wessels Zeist BV P.H.H. Bos, J. Schellevis

VolkerWessels Bouw & Vastgoedontwikkeling West BV
P.A. van Hoeven
Bébouw Midreth BV A.B.J.M. Pompe, R.G. Dressel
Boele & van Eesteren BV P. van Dijk, C.H. Bok, G.T. Vos
G&S Bouw BV H. Huisman, J.A. Messemaker
IBB Kondor BV J.P.G. Bac, A. A. Spaan
Kondor Wessels Amsterdam BV F. Aalders, O.A. van der Pluijm
Kroon & De Koning BV I.H.J. Zweekhorst, A.P. in 't Veld

VolkerWessels Bouw & Vastgoedontwikkeling Zuid BV
A.H.P. van Laarhoven
Bouwbedrijven Jongen BV W.J.A.M. Martens, R.W.P.A. Quaedackers, R.H.J. Schreurs
Aannemersbedrijf Van Agtmaal BV J.A.C. Snepvangers, A.M.P.A. de Vries
Aannemersbedrijf Van der Poel BV R.M. van Pamelen, C.J.J. de Regt
de Bonth van Hulten BV J.A.W. Schepens, A.J.M. Krekels
Stam + De Koning Bouw BV A.G. van Tilburg, R.H.A. Haarmans
Van de Ven Bouw en Ontwikkeling BV A.J.M. Krekels, J.A.W. Schepens
Visser & Smit Bouw BV A.J. van Eijk, B.R. Roosendaal, T.A.M. Oorsprong

Integrated Development
VolkerWessels Integraal BV A.J. van Eijk

Industrial construction and Technical installation services
Dubotechniek Beheer BV* A.G.M. van Rijsewijk, M.B. van den Heuvel
HOMIJ Technische Installaties BV* A. Navarrete Gelde, J.W.J. Fabri, G.L.H. Hoek, R.A.C. van Zijl
VolkerWessels Bouw Schiphol BV A.J. van Eijk, A.J. Bok
Digibase BV R.L. de Groot
Morgen Wonen BV M. den Harder, E.J. Pot

Industrial construction supply
B.R. Schuring
De Groot Vroomshoop BV G. Beltman, H.W. Sturris
De Mors Houtbouw BV/De Mors BV M. Zomer, N.W.A. Brand
PGB Holding BV G.J. Baan
Westo Prefab Betonsystemen BV G.J. Baan, J.W. Olde Kalter, H. Kleijer
Reinaerdt Deuren BV C.E.M. Hendriks, J.P. Bouws
VolkerWessels Bouwmaterieel BV K.J. Nieboer, R.G.R. Frazer

The Netherlands Infrastructure

Staff organization of VolkerWessels the Netherlands Infrastructure H.J. van der Kamp, W. Bontes, A.M.J. Vos, J.W. Vermeulen
Holland Systemen BV* R.A.L. Hijdra
VolkerInfra BV G.R. Bos, R.S. Beurze, J.W. Ligterink, B.G. van Katwijk
(Participatiemaatschappij VolkerInfra PPP BV, VolkerInfra Design BV, VolkerInfra Asset Management, Shareship BV)

Civil Engineering
Van Hattum en Blankevoort BV J.B.L. Verhoeff, W.T.M. van der Meer, J. Bonekamp,
Volker Staal en Funderingen BV P.A. Kraaijeveld, L.F.P.C. van Mansfeld

Road construction
KWS Infra BV J.P. de Boer, K.J. de Vries, R.M. Mars, M.A.P. Euser, M.J.P. Veldt
KWS Infra BV, vestiging Leek W. Dijkstra
KWS Infra BV, vestiging Zwolle A. de Jong
KWS Infra BV, vestiging Amsterdam/Heerhugowaard T.C. Stoop
KWS Infra BV, vestiging Utrecht H.T. te Beest
KWS Infra BV, vestiging Rotterdam J.H. de Morée
KWS Infra BV, vestiging Zwijndrecht/Rozenburg P.A.H. Ahsman
KWS Infra BV, vestiging Roosendaal/Sas van Gent M. Dees
KWS Infra BV, vestiging Eindhoven H.T.M. Vugs
Gebr. Van Kessel BV A. de Morée
(Gebr. Van Kessel Speciale Technieken en Producten BV, Van Kessel Sport en Cultuurtechniek BV, IJzerman BV, Gebr. Van Kessel Wegenbouw BV)
M.J.O. Holding BV P.A. van der Wee
(M.J. Oomen Inspectie BV, M.J. Oomen Inspectie Beheer BV, M.J. Oomen Leidingtechniek BV, M.J. Oomen Bouw Beheer BV)
Wilchem BV P.A.H. Ahsman

Grond- en Zandexploitatiemaatschappij 'Rijnland' BV, Handelmaatschappij De Keerkring BV, Holland Scherm BV, Smits Neuchâtel Infrastructuur BV, WSP InfraOntvikkeling BV, BKB Infra, Timmer-Verzijl BV, Romers Grondstoffen, Opsporen Conventionele Explosieven, Gelders Adviesbureau Infrastructuur & Milieu (G.A.I.M.) BV, Aquavia, Nederlands Wegen Markeerbedrijf NWM*, StreetPrint Nederland VOF*, Graniet Import Benelux BV*, Latexfalt BV*, Nederlandse Freesmaatschappij BV*, Rapid Asfalt BV*, Reflectielijnen van Velsen BV*, Traffic Service Nederland BV*, Mineralis BV*, Multiline Markering BV*, AKROH Slijtlagen BV*, Aduco BV*, Van Straten Geleiderail BV*, NSE as*, InfralinQ, M.J. Oomen riool- en betontechniek BV

Traffic and Rail Technology
Vialis BV M.S. Bakker, H.A. Hendriks, M.P Jonasse, A.B. Vonkeman, G.H. Meijer
(VRS Railway Industry BV)

Railway Construction and Technology
VolkerRail Nederland BV J.J. Vos, P. van Gool, D.S.E.M. Wieggers, B.F. Hendriks, M. Koster, E. Gaaikema
(Inspectation, RailCom BV, Tribase Datasystems & Network Services vof*, Van der Worp, VolkerRail Engineering BV, VolkerRail Materieel en Logistiek BV, VolkerRail Plant & Equipment BV, VolkerRail SAFAC BV, VolkerRail Systems BV)

Equipment Management and Services
Volker Stevin Materieel BV J.H.H. Hertsenberg, H.J. van der Kamp
Romers Transport BV J.H.H. Hertsenberg

Measurement and Inspection Services
Asset Insight BV P.M. de Hair

Engineering, Advice and Services
Aveco de Bondt BV G.J. Paalman, F.G.H. van Hooff
(Archiment BV, Compositie 5 Stedenbouw BV)

PCH Services Group
R.E. Kas
PCH Integrated Facility Management & Services BV
PCH Parking & Facility Services BV
PCH Parking & Facility Services Schiphol BV
BBH Security Services BV
IJsbaan Twente BV

The Netherlands Energy & Telecoms Infrastructure

Energy
Visser & Smit Hanab BV R.C.H. Koole, H. Herremans, V. Dijk, R.G.T. Houterman, D.E.F. Pieters, K. de Wit, A.F.M. van Kaam, A. Krijgsman
Visser & Smit Hanab BV Distributie
Visser & Smit Hanab BV Installatie
Visser & Smit Hanab BV Industrial & Power Projects
Visser & Smit Hanab BV Transport & Drilling Solutions
Volker Stevin Kabelwerken Railinfra Vof
VWS Pipeline Control BV

Telecoms
VolkerWessels Telecom W.R. van de Mast, S.H.M. Braam, R.M. Wittmaekers
VolkerWessels Telecom | FttH
VolkerWessels Telecom | Infratechniek
VolkerWessels Telecom | Netwerk Solutions
VolkerWessels Telecom | Services
Recognize BV
MapXact BV G.J. Rooseboom, M.M.A. Wanders

Oil & Gas

Pipeline Refinery Services BV A. Stoevelaar
Oakite BV A. Stoevelaar
Workforce Nederland BV A. Stoevelaar, E.J.F.H. Koops

ICT

VolkerWessels Triple S Transformations BV R. Veffer

International markets

Belgium

Visser & Smit Hanab NV V.E. van Esbroeck, J. Troch
VolkerWessels Telecoms V.E. van Esbroeck, J. Troch

Germany

Kondor Wessels Holding GmbH L.A. Hegeman, L.W.A. de Man, R. Richter
Kondor Wessels Bayern GmbH L.A. Hegeman, R. Richter, L.W.A. de Man, P.J. Sherwin
Kondor Wessels Bouw Berlin GmbH M. Becker, L.A. Hegeman, R. Richter
Kondor Wessels Invest GmbH L.A. Hegeman, R. Richter
Kondor Wessels Projektentwicklung GmbH L.A. Hegeman, L.W.A. de Man
Kondor Wessels West GmbH L.A. Hegeman, R. Richter
Kondor Wessels Wohnen Berlin GmbH V. Mulder, L.A. Hegeman, L.W.A. de Man
Kondor Wessels Dach - Bauelemente und Service GmbH L.A. Hegeman
Con-tura Architekten + Ingenieure GmbH H.G.B. Spekhorst, D. Schöder, L.A. Hegeman

United Kingdom

VolkerWessels UK Ltd A.R. Robertson, N.A. Connell, M.G. Woods, S.J. Cocliff, R. Coupe, R.A. Offord, H.W.R.A.M. Janssen
VolkerFitzpatrick Ltd R.A. Offord, A.R. Robertson, N.A. Connell, M.G. Woods, J.M. Suckling, C.S. Humphrey
VolkerRail Group Ltd S. Cocliff, A.R. Robertson, N.A. Connell, P.H. Nolan, M.G. Woods, A. Wilkins
VolkerHighways Ltd A. Thompson, A.R. Robertson, N.A. Connell, M.G. Woods, J.M. Humphries
VolkerStevin Ltd R. Coupe, A.R. Robertson, N.A. Connell, M.G. Woods, A.R. Towse
VolkerLaser Ltd M.J. Weaver, A.R. Robertson, N.A. Connell, M.G. Woods
VolkerInfra Ltd R. Coupe, A.R. Robertson, N.A. Connell, M.G. Woods, A.R. Towse

North-America

Canada

Volker Stevin Canada K.R. Briscoe, J.M. Festa, J.W. Vanover
Volker Stevin Contracting Ltd. K.R. Briscoe, M. Festa, W.G. Hooper, J.W. Vanover
Volker Stevin Highways Ltd. K.R. Briscoe, F.D. Desjarlais, J.W. Vanover
H. Wilson Industries Ltd. K.R. Briscoe, W.G. Hooper, W. Holodniuk, J.W. Vanover
McNally Contractors Ltd. K.R. Briscoe, F.D. Desjarlais, J.W. Vanover
Mainline Construction Ltd. K.R. Briscoe, J.W. Vanover
Lakes District Maintenance Inc. W. Benyk, K.R. Briscoe, F.D. Desjarlais, J.W. Vanover

United States

MidMountain Contractors Inc. J. Levere, M. Mills
Yarrowbay Group Llc*. J. Levere

Group head office

E.H. van Gasteren, Director Tax Affairs
H.H. Gorrée, Director Insurance & Pension Knowledge Centre
R.M. Hutten, Manager Human Resources
H.W.R.A.M. Janssen, General Counsel
H. de Jong, Director Finance & Control
T. Lampe, Company Secretary
I. Prins, Investor Relations Manager
B.P. Spelbos, Director Treasury & Financing
M.J. Vera, Director Corporate Development

Supervisory Board

J.H.M. Hommen, Chairman
H.M. Holterman
S. Hepkema
R.J.H.M. Kuipers

Management Board

J.A. de Ruiter, Chairman
J.G. van Rooijen, Chief Financial Officer
A. Vos, Chief Operating Officer, Energy & Telecoms Infrastructure and International Segments
D. Boers, Construction & Real Estate Development Netherlands
H.J. van der Kamp, Infrastructure Netherlands

Central Works Council

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

European Works Council

M. van der Sluys, Chairman

DEFINITIONS

Capital employed Fixed assets plus net working capital less other provisions.

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

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

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

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

Free cash flow Net cash flow from continuing operating activities plus net cash flow from continuing investment activities, excluding acquisitions.

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

Net debt/net cash position Loans and other financing obligations, derivatives, bank overdrafts, loans and other financing obligations (current) minus cash and cash equivalents.

Non-recourse financing Project financing where the lender himself can only seek redress from the cash flows and assets of that specific project. For a project financing, the lender has no or hardly any recourse against other companies of VolkerWessels.

Net Working Capital Inventories (including property development in own management), construction contracts (due from customers and due to customers), trade and other receivables, trade and other payables, net taxes, land, property held for sale, non-current receivables from associates and joint ventures, investments in associates and joint ventures less provision for associates and joint ventures (current and non-current portion).

Return on capital employed (ROCE) EBIT/Capital employed.

Revenue Net revenue plus the change in work in progress, plus the change in earned profit in work in progress.

Solvency The total equity (including minority interests) plus subordinated shareholders loans as a percentage of total assets.

Total assets Non-current assets + current assets.

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