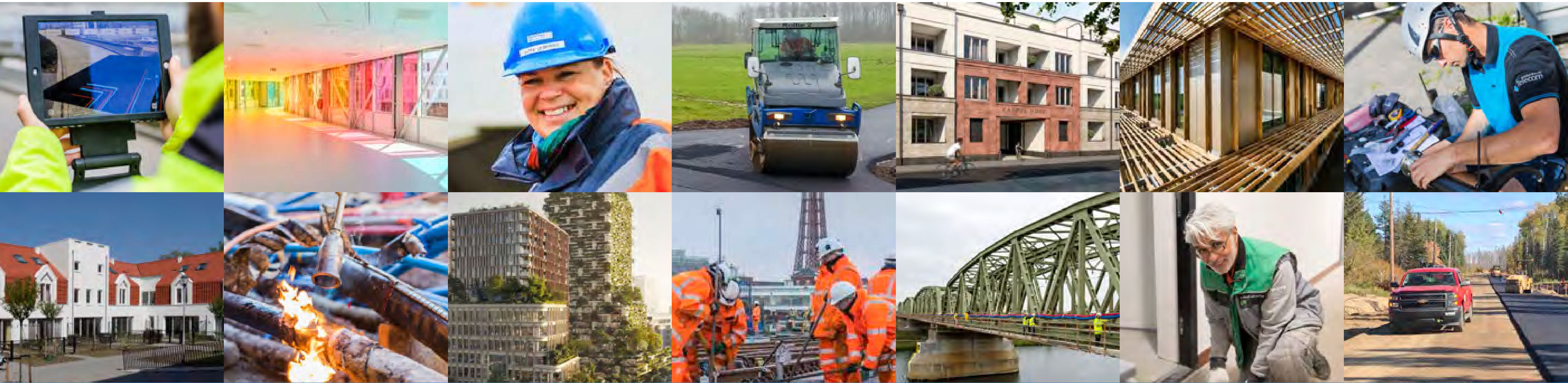
VolkerWessels



Annual report 2018

ROYAL VOLKERWESSELS

Volker

Wessels

1854
Contractor Adriaan Volker settles in Sliedrecht

1933
Carpenter Arend Wessels decides to become a contractor making him the founder of the Wessels family business

1963
Dik Wessels returns to his father's family business

1967
At the age of 21 Dik takes over the family business

1970
Three contracting companies with a rich history – Van Hattum en Blankevoort (1831), Boele & Van Eesteren and Van Splunder continue under the name Stevin Group

1972
The company is renamed to Royal Adriaan Volker Group

1974
Stevin Canada is founded

1975
Adrian Volker Group UK Ltd is founded

Volker Stevin

Kondor Wessels

VolkerWessels

1978
Merger of Royal Adriaan Volker Group with Stevin Group. Royal Volker Stevin is founded and becomes a listed public company

1983
50 year anniversary of Beheersmaatschappij Bouwbedrijf Wessels Rijssen

1990
IBB Kondor finds a strong partner in the Wessels family business and following a reverse take-over the listed company Kondor Wessels Group is founded

1990
Kondor Wessels Deutschland is founded

1991
Dredging activities are divested

1997
The two listed companies Royal Volker Stevin Group and Kondor Wessels merge: Royal VolkerWessels Stevin NV

2001
Acquisition of KPN Netwerk Bouw results in the founding of VolkerWessels Telecom

2003
De-listing of VolkerWessels and ownership returned to the Wessels family

2006
Kondor Wessels Deutschland is sold to the Wessels family

2007
CVC acquires a 42.5% stake in VolkerWessels

2009
The trade name VolkerWessels is introduced to the United Kingdom and all British companies continue under the name VolkerWessels UK

2013
The Wessels family buys the remaining shares back from CVC

2016
The Wessels family sells Kondor Wessels Deutschland back to VolkerWessels

2017
VolkerWessels returns to the stock exchange on 12 May 2017. The group continues under the name Royal VolkerWessels N.V.

2018
VolkerWessels acquires two bolt-on acquisitions: JoulZ Energy Solutions and PJ Davidson

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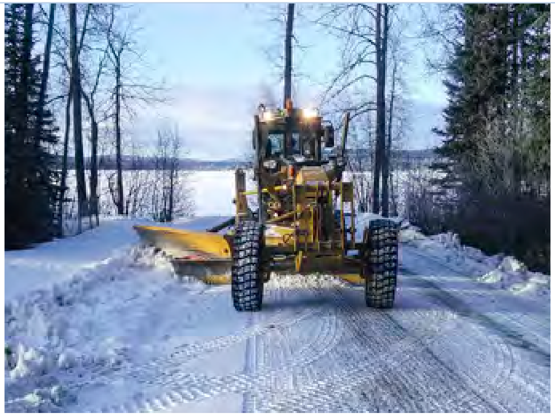
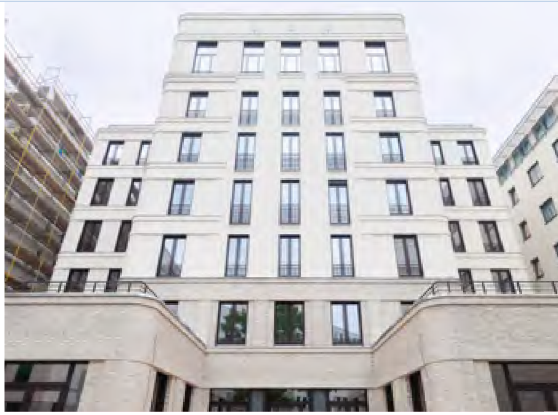



Profile, activities and markets

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

Infrastructure

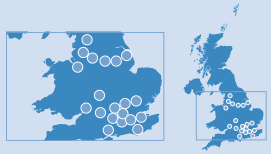
- Road construction, service and maintenance and asphalt production
- Railway construction, services and maintenance
- Civil engineering activities for roads, waterways and rail
- Multi-disciplinary project management capabilities for complex projects
- Traffic management systems for roads and railways

Energy & Telecoms Infrastructure[1]

- Construction and maintenance of energy infrastructure (oil, gas and electricity)
- Construction and maintenance of telecoms infrastructure including fibre-optic and wireless networks

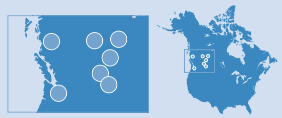
[1] Segment includes Belgium.

United Kingdom



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

North America



- Operating particularly in the Alberta and British Columbia provinces with focus on municipal road and highways maintenance and underground utilities (sewage and water management) construction
- Operating in the 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 around Berlin, North Rhine-Westphalia and Frankfurt

Preface

To our shareholders:

Our net result attributable to shareholders for the year was €137[1] million which represents a decline of €3 million versus 2017. Earnings per share decreased slightly from €1.75 to €1.71. Our revenue for the year was €5.9 billion and at the end of 2018 our order book was at an all-time high of €8.9 billion. All our divisions contributed to the 2018 EBITDA of €251[1] million which is in line with the outlook from our nine-month trading update. Excluding the additional provision taken in 2018 for OpenIJ, EBITDA increased to €290 million.
We recorded strong results in our Construction & Real Estate Development segment, our Energy & Telecoms Infrastructure segment and our UK operations. North America recorded a reduced contribution which was predominantly caused by unusual weather conditions, our German operations contributed in line with last year whilst our Dutch Infrastructure segment's result decreased due to the additional 2018 provision for the OpenIJ project as well as the ongoing repositioning of this segment.

Other than OpenIJ and the repositioning of the Dutch Infrastructure segment, we are pleased with the progress that we made in 2018. Our cash conversion remained very strong at 1.1 times as a result of our stable results and the successful reduction of our strategic working capital. Our Return on Capital Employed was 20.1%, well above our target of >18%.

Construction & Real Estate Development Netherlands (C&RED)
EBITDA for the C&RED segment in the Netherlands increased by 7.5% to €100 million. The order book increased by 23% to €3.5 billion. The residential construction market ran at high capacity during 2018, driven by low interest rates and favourable economic conditions. The cost of construction continued to move up in 2018, both for building material as well as for labour. Going forward, we expect material prices to consolidate while labour costs will continue to increase. C&RED also benefits from this trend as we are vertically integrated in the supply chain. We expect demand from private buyers and professional investors for real estate to remain at a high level while overall the increase in sales prices is expected to slow down as a consequence of increased uncertainty. Work continued with high profile developments like the new ING head office in Amsterdam and on the ongoing development of the NDSM wharf in North Amsterdam. We finished our work on the North-South metro line in Amsterdam, which entered into service in July 2018. Other projects under construction include The Valley in Amsterdam, the NATO complex and the Onderwijs and Cultuur Complex in The Hague, E-Shelter at Schiphol Rijk, Brainport Industry Campus in Eindhoven and Wilhelminawerf and Uptoren in Utrecht. In the city of Groningen we are developing the Westcord Market Hotel. We successfully finished the construction and handed over to the new owners a number of projects including Pakhuismeesteren in Rotterdam, the Eosta building in Waddinxveen and the Prinses Máxima Centrum (Children's hospital specialised in cancer treatment) in Utrecht.

Dutch Infrastructure and OpenIJ
The construction of the world's largest sea lock at IJmuiden (project OpenIJ) is progressing well and yet still challenging. During the year, two significant milestones were achieved: OpenIJ successfully immersed the first lock head and the three lock doors arrived in the port of Rotterdam in December 2018. Over 2018 we increased the loss provision for the project by €39 million which brings the total provision (VolkerWessels' share) to €107 million. Over 2018, we put €98 million into OpenIJ from our own resources and have almost fully funded our share in the project loss. At the end of 2018, the project was 65% complete.

VolkerWessels is repositioning its Dutch Infrastructure business with the aim of restoring this segment to its historic profitability levels as soon as possible. This will be done by simplifying the Dutch Infrastructure organisation, increasing the focus on tender management, contract management and the controlled delivery of projects. On August 31, 2018, the Management Board member responsible for our Infrastructure segment resigned and was replaced on September 1 by Alfred Vos, Group COO.

Despite the additional provision for OpenIJ and the impact of the repositioning, our Dutch Infrastructure contributed positively to our EBITDA in 2018. EBITDA decreased 58% to €22 million (including the €39 million addition to the OpenIJ loss provision). The order book increased by 6% to €1.7 billion at the year-end. The new strategy for this segment is almost finalised and we expect the new organisation to be in place before 30 June 2019. Rijkswaterstaat ('RWS' the single largest client in the Dutch Infrastructure sector) is currently in consultation with the Infrastructure sector with the goal to review its tendering and procurement processes. VolkerWessels is actively participating in these discussions. We aim for an outcome which combines innovation and sustainability goals with a more balanced division of risk between client and contractor (which can amongst others be done by choosing appropriate contract forms for integrated complex projects). Other important outcomes must be shorter tender processes and reduced tender costs as this currently represents a significant waste of man hours in a sector where skilled labor is scarce and difficult to come by.

1 Net result attributable to shareholders / EBITDA excluding share incentive charge of €6 million.

Energy & Telecoms Infrastructure (E&T)
In E&T, our EBITDA increased 22% to €39 million. The transition to sustainable energy sources, such as wind, solar and hydrogen continues to be an important driver for demand in the energy infrastructure market in the Netherlands. After a relatively slow start in 2018 because of cold weather conditions, market demand has increased significantly in the remainder of the year. The ongoing digital transformation is an important trend in the telecoms market, requiring an ongoing need for fast data transmission. The improvement in our result was seen in VolkerWessels Telecom, Visser & Smit Hanab as well as in our Belgian E&T activities.

United Kingdom (UK)
Despite the wider uncertainties as a result of the Brexit negotiations, our UK operations had a very successful year in 2018. Our EBITDA increased by 18% to €39 million on record high revenues of €1.1 billion. Our UK order book also showed a significant increase, up 26% to €1.5 billion. Our UK CEO, Mr. Alan Robertson, was appointed to the Management Board in May 2018, allowing for even better cross-fertilisation of know-how and expertise across our businesses. In the 4th quarter of 2018, we acquired UK-based P.J. Davidson in an asset deal, strengthening our position in concrete slip form products. In 2018 we installed the first two demos of our MorgenWonen homes at the VolkerWessels UK headquarters. Interest in the product is high and we are developing our business case for MorgenWonen in the UK. Although the future trading relationship of the UK with the EU cannot be predicted at this stage, we remain very positive about the future prospects of our UK business.

North America (NA)
In North America, the financial performance was lower than last year, mainly as a result of weather conditions and to some extent because the recovery of Fort McMurray takes longer than anticipated after the wildfires in 2016. EBITDA declined by 15% to €47 million. Revenue was flat at €350 million and the order book declined 8% to €764 million. As our North America segment has a number of large multi-year contracts, the underlying order book showed growth (especially because of the successful re-bid for Service Area 24 in British Columbia). Weather patterns caused inefficient capacity utilisation; the 2017-2018 winter season ended late which resulted in some of our companies only being able to commence work in April. In September, certain parts of Alberta and British Columbia witnessed very early snowfall causing a temporary shutdown in activities. Our operation in Seattle again had a very successful year, benefitting from a booming local economy.

Germany
Our German operations had another very successful year. EBITDA is in line with the level reached last year (2018: €16 million, 2017: €17 million) with revenue up 10% to €268 million. The order book in Germany declined by 13% but is still exceptionally strong at €595 million (2.2 times 2018 revenue). During 2018 we have decided to cease our activity in the greater Munich area. Our focus is now entirely on Berlin, Frankfurt and the Nord Rhein Westphalia area. At the end of 2018, our CEO Mr. Laurens Hegeman retired and was succeeded by Mr. Rob de Man who was already a member of the board of Kondor Wessels Holding.

Safety
Creating and safeguarding a culture in which working safely is embedded is an ongoing process. We see safety as one of our core values that is reflected in the way our employees act and feel. 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. Every injury is one too many but we are pleased to report that our IF rate decreased to 4.6 in the Netherlands from 5.3 in 2017.

Innovation, digitalisation & sustainability
We continue to focus on innovation, digitalisation and sustainability. Three topics which have become more and more related over the last few years.
More ambitious goals with respect to our CO_2 footprint and the reduction of primary resources require a different way of working going forward. In 2018 we formulated 6 KPI's to measure our ongoing contribution to sustainability. These KPI's are: (i) waste separation, (ii) car fleet, (iii) people at a disadvantage on the labour market, (iv) circular design, (v) sustainable materials and (vi) sustainable equipment and transport. A good example of the latter is the test with a H2 fuelled service van at Visser & Smit Hanab. VolkerWessels is the first company in the Dutch construction sector linking sustainability performance to its banking credit facility.

We are further increasing investment in our digital transformation to improve our operating model by reducing failure costs, increase productivity and growing new business models. Through the endeavors of our people, we have the ambition to win, design, execute and maintain projects with best in class margins by using available technology and data. Digital transformation is a cornerstone element of our strategy for the coming years. IT is all about our people using technology and data to continuously improve our activities.
We combine this with a modern and secure IT infrastructure and applications that add value to all our stakeholders:

- our customers by adding higher value solutions, delivering according to plan, increasing productivity and lowering costs (e.g. total cost of ownership) and by improving sustainability;
- our employees by making our work more fun and impactful, making better decisions, making fewer mistakes and saving time where processes are further digitised or automated;
- our shareholders by having more predictable project results, safety, improving operating margins and

preparing ourselves for future business models and opportunities ensuring longer term sustainable results.

Digitalisation and innovation often go hand in hand. A good example of our innovation skills is the immersion of the first lock head at project OpenIJ. Our subsidiary Volker Staal en Funderingen was responsible for this unique process where the immersion was done for the first time ever without people having to be located under the caisson during the immersion process. We are also very pleased with the construction of our first Circular Viaduct and the fact that our Plastic Road is now being tested in two locations in the Netherlands.

Order book, cash conversion & solvency
Our order book at the end of the year was at a historical high of €8.9 billion which is an increase of €833 million as compared to the end of 2017. If we take into account the natural decline in our long term framework contracts, the order books of all our segments increased during the year. This is a reflection of the positive trends in the markets in which we operate. As a result of a strong overall performance and focus on working capital, our cash conversion was yet again very strong. Our net cash position increased by €69 million to €366 million at 31 December 2018. Total equity, including the result for the year, increased by €61 million to €1,196 million at 31 December 2018. This is the net combined result of (i) the profitability of the Company during 2018 and (ii) dividend payments of in total €84 million in May and November 2018. Our solvency increased to 32.5% (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 2018 of €0.28 per share, totals €1.05 and is equal to the dividend of 2017.

From left to right: Jan de Ruiter, Alan Robertson, Dick Boers, Jan van Rooijen, Alfred Vos.

A special thank you to all our employees, without their skills, know-how, enthusiasm and perseverance, we would not be able to deliver the results as we did!

Management Board of VolkerWessels
Jan de Ruiter
Jan van Rooijen
Alfred Vos
Dick Boers
Alan Robertson

VolkerWessels at a glance

Financial highlights in 2018

Underlying operational performance

	Net result attributable to shareholders	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order Book	Revenue
2018	€166 million	€290 million	4.9%	24.0%	32.5%	€366 million	€8,924 million	€5,924 million
Change	▲ 18.6%	▲ 9.4%	▲ 30 bps	▲ 220 bps	▲ 100 bps	▲ €69m	▲ 10.3%	▲ 3.7%
2017	€140 million	€265 million	4.6%	21.8%	31.5%	€297 million	€8,091 million	€5,714 million

Financial performance including 2018 OpenIJ provision

	Net result attributable to shareholders	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order Book	Revenue
2018	€137[1] million	€251[1] million	4.2%	20.1%	32.5%	€366 million	€8,924 million	€5,924 million
Change	▼ 2.1%	▼ 5.3%	▼ 40 bps	▼ 170 bps	▲ 100 bps	▲ €69m	▲ 10.3%	▲ 3.7%
2017	€140[2] million	€265[3] million	4.6%	21.8%	31.5%	€297 million	€8,091 million	€5,714 million

1 Net result attributable to shareholders and EBITDA for FY 2018 in financial statement of €131 million and €245 million respectively also includes the share incentive charge of €6 million.

2 Net result attributable to shareholders for FY 2017 in financial statement of €135 million also includes the share incentive charge of €5 million.

3 EBITDA for FY 2017 in financial statement of €273 million also includes the share incentive charge of €5 million and a third party result of €13 million.

Highlights in 2018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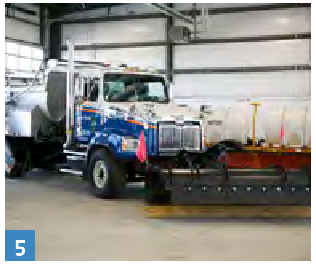
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1. Pakhuismeesteren in Rotterdam: from warehouse to lifestyle hotel
2. VolkerWessels is a long time sponsor of the Triathlon in Holten, a vast numbers of teams from the VolkerWessels companies participate annually
3. Noorderspoort: a rail- and civil engineering project in the North of the Netherlands
4. Roll out of Digitenne: migration of Digitenne to a new future-proof system where Standard Definition Television (SDTV) is replaced by High Definition TV (HDTV)
5. Road maintenance in North America
6. 'Oncotheek' in the Prinses Máxima Centrum (Children's hospital specialised in cancer treatment)
7. Gelders huis: A single 'front door' for employees, politicians, administrators and visitors of the province of Gelderland
8. The construction of the second PlasticRoad pilot in the province of Overijssel in Giethoorn
9. VolkerFitzpatrick finished work on four new aircraft stands at London's Stansted airport
10. Frederikstraat in Tilburg
11. Gut-Alt Biesdorf in Berlin: 518 apartments, construction started in first half of 2018
12. Lock doors of OpenIJ arriving in the port of Rotterdam

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 Governance Committee (chairman), Audit Committee, Remuneration Committee and Projects Committee
- **Other and previous positions** Mr. Hommen holds supervisory board memberships at Royal Ahold Delhaize NV as chairman, United World College Nederland as chairman and at ProteoNic BV Mr. Hommen is also chairman of BlackRock Netherlands BV
  Mr. Hommen has served as CEO of ING Group, CEO of KPMG (Netherlands), CFO of Royal Phlips Electronics NV and CFO of Alcoa.

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 Governance Committee
- **Other and previous positions** Mr. Holterman is CEO of the Reggeborgh Group and a supervisory board member at Varo Energy BV and Tivo Exploitaties BV.

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 NV, as a partner of Allen & Overy LLP and as a supervisory board member of The Royal Bank of Scotland NV Mr. Hepkema currently holds supervisory board memberships at Wavin NV and SBM Offshore NV Mr. Hepkema is a senior advisor with Bain Capital Private Equity Europe and furthermore 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) and Projects Committee
- **Other and previous positions** Mr. Kuipers is a director of Reggeborgh Invest BV (since May 2015) as well as a supervisory board member of Argos Group Holding BV and Varo Energy BV.
  Mr. Kuipers was shareholder and director of Norit NV He is currently the owner and director of Cooper Investors BV, a firm that invests in equity and real estate.

F.A. (Frank) Verhoeven (1951)

- **Nationality** Dutch
- **Appointed** 3 May 2018 (current term expires on the date of the General Meeting of Shareholders to be held in 2022)
- **Committee** Projects Committee (chairman)
- **Other and previous positions** Mr. Verhoeven previously held several positions at Boskalis, the last four years as a member of the board of management.
  Mr. Verhoeven currently holds supervisory board positions with Dekker Groep, Stichting Deltares and Ampelmann Netherlands BV and Mr. Verhoeven is president of the International Association of Dredging Companies (all in the maritime sector).

Report of the Supervisory Board

To our shareholders:

2018 Annual report
We hereby present you with the annual report drawn up by the Management Board for the year ended 31 December 2018. The annual report includes the financial statements for 2018 as audited by Deloitte Accountants BV and accompanied by an unqualified auditor's report. The auditor's report is included on pages 190-194 of this annual report. At the Annual General Meeting of Shareholders to be held on 18 April 2019 you will be invited to adopt the financial statements for 2018 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 2018 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 31 August 2018 the Management Board consisted of six members: Jan de Ruiter (chairman), Jan van Rooijen (CFO), Alfred Vos (COO), Dick Boers, Alan Robertson and Henri van der Kamp. Alan Robertson was appointed as member of the Management Board on 3 May 2018 to reflect the increasing importance of our international activities and to further strengthen the Management Board with international experience. After careful consideration and consultation between Henri van der Kamp, the Supervisory Board and the Management Board, it was decided that a change of management of the Infrastructure NL segment was required to address the changing nature of the infrastructure market as a consequence of the increase of complex multidisciplinary projects (both in tender and operational phases). As a result of that decision it was mutually agreed that Henri van der Kamp resigned from the Management Board on 31 August 2018. From that moment onwards the Management Board consisted of five members instead of six. Mr. Vos took over the responsibilities of Mr. Van der Kamp in respect of the Infrastructure NL segment on an interim basis. There were no other changes in the Management Board in 2018.

Composition of the Supervisory Board
As of 3 May 2018 the Supervisory Board consists of five members. On that date Frank Verhoeven was appointed by the General Meeting of Shareholders as fifth member of the Supervisory Board. Mr. Verhoeven chairs the Projects Committee. The Projects Committee has been set up to inform a delegation of the Supervisory Board both on tenders for projects and projects under construction or the execution of projects in operation. This committee serves as extra support to the Supervisory Board to better identify risks and failures and – if possible – at an earlier stage.

There have been no other changes to the composition of the Supervisory Board in 2018 and in line with the rotation schedule none of the Supervisory Board members resigned in 2018. Other than Mr. Holterman and Mr. Kuipers the other three members of the Supervisory Board (a majority) are independent (within the meaning of best practice principle 2.1.8 of the Dutch Corporate Governance Code) as a consequence of which best practice principle 2.1.7. of the Dutch Corporate Governance Code is complied with. Mr. Kuipers shall resign from the Supervisory Board after the Annual General Meeting of Shareholders on 18 April 2019.

The Supervisory Board strives to maintain experience and know-how within the Supervisory Board of (**inter alia**) the construction and infrastructure sector, general- and project management, finance, accounting and economics, strategy, sales and marketing, sustainability and international experience, which are priority for VolkerWessels.

The Supervisory Board has been and is very committed to recruit female candidates that fit within its profile. We believe to have succeeded in that quest by nominating Mrs. Anja Montijn as member of the Supervisory Board. In addition to filling in positions at the level of the Supervisory- and Management Board, we realise that it is the responsibility of both the Management Board and Supervisory Board to create the environment and provide the facilities for female employees to be more attracted to and to build a career in the building and construction industry. We refer to the Corporate Governance chapter for further clarification regarding diversity.

Next to the nomination of Mrs. Montijn, the Supervisory Board shall also nominate Mr. Eelco Blok for appointment by the Annual General Meeting of 18 April 2019. Both Mrs. Montijn and Mr. Blok are a welcome addition to the composition of the Supervisory Board by adding extra competences and experience.

Supervision and advice
In 2018 the Supervisory Board had seven joint meetings with the Management Board. Five of these meetings were regular meetings and the other two meetings were held in relation to specific projects and tender procedures.

The attendance rate of the individual members at the Supervisory Board meetings and the committee meetings was as follows:

	Supervisory Board	Audit Committee	Remuneration Committee	Selection & Governance Committee	Projects Committee
Mr. J.H.M. Hommen	100%	100%	100%	100%	100%
Mr. H.M. Holterman	100%	100%	n.a.	100%	n.a.
Mr. S. Hepkema	100%	80%	100%	n.a.	n.a.
Mr. R.J.H.M. Kuipers	87.5%	n.a.	100%	n.a.	100%
Mr. F.A. Verhoeven	100%[1]	n.a.	n.a.	n.a.	100%

1 100% attendance at the Supervisory Board meetings as of Mr. Verhoeven's appointment on 3 May 2018.

In addition there were several other meetings and consultations between members of the Supervisory Board and the executives of VolkerWessels, including a combined Supervisory Board and Management Board offsite meeting to discuss strategic and organisational matters (in addition to the seven regular combined meetings). 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 or meetings and are in contact if and when necessary.

As part of the onboarding process an introduction program was followed by Messrs. Hommen, Hepkema and Verhoeven, whereby they were introduced to the different segments and visited several projects on site. As part of their education/training program, the Supervisory Board members followed the Company's integrity e-learning. No further training needs were identified.

The Supervisory Board focussed on 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. Risk management and working capital management were other topics discussed by the Supervisory Board.

Next to the financial items on the Supervisory Board agenda, non-financial matters also formed an important part of the discussions with the Management Board. This included matters relating to corporate social responsibility, integrity (including prevention of fraud), safety, sustainability, as well as digitalisation and innovation. The risk of upward price pressure from suppliers of raw materials, the activities in its international (home) markets and related political issues (Brexit), pending legal proceedings, the implementation of the General Data Protection Regulation (GDPR) and the market conditions in each of the segments in which VolkerWessels operates were discussed during the year.

Topics of a more organisational nature were insurance, staffing and the results of the leadership assessment, sustainability and the tax policy. These topics were and still are on the Supervisory Board agenda on a recurring basis. The Supervisory Board also discussed specific project-related matters including periodically the execution of the OpenIJ sea lock project and the related discussions held with the client. The Supervisory Board will continue to pay close attention to this project. In relation to DBFM(O) projects in general the Supervisory Board and Management Board had several detailed discussions about to what extent and on what conditions VolkerWessels should continue (or not) participating in tenders for complex DBFM infrastructure projects in the Netherlands.

In the year under review the Supervisory Board formally approved tenders for large infrastructure projects including the alliance rail project Spoor IJssel-Herfte (Noorderspoort), and also financial matters such as the half year financial results, the nine-month trading update and the interim dividend payment of €0.28 per share as announced on 15 November 2018. Other matters resolved upon were the internal audit plan and internal audit charter, the amendment and extension of the Company's €600 million revolving credit facility as the first sustainability indexed working capital facility in the Dutch construction sector and various corporate- and real estate transactions. The Supervisory Board and the Audit Committee discussed the half year financial results with the Company's auditor.

Audit Committee

In 2018, the Audit Committee consisted of Mr. Holterman (chair), Mr. Hepkema and Mr. Hommen. The composition of the Audit Committee is in compliance with best practice principle 2.3.4 of the Dutch Corporate Governance Code. The Audit Committee undertakes preparatory work for the Supervisory Board's decision-making regarding the integrity

Visualisation of a Smart Blue Zone. This is a place where freedom of choice is point of focus and where smart technologies will improve our quality of life and that of the future generation.

and quality of the financial reporting and the effectiveness of its internal risk management and control systems. The Audit Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are laid down in the Audit Committee rules which are published on our website (Corporate Governance section).

The Audit Committee met five times in 2018: prior to the publication of the 2017 financial results, the 2018 half year results and prior to the publication of the first quarter- and nine-month trading update and approval of the interim dividend. The fifth meeting of the Audit Committee was held in December 2018 in order to discuss the Company's budget for 2019 as well as the external auditor's draft management letter. Both Mr. Van Rooijen (CFO) and the external auditor from Deloitte joined the meetings of the Audit Committee. To the extent relevant in relation to the internal audit function the head of the internal audit department was present during those meetings as well.

The regular topics that were discussed during the Audit Committee meetings were the Company's financial performance including development of liquidity and net-debt, treasury matters and reduction of strategic working capital and divestment of non-core assets, the 2017 financial statements, interim financial reporting, financial press publications, the external auditor's audit plan and related fees, tax matters including new legislation, the 2019 budget, the external auditor's draft management letter, integrity matters, compliance and insurance matters. These topics are presented to the Audit Committee by the CFO by means of a CFO letter. In addition to these regular topics, the Audit Committee held comprehensive discussions about the internal audit function, the internal audit charter and the internal audit plan (both the actions and findings under the 2018 plan as well as the plan for 2019) and other matters such as the transition to IFRS15 and IFRS16, evaluation of the external auditor, project- and project risk control systems, the OpenIJ project finance, specific developments on projects, specific transactions (M&A), matters relating to the Dutch Authority for the Financial Markets (AFM), ICT, cybersecurity and digitalisation throughout the VolkerWessels group.

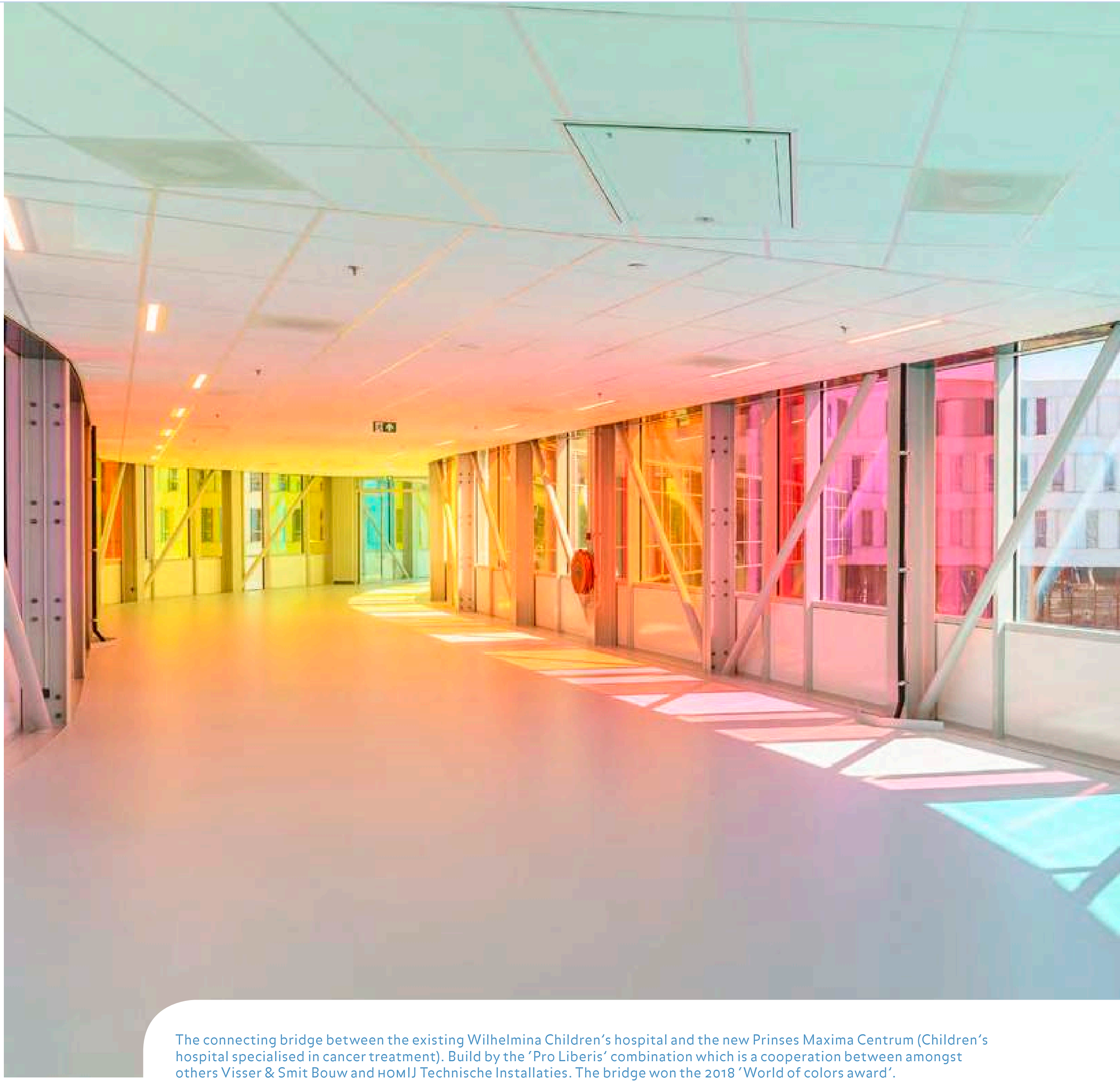
The Audit Committee reported its findings to the Supervisory Board after each meeting.

Remuneration Committee

In 2018, the Remuneration Committee consisted of Mr. Kuipers (chair), Mr. Hepkema and Mr. Hommen. The composition of the Remuneration Committee is in compliance with best practice principle 2.3.4 of the Dutch Corporate Governance Code. The Remuneration Committee is responsible for the Supervisory Board's decision making with regard to the determination of remuneration and reports to the Supervisory Board on its deliberations and findings. The Remuneration Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are laid down in the Remuneration Committee rules which are published on our website (Corporate Governance section).

The Remuneration Committee met two times in 2018 whereby – among other things – the execution of the remuneration policy in view of the performance of the individual Managing Directors on their balanced scorecards was discussed.

The remuneration policy applicable to the Management Board was set up in 2017 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 determined by the Supervisory Board, with due observance of the remuneration policy. The remuneration policy can be found on our website (section Corporate Governance).



The connecting bridge between the existing Wilhelmina Children's hospital and the new Prinses Maxima Centrum (Children's hospital specialised in cancer treatment). Build by the 'Pro Liberis' combination which is a cooperation between amongst others Visser & Smit Bouw and HOMIJ Technische Installaties. The bridge won the 2018 'World of colors award'.

The Remuneration Committee prepares the remuneration report which is included in the financial statements 2018 (note 38) as part of the 2018 annual report 2018.
The Remuneration Committee reported its findings to the Supervisory Board after each meeting.

Selection and Governance Committee
In 2018, the Selection and Governance Committee consisted of Mr. Hommen (chair) and Mr. Holterman. The composition of the Selection and Governance Committee is in compliance with best practice principle 2.3.4 of the Dutch Corporate Governance Code. The Selection and Governance Committee deals with decision-making on the selection and appointment of members of the Management Board and the Supervisory Board and reports to the Supervisory Board on its deliberations and findings. The Selection and Governance Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are laid down in the Selection and Governance Committee rules which are published on our website (Corporate Governance section).

The Selection and Governance Committee met three times in 2018. The following topics were on the agenda of the Selection and Governance Committee: nomination for appointment of Mr. Verhoeven as member of the Supervisory Board and Mr. Robertson as member of the Management Board, ongoing assessment of the composition of the Supervisory Board (and its committees) and Management Board – in this respect diversity (both in terms of experience & know-how and gender diversity) is one of the main drivers, succession planning and periodic evaluation of the Supervisory Board (including its committees) and Management Board and both their individual members. The Selection and Governance Committee also discussed the resignation by mutual consent of Mr. Van der Kamp as member of the Management Board on the 31st of August 2018.

The Selection and Governance Committee reported its findings to the Supervisory Board after each meeting.

Evaluation
In 2018, the Supervisory Board performed a self-assessment regarding its own performance, functioning, profile, competencies, 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. A similar evaluation was undertaken by the Supervisory Board in respect of the Management Board and its individual members. Other topics that were discussed are the relationship with the Management Board, the composition of the Management Board and succession of the Management Board. 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 2018. We wish the Management Board and the employees success in further improving performance in 2019 and beyond.

J.H.M. Hommen
H.M. Holterman
S. Hepkema
R.J.H.M. Kuipers
F.A. Verhoeven

Battle of Britain Visitor Centre: VolkerWessels UK is proud to have delivered this unique project commemorating the historic Battle of Britain

BAYRAM KIRBIZ, PROJECT MANAGER AT HOMIJ

"I am responsible for safety on the De Resident project in The Hague. The complex, which houses the ministries of Health, Welfare and Sport and Social Affairs and Employment, is being modified and made more sustainable.

"Because office work is carrying on as usual at this site we not only have to consider our colleagues' safety but also for the safety of the people who work in and around this building, or those who are passing by.

"HOMIJ designs, delivers and maintains technical installations in buildings. I work for the Amsterdam office of HOMIJ, which specialises in structural engineering as well as electrical and mechanical engineering on multidisciplinary projects such as renovations. My current project to renovate De Resident involves overhauling the technical installations on all 60 floors of the complex, one by one, and not all at the same time, which means that the schedule is very tight. In the Castalia building we are completing two storeys every two weeks, while in the Helicon building we are completing two storeys every seven working days. Before and after the work the ministerial staff's workstations have to be moved. This not only requires very careful planning, but also means we have to take into consideration the routines of the people who work here - for example the routes taken to deliver the post.

"No two projects are the same. Before we begin we draw up a Health and Safety plan tailored to the site, the surrounding area, activities, and so on. This means we prepare a Health and Safety plan not just for our own people but for everyone who could come anywhere near the project. The Health and Safety plan also needs to allow for unexpected circumstances such as the weather, but also for example for a visit to one of the ministries by someone's child or a class of schoolchildren. We need to take such matters into account, in terms both of where we are working and all the transport movements in and around the building.

"This renovation is unusual in that the civil servants are continuing to work as normal. In view of this we coordinated our Health and Safety plan with the Safety Plan of the building's facility services department, so that in the event of an emergency there can be no misunderstandings about to reporting procedures, assembly points and such like. Employees of both organisations are clear on what to do in the event of an emergency.

"Even if we are at risk of failing to meet the schedule, we never make concessions on safety. For all of us, safety is standard practice."

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 Volker-Wessels, Mr. De Ruiter was chairman of the board of RBS NV and Country Executive Nether-lands 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).
- **Previous positions;** prior to joining the Company, Mr. Van Rooijen was the chief financial officer of Reggefiber Group BV.

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

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

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).
- **Previous positions;** previously Mr. Boers was Managing Director of VolkerWessels Construction & Real Estate Development.

A.R. (Alan) Robertson (1962)
Member of the Management Board and responsible for United Kingdom

- **Nationality** British
- **Appointed** 3 May 2018 (current term ends 2022)
- **Previous positions;** previously Mr. Robertson was Director of Alfred McAlpine plc, CEO of Peterhouse Group plc and CEO of Eve Group plc.

ADRIAN SHAH-CUNDY CORPORATE RESPONSIBILITY DIRECTOR, VOLKERWESSELS UK

"I have a favourite saying: companies make contracts; people make businesses. That's particularly relevant because understanding people and the culture of individual companies is important to establishing the correct attitude to safety and maintaining the right behaviours in the workplace.

"One of our greatest improvements has been an increased attention to communication and participation throughout our workforce, as demonstrated from our chief executive and his visible commitment to everyone working on our behalf.

"Across VolkerWessels UK we have delivered significant achievements in so many aspects of how we work, which is reflected in part by a good safety record, arising from year-on-year reduction in accident rates. 2018 has again seen a significant improvement across a range of health, safety, environment, quality and sustainability measures; a testament to the endeavours of our staff.

"Consistency is a key part of our focus, not just from a quality right-first-time perspective, but also from documenting our standard operating procedures under a single format (wherever possible) and ensuring it is applicable to multiple companies. Good corporate governance, accurate data, and clear communication channels underpin what has become a great safety culture, which we are all extremely proud of.

"We established working groups for the disciplines of safety, health, sustainability and quality. These groups are attended by representatives from all business units, working as a collective mind towards common goals. These goals are focussed on the key issues and led to the 2018 campaign on plant safety, for example, built around new operating procedures, plant standards and a safety film. Other safety examples include lifting operations, buried services and risk assessment. Among the achievements of our sustainability working group are initiatives relating to environmental training and improvements in waste management procedures. In quality, the working group continues to seek improvements in work inspection and monitoring procedures.

"VolkerWessels UK has achieved an amazing track record. I am very proud of our collective effort and humbled by the commitment shown across all aspects of our work, and it is a pleasure to work with such a motivated group of people."

Overall performance of VolkerWessels

Summary overview of results

(€million, unless stated otherwise)	FY 2018	FY 2017
Revenue	5,924	5,714
Operating expenses	–5,790[1]	–5,558[1]
Share in results of associates and JVs (after income tax and third party result)	33	27[1]
Operating result	**167**	**183**
Net financial result	3	4
Income tax	–30	–45
Net result from continuing operations	**140**	**142**
Net result from discontinued operations (after tax)	–2	1
Net result for the financial period	**138**	**143**
Minority interests	1	3
Net result attributable to shareholders	**137**	**140**
Operating result	167	183
Depreciation & Impairment of property, plant & equipment	75	69
Amortisation & Impairment of intangible assets	9	13
EBITDA	**251**	**265**
EBITDA margin (%)	4.2%	4.6%
EBITDA excluding 2018 OpenIJ provision	290	265
Order book (per end of period)	8,924	8,091
Interim dividend	22.4	22.4
(Proposed) final dividend	61.6	61.6
(Proposed) total dividend	**84.0**	**84.0**
Per share data attributable to shareholders		
Number of shares (in million)	80	80
Earnings per share (€)	1.71	1.75
Earnings per share continuing operations (€)	1.74	1.74
Earnings per share from discontinued operations (€)	–0.03	0.01
Interim dividend	0.28	0.28
(Proposed) final dividend	0.77	0.77
(Proposed) total dividend	**1.05**	**1.05**

1 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. For FY 2018 the total amount is €6 million. 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 in FY 2017 an amount of €13 million third party result is excluded. Both amounts are adjusted in this summary in comparison to the financial statements.

Financial results

General
Our net result attributable to shareholders for the year was €137 million which represents a decline of €3 million versus 2017. Earnings per share attributable to shareholders decreased slightly from €1.75 to €1.71.
Our revenue for the year was €5.9 billion (increase of 3.7% compared with 2017) and most of our segments benefited from higher volumes and continuing positive momentum in our markets . At the end of 2018 our order book was at an all-time high of €8.9 billion. All our segments contributed to our 2018 EBITDA of €251 million, in line with our expectation at the time of our nine-month trading update. EBITDA decreased in 2018 from €265 million to €251 million resulting in an EBITDA margin of 4.2%. Excluding the OpenIJ provision in 2018, EBITDA increased from €265 million to €290 million in 2018, resulting in an EBITDA margin of 4.9%.
We recorded strong results in our Construction & Real Estate Development, Energy & Telecoms Infrastructure and United Kingdom segments. North America recorded a reduced contribution which was predominantly caused by weather conditions, our German operations contributed in line with last year whilst our Dutch Infrastructure declined due to the provisions for the OpenIJ project as well as the ongoing repositioning of this segment.

VolkerWessels has adopted IFRS 15 with effect from 1 January 2018 using the modified retrospective method. The information presented for the year ended 31 December 2017 has not been restated. The impact on the group equity at 1 January 2018 and impact on the 2018 profit & loss and statement of cash flow was very limited. VolkerWessels has changed the presentation of certain amounts in the balance sheet to apply IFRS 15 disclosure requirements. Details are available on page 121 and 122.

We have decided to report the OpenIJ project separately going forward. This shows our focus on the project and allows our shareholders to better evaluate the performance of the Company and its segments.

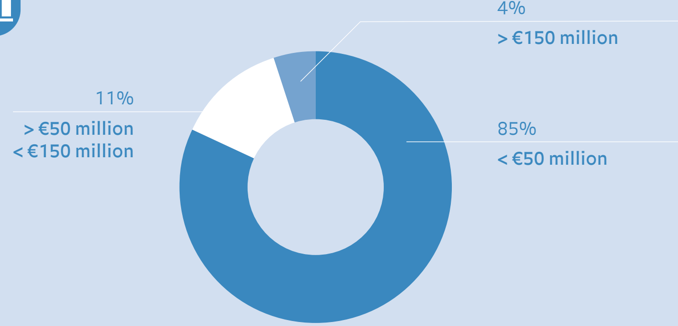
OpenIJ
The construction of the world's largest sea lock at IJmuiden (project OpenIJ) is progressing well and yet still challenging. During the year, two significant milestones were achieved: OpenIJ successfully immersed the first (exterior) lock head and the three lock doors arrived in Rotterdam in December 2018. During 2018 we increased the loss provision for the project by €39 million which brings VolkerWessels share of the total provision to €107 million. OpenIJ finalised the discussion with its banking syndicate regarding the rescheduling of the financing of the project on 21 February 2019. OpenIJ can resume drawing from its banking facilities in line with the agreed new schedule with immediate effect.

VolkerWessels'share in the cash outflow of the project at 31 December 2018 is €98 million and we have almost fully funded our share in the project loss through our own funds. At the end of 2018, the project was 65% complete.

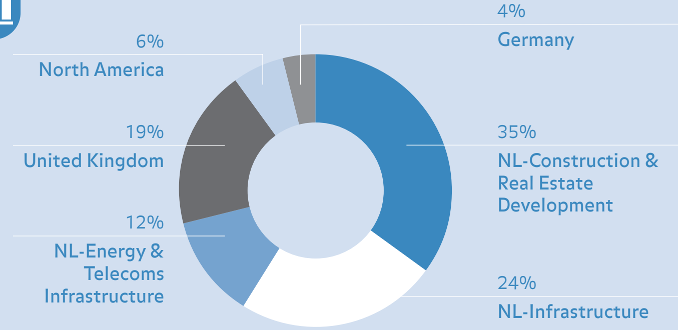
Markets
The positive momentum in our markets continued in 2018. Increasing prices in the real estate market continue to have a positive impact on our real estate development companies. The positive trend is partly offset by rising costs of construction. Looking forward, we expect material prices to consolidate while labour costs will continue to increase. We expect interest from private buyers and professional investors to remain at a high level.

We see a continued highly competitive market for large, multidisciplinary infra projects whilst we are also starting to see a more selective tender approach by many of our (inter)national competitors. We continue to

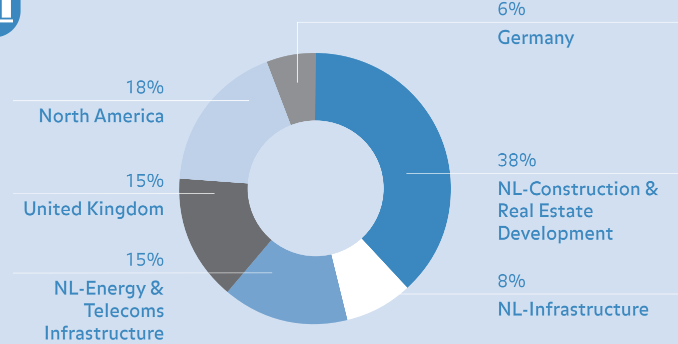
PROJECT SIZE IN REVENUE 2018



REVENUE PER SEGMENT 2018[1]



EBITDA PER SEGMENT 2018[1]



[1] Breakdown excludes Other/Eliminations, NL-E&T Infrastructure includes the activities in Belgium.

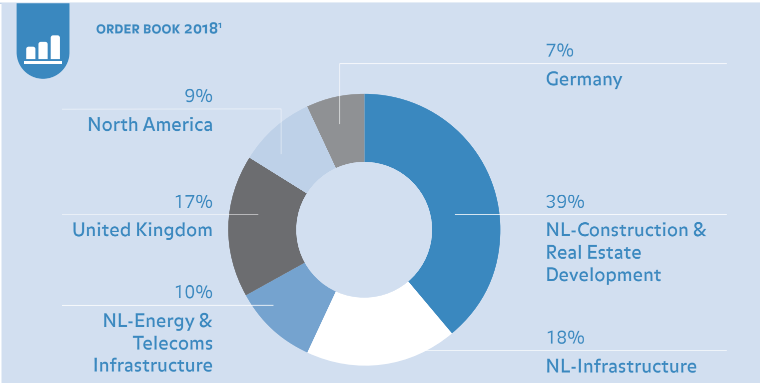
focus on margin over volume, constructive cooperation with our partners and clients and the quality of our order book.

The transition to sustainable energy sources, such as wind, solar and hydrogen continues to be an important driver for demand in the energy infrastructure market in the Netherlands. The ongoing digital transformation is an important trend in the telecoms market, requiring an ongoing need for fast data transmission (such as optical fibre, VDSL, IoT, Smart City, Big data, Blockchain and robotisation). It is expected that 5G will come into service in 2020.

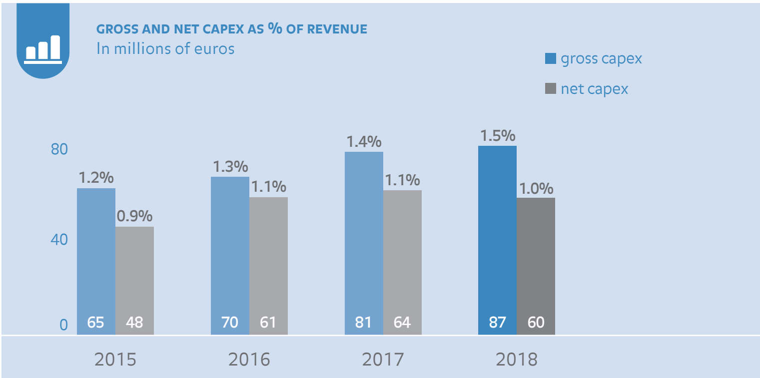
The impact of Brexit on our companies in 2018 appears to have been limited. The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across the social and civil infrastructure, energy, water and transport sectors is expected to grow significantly across the UK. Construction activities in Alberta, Canada and Seattle, US, continue to improve although the 2018 results were impacted by the late start and early closure of the production season in Canada and continuing effects of the wildfires in Fort McMurray in 2016. In Germany our volume increased due to favourable markets especially in the Berlin region.

Order book

VolkerWessels' order book at 31 December 2018 increased to a historical high of €8,924 million as compared to €8,091 million at 31 December 2017, which represents an increase of 10.3%. The strong order book consists of an increased pipeline of projects in our Construction & Real Estate Development (especially in the Development sector) and in the United Kingdom, balanced by a decrease in the E&T and North America segments due to the volumes delivered on long-term framework contracts. Excluding the annual production of these framework contracts, the E&T and North America order books also increased. In Germany our order book decreased compared with 2017 but is still



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



Summary overview of results per operating segments

(€million, unless stated otherwise)	Revenue 2018	Revenue 2017	Revenue Δ	EBITDA 2018	EBITDA 2017	EBITDA Δ	Order book 31 Dec 2018	Order book 31 Dec 2017	Order book Δ
NL – C&RED	2,105	2,043	3.0%	100	93[1]	7.5%	3,493	2,831	23.4%
NL – Infrastructure	1,414	1,474	–4.1%	61[2]	52	17.3%	1,660	1,568	5.9%
NL – E&T Infrastructure	751	674	11.4%	39	32	21.9%	932	1,005	–7.3%
United Kingdom	1,116	995	12.2%	39	33	18.2%	1,528	1,213	26.0%
Local currency (GBP)	*984*	*872*	*12.8%*	*34*	*29*	*17.2%*	*1,367*	*1,077*	*26.9%*
North America	350	351	–0.3%	47	55	–14.5%	764	828	–7.7%
Local currency (CAD)	*538*	*515*	*4.5%*	*72*	*81*	*–11.1%*	*1,193*	*1,249*	*–4.5%*
Germany	268	244	9.8%	16	17	–5.9%	595	684	–13.0%
Other/eliminations	–80	–67		–12	–17		–48	–38	
Total	5,924	5,714	3.7%	290[1/2]	265[1]	9.4%	8,924	8,091	10.3%
Provision OpenIJ 2018				–39					
Total	5,924	5,714	3.7%	251[1]	265[1]	–5.3%	8,924	8,091	10.3%

1 EBITDA 2018 and 2017 excluding share incentive charge (2018: €6 million, 2017: €5 million). EBITDA 2017 excluding €13 million third party result.

2 EBITDA NL Infrastructure excluding OpenIJ provision 2018 of €39 million.

HIGHLIGHTED

HEAD OFFICE EOSTA

VolkerWessels Vastgoed in collaboration with VolkerWessels Logistics Development developed a 19,500 m^2 head office and distribution centre for Eosta, a major European importer and distributor of organic fruit and vegetables which required new premises in light of its rapid growth. The development of the head office and distribution centre in the Dutch town of Waddinxveen involved signing a purchase agreement with Elof European Logistics and a rental agreement with Eosta.
Eosta has an international reputation as a leader in the area of sustainability. This is reflected in the layout of the building, which was designed by architect and circular economy advocate Thomas Rau. The warehouse and office have an open design to reflect the culture of transparent collaboration at Eosta.
In order to generate electricity the entire roof, an area of more than 11,000 m^2, is fitted with solar panels (1.3 MWp). All lighting is LED lighting and rainwater will be collected and reused in the surrounding greenhouses by means of an irrigation system. Furthermore a Material Passport has been drawn up for the building and registered with Madaster, the register for materials in the built environment. The project was delivered in line with schedule in June 2018.

exceptionally strong and amounts to 2.2 times the revenue delivered in 2018.

We take a prudent approach to order book recognition; we only include signed contracts and for framework contracts, work packages agreed with our clients. During 2018, we did not enter into any new contracts for large integrated multidisciplinary infrastructure projects (i.e. contracts where VolkerWessels' share of value is > €150 million), except the alliance contract NoorderSpoort in Zwolle with ProRail.

Revenue

Revenue in 2018 increased by 3.7%, or €210 million, to €5,924 million as compared to €5,714 million in 2017. Revenues increased (in local currencies) in all segments, except in Dutch Infrastructure. The increase in these segments was principally driven by continuing positive momentum in our markets.

EBITDA and EBITDA margin

Including the provision for OpenIJ EBITDA decreased 5.3% to €251 million and EBITDA margin decreased to 4.2%. Excluding the OpenIJ provision for 2018 the EBITDA margin increased in 2018 to 4.9% and EBITDA increased 9.4% to €290 million.

The C&RED, E&T and UK segments delivered increased EBITDA of €7 million, €7 million and €6 million respectively resulting mainly from continuing positive momentum in these markets and favourable timing of projects.

As a consequence of the additional provision for OpenIJ in 2018, Infrastructure Netherlands delivered EBITDA of €22 million, which is in line with the statement for the Dutch Infrastructure segment in the nine-month trading update. Without the provision for OpenIJ in 2018, the underlying EBITDA for Infrastructure was €61 million.

The decrease of €8 million in North America is the result of a weather related relatively late start and early closure of the production season in Canada and because the recovery of Fort McMurray took longer than anticipated after the wildfires in 2016. In Germany EBITDA was stable.

Our aim is to improve our EBITDA margin by continuing to focus on margin rather than volume. Our operational excellence initiatives, including the focus on improving and optimizing our risk, project and contract management processes, will enable us to reduce our failure costs going forward.

Net financial result

The net financial result decreased slightly in 2018 to €3 million positive (2017: €4 million positive).

Income tax

Income tax decreased from €45 million in 2017 to €30 million in 2018 due to overall lower taxable profits. The effective tax rate decreased due to higher results from participating interests, the impact of lower legistative tax rates in the US and UK as compared to 2017 as well as a tax benefit that reflects the impact on the deferred tax position of the Dutch group due to the future decrease of the Dutch tax rates.

Net result

The 2018 net result attributable to shareholders amounted to €137 million (2017: €140 million). The 2018 net result from continuing operations amounted to €140 million (2017: €142 million) and the 2018 net result from discontinued operations amounted to minus €2 million (2017: €1 million positive).

Return On Capital Employed (ROCE)

ROCE decreased slightly from 21.8% in 2017 to 20.1% in 2018, well above our target of > 18%.

Capital Expenditure
Gross capital expenditure relating to property, plant and equipment was €87 million (1.5% of revenue) in 2018 as compared to €81 million (1.4% of revenue) in 2017. Net capital expenditure relating to property, plant and equipment was €60 million (1.0% of revenue) in 2018 as compared to €64 million (1.1% of revenue) in 2017. Net capital expenditures decreased compared to 2017 due to an increased level of divestments (mainly Matex properties).

In 2018 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 2019 to increase compared with 2018.

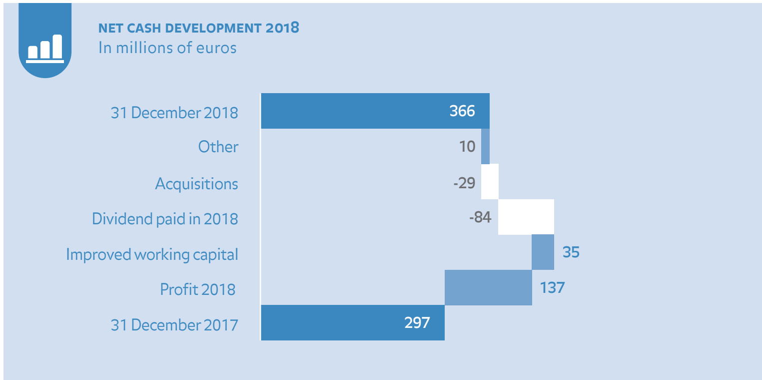
Solvency
VolkerWessels has a solid capital structure, with a solvency ratio of 32.5% at 31 December 2018 (31.5% at 31 December 2017). Total equity increased by €61 million to €1.2 billion at 31 December 2018. This is the net impact after allocation of the 2018 profit and reduction for dividends of €84.0 million which includes both the final 2017 dividend and the interim 2018 dividend.

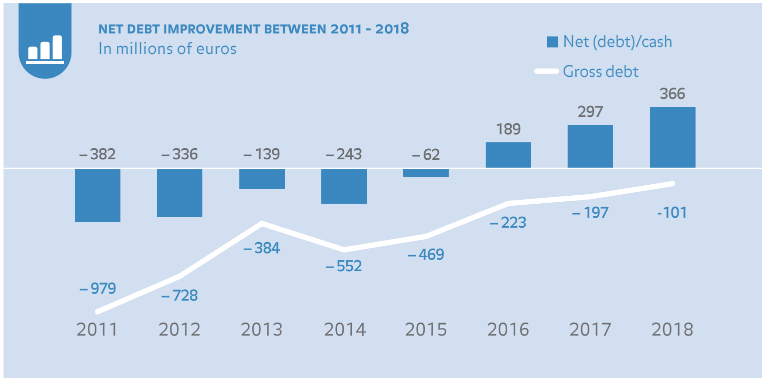
Dividend
VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) in November 2018. Subject to shareholders approval, VolkerWessels proposes to pay out a final dividend of €61.6 million (€0.77 per share). If the proposed final dividend is approved, the total dividend (proposed final dividend plus interim dividend) for 2018 amounts €84.0 million or €1.05 per share, which is in line with 2017. After approval, the final dividend will be paid on 2 May 2019.

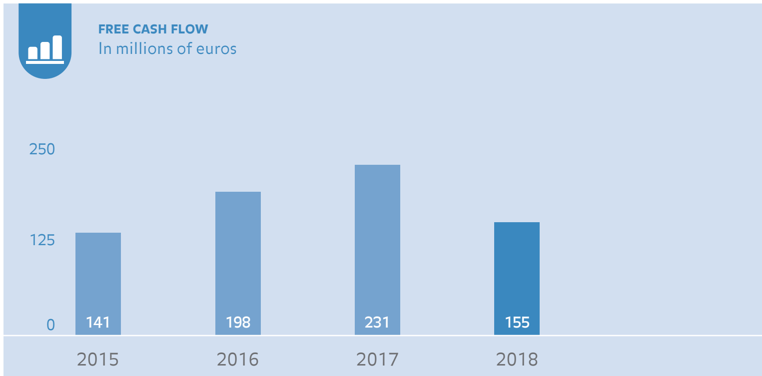
Net cash position
We ensure that there is always ample liquidity present to meet our payment obligations.

In May 2018, we successfully amended and extended our €600 million revolving credit facility (the "RCF") introducing the first sustainable revolving credit facility in the Dutch construction sector. The amended facility includes two one-year extension options, potentially extending the tenor to 31 January 2025. The first option to extend the term to 31 January 2024 was exercised in January 2019. VolkerWessels is the first company in the Dutch construction sector to link sustainability performance to its banking credit facility. The credit margin of the RCF is based on the leverage ratio (net debt to EBITDA) and has been reduced to reflect VolkerWessels' strong performance. All other terms have remained unchanged. The RCF can be used for general corporate and working capital purposes (including acquisitions, capital expenditure, dividend distributions and interest expenses). The applicable credit margin incentivises VolkerWessels to deliver year-on-year improvements in five sustainability indicators: (i) injury frequency, (ii) social return, (iii) car fleet CO_2 emissions, (iv) waste separation and (v) proportion of newly built zero-energy bill homes. Depending on the number of sustainability indicators achieved, a margin discount or increase will be applicable.

Over the last few years, our focus on cash flow, divestment of non-core assets and working capital has enabled us to achieve a strong improvement in liquidity. Our net cash position improved by €69 million resulting in a net cash position of €366 million as at 31 December 2018. This improvement is the net combined result of the cash flow generated by our operations, our continued focus on working capital, divestment of non-core assets and dividend payments for an amount of €84 million in 2018 (final 2017 dividend and interim 2018 dividend). We are targeting a free cash flow that is,







on average, in line with our net result. Free cash flow was €155 million in 2018, 1.1 times net result attributable to shareholders, despite the funding of €98 million in OpenIJ. OpenIJ finalised the discussion with its banking syndicate regarding the rescheduling of the financing of the project on 21 February 2019. OpenIJ can resume drawing from its banking facilities in line with the agreed new schedule with immediate effect.

As at 31 December 2018 and as at 31 December 2017 VolkerWessels had no outstanding borrowings under the RCF. The covenants in respect of our bank facilities were comfortably met at 31 December 2018.

Other financing

Other specific loans were drawn down to finance land for property development and property development work 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. In addition to the RCF, 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) andan uncommitted overdraft facility of €10 million (with Coöperatieve Rabobank UA). VolkerWessels has access in the UK to an overdraft facility of GBP 15 million and an uncommitted credit facility worth a total of CAD 21 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.

Working capital overview

(€million)	31 Dec 2018	31 Dec 2017
Inventories (excl. property development)	76	66
Contract balances (incl. provision onerous construction contracts)	–28	–75
Trade and other receivables (excl. receivables from ASs and JVs and current third party loans)	839	820
Trade and other payables (excl. amounts owed to ASs and JVs)	–1,497	–1,480
Net taxes	–15	–18
Traditional working capital	–625	–687
Land	184	193
Property development	81	175
Property held for sale	42	69
Associates and JVs less provision	133	113
Non-current receivables from associates and joint ventures	71	51
Net receivables on participations	101	107
Strategic working capital	611	708
Net working capital	–14	21

Working capital

Traditional negative working capital was stable excluding the OpenIJ funding effect of €98 million, net of the additional provision in 2018 for an amount of €39 million. Including the OpenIJ effect, traditional working capital reduced by €62 million to €625 million at 31 December 2018. Strategic positive working capital improved by €97 million to €611 million at 31 December 2018. This mainly relates to a lower working capital requirement for property development following the sale of several properties, a reduction in land positions and the divestment of three DBFM(O) projects. The land bank decreased by €9 million to €184 million at 31 December 2018. Overall net working capital improved by €35 million to a negative working capital position of €14 million at 31 December 2018. Our revised medium-term objectives target a reduction of €200 million of strategic working capital and the development of traditional working capital in line with revenue. Compared with 31 December 2016 strategic working capital decreased by €140 million.

The financing of the loss of the OpenIJ project, impacted our cash conversion and our year-end net cash position in 2018. Despite this we were able to improve our net cash position by €69 million to €366 million at 31 December 2018. We are investing in new project developments in Amsterdam, Utrecht and Delft and these have and will require liquidity in the short term and in the medium-term this will strengthen our position in these very important cities.

Acquisitions and divestments
In the third quarter, Visser & Smit Hanab reached agreement with Stedin Group to acquire Joulz Energy Solutions (JES). JES is a market leading player in design, construction and maintenance of complex medium and high voltage infrastructure and installations. JES is one of the few players in the market capable of offering integrated electrification solutions to its clients.

VolkerWessels UK acquired the trade and assets of PJ Davidson (UK) Limited on 30 November 2018. PJ Davidson (UK) is a specialist slipform concrete contractor and the UK's largest installer of Rigid Concrete Barrier on the strategic road network. This strategic bolt-on acquisition is complementary to VolkerWessels UK's current activities in the highways, ports and airports sectors.

Investment company BBGI SICAV S.A. ('BBGI') acquired a 49% interest in Participatiemaatschappij VolkerInfra PPP, an (indirect) subsidiary of Royal VolkerWessels NV. With this transaction, VolkerWessels has divested part of its financial interest in three operational DBFM(O) projects in the Netherlands, being A1 / A6 Diemen-Almere Havendreef, N18 Varsseveld-Enschede and Gemeentehuis Westland. The transaction is consistent with the medium-term objective to further improve strategic working capital and the strategy of divestment and reduction of equity in operational DBFM(O) projects. VolkerWessels remains responsible for the long-term maintenance of these projects and, in the case of Westland Town Hall, for operations during the term of the contract.

Construction of high voltage cables in Borssele by Visser & Smit Hanab.

BERRY HEERSCHOP, PROJECT LEADER AT THE UTRECHT BRANCH OF KWS INFRA

"Working safely is about more than adhering to the agreements you made with the client. I always make a point of checking on site to ensure that the safety measures agreed in writing in advance are, in fact, sufficient.

"KWS Infra Utrecht specialises in delivering everything from small-scale works to large and more complex infra-structure projects. No two projects are the same because the local area is always different. Our projects are delivered by a team of more than 200 ambitious and motivated colleagues. It is these colleagues who make a difference each and every day, including matters of safety. In the past few years we have really seen a culture change. Previously, employees tended to assume that all the safety matters were in hand, but these days people have a much more proactive attitude to it. Safety is always brought up at the daily stand-up, and there is also a focus on any areas for improvement. It is no longer a matter of simply making sure that everyone has brought their helmet, hi viz vest and safety shoes, but rather it is about whether the highest safety standards are being adhered to during operations and about raising incidents where there was a safety risk. Needless to say that this is not only about the safety of our own colleagues but also about the safety of subcontractors, suppliers, road-users and local residents.

"Safety starts in the tendering stage. Our work principle is 'we work safely or we don't work at all' and that starts before we even know if we are going to win the job. It often happens that we revert to the client because too little attention is paid to certain safety aspects. It is often important for the local area that traffic can continue as normal, that residents' homes remain accessible during the operations and that the work is completed in the quickest possible time. This is not always a perfect fit with our safety principles, but in the past we have always found a way to make it work with our clients. Safety is not just achieved by preparing every detail in writing; you have to physically check on site to be certain that the measures are in fact effective. For example, it is essential to check if there is a school nearby because in that case allowances have to be made for large groups of people and less predictable behaviour. Before we embark on a programme we always perform an LMRA (last minute risk analysis) and if necessary adjust the measures, even if it means extra cost. Convenience for the local community and safety do not always go hand in hand when delivering a project. However, by involving the community at an early stage we find there is a greater understanding and acceptance of the safety measures we take. We get the local residents involved in projects through apps and meetings, and by providing telephone numbers at the building site."

Five year summary

Summary overview of results

(€million, unless stated otherwise)	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Revenue	5,924	5,714	5,490	5,318	5,000
Operating expenses	–5,790[1]	–5,558[1]	–5,335	–5,178	–4,885
Share in results of associates and JVs (after income tax and third party result)	33	27[1]	10	8[3]	22
Operating result	167	183	165	148	137
Net financial result	3	4	–26	–33	–77
Income tax	–30	–45	–36	–30	–17
Net result from continuing operations	140	142	103	85	43
Net result from discontinued operations (after tax)	–2	1	38	16	18
Net result for the financial period	138	143	141	101	61
Minority interests	1	3	2	6	1
Net result attributable to shareholders	137	140	139	95	60
Operating result	167	183	165	148	137
Depreciation & Impairment of property, plant & equipment	75	69	73	77	74
Amortisation & Impairment of intangible assets	9	13	16	9	12
EBITDA	251	265	254	234[3]	223
EBITDA margin (%)	4.2%	4.6%	4.6%	4.4%[3]	4.5%
Order book (per end of period)	8,924	8,091	8,157	7,712	6,722
Interim dividend	22.4	22.4	–	–	–
(Proposed) final dividend	61.6	61.6	83.2	–	–
(Proposed) total dividend	84.0	84.0	83.2	–	–
Per share data attributable to shareholders					
Number of shares (in million)[2]	80	80	80	80	80
Earnings per share (€)	1.71	1.75	1.74	1.34	0.75
Earnings per share continuing operations (€)	1.74	1.74	1.26	1.14	0.54
Earnings per share from discontinued operations (€)	–0.03	0.01	0.48	0.20	0.21
Interim dividend	0.28	0.28	–	–	–
(Proposed) final dividend	0.77	0.77	1.04	–	–
(Proposed) total dividend	1.05	1.05	1.04	–	–

1 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. For FY 2018 the total amount is €6 million. 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 in FY 2017 an amount of €13 million third party result is excluded. Both amounts are adjusted in this summary in comparison to the financial statements.

2 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.

3 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 2018	FY 2017	FY 2016	FY 2015	FY 2014
Property, plant and equipment	482	483	488	550	562
Intangible assets	484	436	432	463	447
Other non-current assets	297	292	292	336	355
Total non-current assets	1,263	1,211	1,212	1,349	1,364
Inventories and contract assets (construction contracts)	736	651	697	786	671
Land, property held for sale, trade and other receivables and accruals	1,218	1,249	1,253	1,271	1,323
Cash and cash equivalents	467	494	412	407	309
Total assets	3,684	3,605	3,574	3,813	3,667
Equity attributable to owners of the Company	1,182	1,124	1,116	426	–78
Minority interest	14	11	12	11	10
Total equity	1,196	1,135	1,128	437	–68
Provisions (current and non-current)	345	246	275	269	243
Loans and other financing obligations (current and non-current)	101	197	223	967[2]	1,534[2]
Other current liabilities	2,042	2,027	1,948	2,140	1,958
Total equity and liabilities	3,684	3,605	3,574	3,813	3,667
Ratios					
Current ratio	1.19	1.18	1.21	1.15	1.18
Solvency	32.5%	31.5%	31.6%	24.5%	21.9%
EBITDA as % of revenue	4.2%	4.6%	4.6%	4.4%[1]	4.5%
Net result as % of revenue	2.3%	2.5%	2.6%	1.9%	1.2%
Tax rate	18.3%	23.1%	25.9%	23.5%	28.2%
ROCE	20.1%	21.8%	17.6%	13.4%[1]	11.8%
Other information					
Order book	8,924	8,091	8,157	7,712	6,722
Average number of employees	16,630	16,179	15,785	15,487	15,245
Free cash flow	155	231	198	141	42
Net working capital	–14	21	142	208	192
Net cash position (-debt)	366	297	189	–62	–244

1 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.

2 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 2018	FY 2017	FY 2016	FY 2015	FY 2014
Revenue					
The Netherlands – Construction & Real Estate Development	2,105	2,043	1,946	1,747	1,494
The Netherlands – Infrastructure	1,414	1,474	1,371	1,378	1,492
The Netherlands – Energy & Telecoms Infrastructure	751	674	649	590	662
United Kingdom	1,116	995	1,071	1,174	926
North America	350	351	317	301	295
Germany	268	244	207	214	221
Other/eliminations	–80	–67	–71	–86	–90
Total revenue	5,924	5,714	5,490	5,318	5,000
EBITDA					
The Netherlands – Construction & Real Estate Development	100	93[2]	79	53[1]	36
The Netherlands – Infrastructure	22	52	73	70	51
The Netherlands – Energy & Telecoms Infrastructure	39	32	31	34	44
United Kingdom	39	33	34	35	24
North America	47	55	46	46	46
Germany	16	17	12	10	17
Other/eliminations	–12[4]	–17[3]	–21	–14	5
Total EBITDA	251[4]	265[2/3]	254	234[1]	223
EBITDA-MARGIN					
The Netherlands – Construction & Real Estate Development	4.8%	4.6%[2]	4.1%	3.0%[1]	2.4%
The Netherlands – Infrastructure	1.6%	3.5%	5.3%	5.1%	3.4%
The Netherlands – Energy & Telecoms Infrastructure	5.2%	4.7%	4.8%	5.8%	6.6%
United Kingdom	3.5%	3.3%	3.2%	3.0%	2.6%
North America	13.4%	15.7%	14.5%	15.3%	15.6%
Germany	6.0%	7.0%	5.8%	4.7%	7.7%
Total EBITDA	4.2%	4.6%[2/3]	4.6%	4.4%[1]	4.5%
ORDER BOOK					
The Netherlands – Construction & Real Estate Development	3,493	2,831	2,737	2,514	2,030
The Netherlands – Infrastructure	1,660	1,568	1,562	1,451	1,356
The Netherlands – Energy & Telecoms Infrastructure	932	1,005	1,151	1,378	876
United Kingdom	1,528	1,213	1,176	1,222	1,252
North America	764	828	886	796	891
Germany	595	684	667	351	402
Other/eliminations	–48	–38	–22	–	–85
Total order book	8,924	8,091	8,157	7,712	6,722

1. EBITDA in 2015 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.
2. Excluding €13 million third party result.
3. Excluding €5 million share incentive.
4. Excluding €6 million share incentive

Outlook

We expect that economic conditions in the markets in which we operate will remain favourable in 2019, despite the many uncertainties that have arisen on the global stage. Our industry is late cyclical by nature and our record high order book provides a solid base for delivery in 2019.

In the Netherlands we see continued demand for new build homes, an improved market for local infrastructure projects and continued investment that supports our Energy & Telecoms Infrastructure businesses. In the UK, we expect continued solid performance despite the ongoing uncertainty surrounding Brexit. However, we recognise that the political ramifications of a hard Brexit may have some negative impact on our UK operations. In Germany we expect market conditions to remain favourable and we expect our North American operations to do well in 2019. As we have evidenced in 2018, performance, especially in North America is weather dependent.

Our current expectations are for our 2019 EBITDA to increase and we confirm that we are on track to meet our medium-term objectives.

Wonderwoods in Utrecht: total project size approximately 70,000 m^2 (48,500 m^2 or 400 residential units, 15,200 m^2 offices 3,350 m^2 retail, 2,500 m^2 digital museum and 450 m^2 other) and 155 underground parking places. Expected year of completion: 2022.

PATRICK ROZENDAAL, PROJECT LEADER AT KONDOR WESSELS AMSTERDAM

"Kondor Wessels Amsterdam is an inner-city builder. At the moment my responsibilities include safety on the Duchess project to build 48 apartments in Amsterdam's Amstelkwartier district.

"In addition to safety on the building site this project also requires us to focus on the safety of the surrounding area – not just for the many cyclists and pedestrians who pass by the site, but also in respect of transporting the building materials to and from the building site. It is important to us that the area remains accessible for local residents and businesses and that the impact on them is kept to a minimum.

"When we start a project we hold a daily stand-up meeting focusing on all aspects of the job, with safety generally being an important topic. As construction progresses we increasingly focus on the actions/ construction elements for that specific day and week, and discuss the procedures relating to them. We also look at particular weather conditions such as rain and storms.

"Every new employee who comes to work at the construction site has to register with me and then we also discuss the relevant safety procedures. Generally speaking we see that people who work for large construction companies and contractors tend to be well-informed about the safety standards and actively strive to comply with them. The lower down the supply chain we go, the more often we see a lower standard of safety awareness.

"We are very strict when it comes to respecting safety rules. There are different levels of penalty when rules are not adhered to: the more dangerous the work, the heavier the penalty. In scaffolding construction, for example, tolerance is very low: as soon as we see that someone is not sticking to the rules we ask them to leave.

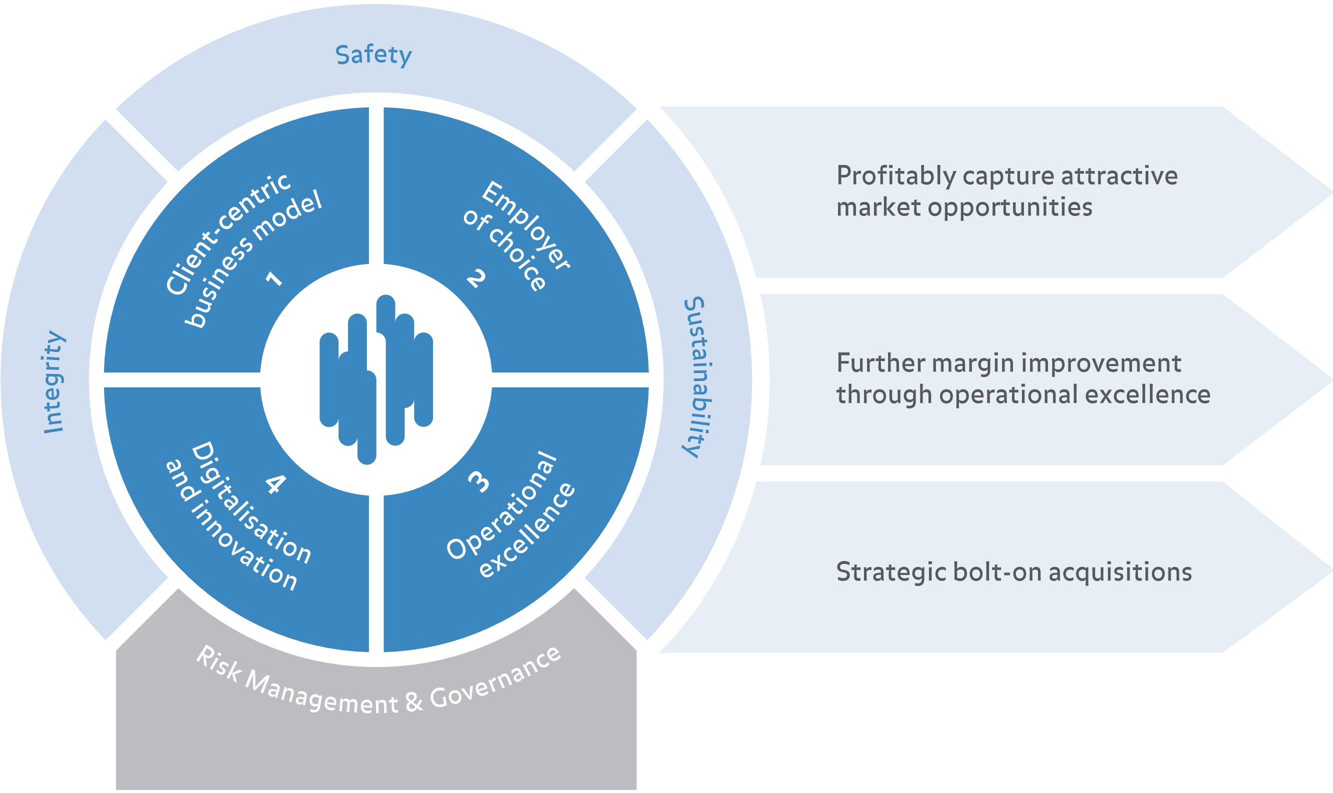
In situations where an employee does not keep to the rules and deliberately persists in working unsafely we also bid them goodbye immediately. In less serious cases we call them out and have a probing conversation with them, and generally see no repeat offence.

"Dismissing a person who works unsafely inevitably has implications for our planning. Luckily the organisation always backs me up if the planning needs to be adjusted for safety reasons. They also help me find replacement staff.

"I have witnessed a cultural shift in recent years: where previously safety tended to be about the processes, in many cases these have now become an integral part of people's behaviour. Social media is enormously helpful to us in this respect: our building site is surrounded by apartments, and if we do anything that goes against the rules or anything that is unsafe, the local residents will be in touch immediately, sending photos or videos."

Strategy and medium-term objectives

Our strategy is focussed on 4 pillars:
1. client-centric business model;
2. employer of choice;
3. operational excellence;
4. digitalisation and innovation.



1. Client-centric business model
Our business model is tailored to our clients. The basis of our model is local entrepreneurship. We know our clients, local markets circumstances, our people and our projects. We feel responsible and 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 pathways 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 and 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 thirty. 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, North America and Germany 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 and 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. During 2018 we acquired Joulz Energy Services in the Netherlands and PJ Davidson in the UK.

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, which underpin 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.

Visser & Smit Hanab acquired Joulz Energy Solutions (JES). JES is a market leading player in the design, construction and maintenance of complex medium and high voltage infrastructure and installations.

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

We either work safely, or we do not work at all. Creating and safeguarding a culture in which working safely is the standard, is an ongoing process. We have set objectives that we want to meet by 2020. Safety is one of our core values that is reflected in the way our employees act and feel. A safe working environment is a collective responsibility of all our employees, our subcontractors and other relevant stakeholders. We have agreed new safety targets to be achieved in 2020 and will strongly focus on our safety culture. The 2019 safety theme is "commit and comply" (aanspreken en afspreken). 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.

Integrity

Integrity is a prerequisite for doing business and therefore this core value ranks equal in importance at VolkerWessels as safety and sustainability. We expect everyone at all group levels and in every company to demonstrate integrity and professionalism in the workplace. In 2018 we started a mandatory e-learning course on integrity and the Management Board held six meetings with our statutory directors in the Netherlands to discuss the necessity of a strong integrity culture. In the UK, North America and Germany we paid similar attention to this very important core value of our company. And integrity does not stop at our doorstep. We expect our supply chain partners to act with integrity as well. 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. During 2018 we formulated six areas in which we will make a difference: waste separation, CO_2 footprint of our company car scheme, Social Return, Circular Design & Construction, lowering the CO_2 footprint of our concrete usage as well as asphalt production and making our own equipment companies more sustainable.

HIGHLIGHTED

Once a year VolkerWessels organises a safety day. All the operating companies take a break from work and observe a safety standstill. In 2018 it was decided that everyone should take part in a simulation together: "The Road to Safety." All employees and contract staff divided into groups to play the game, which involves building an imaginary road. It includes knowledge and practical questions but also dilemmas. All the questions in 2019 are on the theme of 'commit and comply' and based on the core safety values set out in the WAVE campaign. These are 'Openness': I call others out on unsafe behaviour and safety issues; and 'Respect': I accept being called out.

In 2019 VolkerWessels will focus heavily on encouraging behavioural change. Employees have to believe in working safely, allowing themselves to be guided not just by the rules but by their own responsibility as well.

Update on medium-term objectives

Medium-term objectives

The medium-term objectives[1] were published during our Initial Public Offering early 2017 (reference year 2016). By 30 June 2018 we had already reduced our strategic working capital close to €100 million, therefore, we changed our medium-term objective to improve strategic working capital from €100 million to € 200 million.

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%[2];
- 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 reducing it approximately €200 million and focusing the land bank on actionable development;
- tax: fully utilise the €40 million deferred tax assets in relation to the 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%.

1 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.

2 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 metro line project in Amsterdam due to the consolidation of VolkerWessels' previous partner's interest in the project in 2016.

KEY METRIC	MEDIUM-TERM OBJECTIVE	2018 RESULTS	2017 RESULTS	AVERAGE/TOTAL
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 4.2%	■ EBITDA margin 4.6%	Average ■ EBITDA margin 4.4%
REVENUE GROWTH[1]	■ 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 ■ Compound average growth rate between 3-4%	■ 3.7%	■ 5.6% (excluding €79 million revenue in 2016)	Average ■ 4.6%
CAPEX	■ Maintain well invested asset base with capex levels continuing at around ~1.3% of revenue	■ 1.5% (gross) ■ 1.0% (net)	■ 1.4% gross ■ 1.1% (net)	Average ■ 1.4% (gross) ■ 1.1 % (net)
WORKING CAPITAL	■ Traditional working capital (TWC) development in line with revenue development ■ By 30 June 2018 we had already reduced our strategic working capital (SWC) close to €100 million, therefore, we changed our medium-term objective to improve strategic working capital from €100 million to € 200 million. ■ Focus land bank on actionable development	■ SWC €97 million decrease	■ SWC €43 million decrease	Total ■ SWC €140 million decrease
TAX	■ Deferred tax assets in relation to losses carried forward of €40 million to be fully utilised in the medium-term	■ €15 million utilised in 2018	■ €22 million utilised in 2017	Total ■ €37 million utilised
CAPITAL ALLOCATION	■ Focus on efficient use of capital employed, targeting ROCE >18.0%	■ ROCE: 20.1%	■ ROCE: 21.8%	Average ■ ROCE: 21.0%
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%	■ 61%	■ 60%	Average ■ 60.5%

1 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 metro line project in Amsterdam due to the consolidation of VolkerWessels' previous partner's interest in the project in 2016.

Summary CSR

This chapter provides a summary of our sustainability vision, policy and performance in 2018. Here, we focus on our most important sustainability topics: health and safety, the use of materials and CO_2 emissions, employment and diversity, and integrity and anti-corruption. For a full and detailed explanation, please refer to our 2018 Sustainability Report, which is published together with our Annual Report and available on our website.

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.

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

What input do we require for this?
In order to deliver 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.

Our activities
Our company is an ecosystem of entrepreneurs and more than 120 local operating companies, with approximately 16,600 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 site, 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. This is 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 2018 and our targets and ambitions for 2019 and beyond in each of these three areas.

Building a better quality of life

'Building a better quality of life' forms the basis for our sustainability vision. This requires more than just the building or road that we design and construct; it is about the effect a home, neighbourhood or city ultimately has on people. If we take our contribution to quality of life as our starting point, we start thinking about impact rather than only the technical side of the construction process. We believe that the built environment is capable of positively influencing the comfort, health and happiness of users and residents.

We also believe that this is not an added luxury, but a plain necessity. Our society and sector is facing major challenges in the transition to a climate neutral, circular construction sector, and in addressing concerns about healthy aging in an increasingly urbanised environment. As a construction group we can contribute by developing solutions to these challenges such as circular housing concepts, energy-neutral infrastructure and sensor devices to improve interior air quality. Challenges like this can only be properly and fully addressed by basing the design of the built environment on this common goal of safeguarding quality of life.

For us, this means a new way of designing, building and managing, whereby quality of life is the basis for everything that we do. In the past, we have learned a great deal about what our contribution could and can be. We have therefore made a conscious choice to focus on three key topics where we have a great deal of influence. We have based these topics on research by experts including the Stiglitz Commission and the Netherlands Institute for Social Research. Together with our companies, our stakeholders and external experts we have established the following key topics:

1. health and wellbeing;
2. natural environment;
3. work and social activities.

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 value we add 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.

CSR key figures for VolkerWessels in the Netherlands

		2018	2017	2016
Health and wellbeing				
Safety	IF rate	4.6	5.3	5.5
Natural environment				
Raw materials	Volume of waste in kilotonnes	680[1]	72	66
	Waste separation rate	93%[1]	53%	62%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	127	134	123
	CO_2 footprint (Scope 3) of concrete products in kg CO_2 per m^3	161	154	149
Work and social activities				
Employment	Percentage of people at a disadvantage on the labour market (Social Return score)[1]	0.7%[2]	2.3%	1.7%
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	49	32	39

1 The main reason for the increase of this number is that we started reporting the amount of recycled asphalt as waste, as a result of our decision to change our definition of waste. Under the old definition the volume of waste for 2018 is 101 kilotonnes and the separation rate for 2018 is 53%, see 'About this Report' in our Sustainability Report.

2 The decline in the figure in 2018 is mainly due to the manner of measure and not due to a change in performance. For more information, see 'About this Report' in our Sustainability Report.

Health and wellbeing

The built environment has a profound impact on our health and wellbeing, and we are learning more and more about the relationship between the environment and our health. We believe this insight can be used to design buildings and infrastructure in such a way that this impact is positive. This is easier said than done, as there are many factors which influence our health and as the effects are still often hard to measure. Nevertheless, as a construction group 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 researching healthy design, and developing new building concepts that focus on health.

In this context, we are working with various knowledge institutes, such as 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. We want to incorporate these measures in our future designs and concepts.

We know, for instance, that the internal environment of a building influences our wellbeing. Light, air quality, space, comfort and materials are all factors we can focus on during the design phase. In particular, choosing the right materials can contribute significantly towards a truly healthy building. This may mean choosing an alternative for commonly used building materials such as concrete or gypsum. An example of such an alternative material is wood: it has the capacity to regulate the amount of moisture, provides isolation and has a proven positive effect on our mental health. Wood is, for instance, the main building material for our modular Finch Buildings.

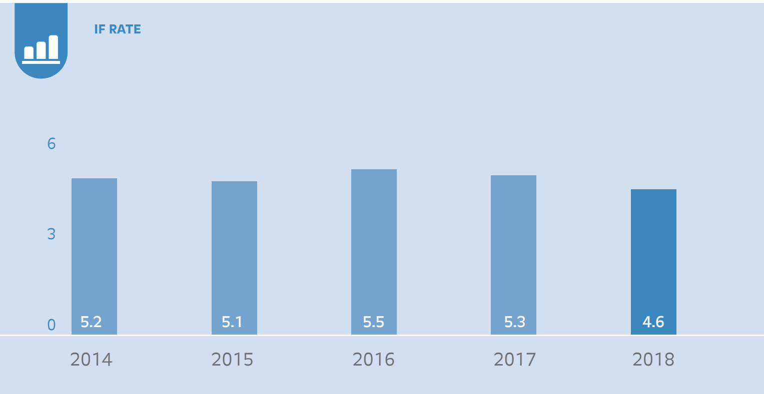
Targets for 2020 – Health and wellbeing
Safety
- IF rate 3.5
- Level 3 Safety Performance Ladder
- Reinforce the safety culture
- Further rollout of the central register of accidents
- Involve subcontractors in WAVE

Safety
We make no concessions when it comes to safety. Working safely should come naturally. It should not be something we need to think about, but something automatic. Our safety policy therefore focusses first and foremost on safety culture. Initiatives such as our WAVE (Wees Alert! Veiligheid Eerst! – Be Alert! Safety First!) safety programme, which sets out our core values and rules for working safely, and our annual Safety Day help to give more visibility to the topic of safety. Despite this, however, we feel that our safety performance, both as a sector and as VolkerWessels, needs further improvement. In 2017, through our Safety Platform we identified four focus points to further address this:
1. intensified management involvement;
2. compliance: safety is not optional;
3. deeper insight into and understanding of why accidents happen;
4. Safety Performance Ladder as an instrument for cultural change.

As a part of intensified management involvement, for instance, each of our 100+ directors visits at least eight construction sites each year, to carry out an inspection and to emphasise the importance of safety. Although rewarding our employees for good safety behaviour is an important part of our approach, we also plan to use more and more sanctions from 2019 onwards. Safety can never be optional.

To help us and our employees understand why we display unsafe behaviour, our WAVEcoaches have in-depth conversations with employees. This increases awareness of their responsibilities and the consequences of their actions. To better understand why accidents happen, our safety research teams conduct extensive research into serious accidents. In 2018, 10 such investigations were carried out. We have identified that there is still too much difference between our companies when it comes to the level of awareness. In 2019 we will therefore be switching from quarterly to monthly safety reporting.

In 2018, 116 accidents with absenteeism occurred. This results in an IF-rate of 4.6. With this result, we are on track for our target for 2020. Compared to last year (IF 2017: 5.3) the IF rate shows a decrease. The fact that the number of accidents with absenteeism is the lowest it has ever been is encouraging. Analysis shows that stumbling, slipping and tripping are the most common. This applies to all divisions. In 2019, all accidents will be further analysed in order to determine follow-up actions and further opportunity for improvement.



Natural environment

Just as a healthy natural environment is a precondition for our quality of life, it is a necessity for us as a construction group. The energy and materials we use in construction put significant pressure on the earth's capacity. Combatting the negative effects of climate change, the depletion of scarce resources and the loss of biodiversity requires us to fundamentally change the way we use our resources. This is one of the areas were our influence and ability to generate real impact is greatest.

As a result, we have a responsibility to intensify our efforts in the development and roll-out of renewable energy and circular construction solutions. The design phase is a crucial moment in which we can use the influence we have to make different choices when it comes to energy, materials and biodiversity. At the same time, attention to energy saving, recycling and reuse needs to be maintained in the rest of the value chain, throughout the use and end-of-function phases. Instruments such as the Materials Passport, which stores all necessary information about materials and reuse in one place, are essential in this.

In 2018 VolkerWessels achieved a number of exciting innovations in this particular area. The first Biomakerij- a local circular water treatment plant that uses the power of nature to purify wastewater- was finished and put into operation by a Trappist abbey. The wastewater is fed through a greenhouse containing microorganisms, where it is biologically purified by plants.
Similarly, the first ever Circular Viaduct was constructed, in cooperation with our partners.
This viaduct is designed in accordance with circular design principles and can be disassembled and reused.
Finally, two Plastic Road pilot bicycle paths were completed in Zwolle and Giethoorn. This modular and circular design is based on recycled plastic instead of asphalt. The challenge now lies in the scaling up of these and other solutions from individual pilots to sector-wide application.

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

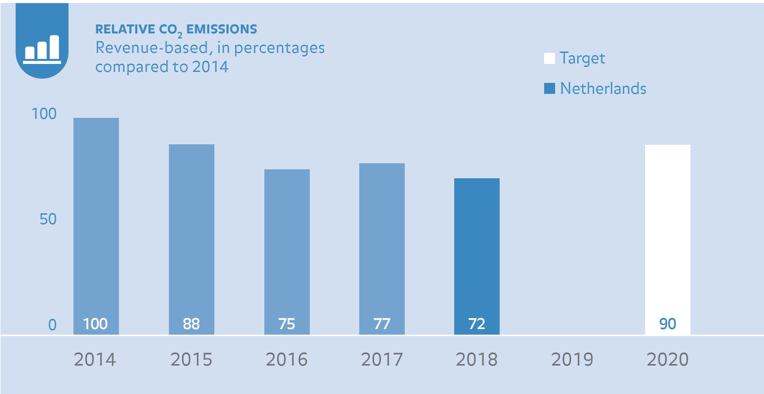
- 10% reduction in CO_2 for each euro of revenue (Scope 1-2)
- 5% reduction in CO_2 per m³ of concrete for concrete products (Scope 3)
- 5% reduction in CO_2 per tonne of asphalt for asphalt products (Scope 3)
- 2,000 zero energy bill homes per year

Raw materials

In order to realise the transition to a circular economy, there is a huge challenge in transforming the built environment away from primary resource use towards full reuse and recycling of all building materials.
To achieve this objective, the built environment needs to be seen not as a source of construction waste but rather as a resource bank full of valuable materials.
The Materials Passport helps us to gain a better insight into this value. In 2018 we developed further Passports for our projects, including MorgenWonen, Eosta and ZuiverWonen.

The use of circular design principles, as demonstrated in the development of the Circular Viaduct and the Plastic Road, is one of the most powerful ways in which we can take serious steps towards a different way of building. Next to using secondary materials and modular designs, the use of renewable materials provides an alternative to our current building materials. In 2018 we finished designing the largest solid wood building ever built in The Netherlands. Construction of this building, which comprises 62 apartments and has a structure entirely made of wood, will start in 2019. Similarly, in 2019, a school building will be opened which has been constructed entirely from 34 wooden modules produced by us. The modules can be disassembled and moved to a different location or expanded according to changing demand.

The way we organise our work can also contribute to the more circular use of materials. In 2018 we worked hard to develop a second BouwHub (Building Hub) in Amsterdam. We expanded this smart logistics concept to encompass the collection, sorting and reuse of all materials that are generated on construction sites in the region. By working together with our waste processing partner and by developing this circular BouwHub as a



whitelabel concept, all other companies in the region are able to participate in this initiative. In this way, it is much easier to achieve the scale and match the level of supply and demand that is needed to maximise the impact of the BouwHub. We also donated five biobased benches, made of biobased materials including local grass clippings, for use in the polder area of Noord-waard.

> The way we organise our work can contribute to circular use of materials

In 2018 we see a large increase in our amount of waste. The main reason for this increase is that we started reporting the amount of recycled asphalt as waste, as a result of our decision to change our definition of waste. It turned out that the old definition could be interpreted in multiple ways, resulting in some major recycling streams such as asphalt not being reported. This also explains the strong increase of the waste separation rate from 53% in 2017 to 93% in 2018. The waste separation rate without the recycled asphalt would be 53% in 2018. For more information, see 'About this Report' in our Sustainability Report. Serious and continuing attention at all management levels is required to improve our performance. This will be one of the highest priorities for the coming year.

Of the total amount of wood we used, 98% was FCS or PEFC certified. In 2018 we again reached the top 2 of the Forest Top 50, in which FSC Netherlands ranks the 50 biggest construction companies according to their use and promotion of sustainable wood. We also monitor the percentage of recycled materials in our asphalt and concrete products, two of our most important building materials. In 2018, 4% of concrete products was composed of secondary materials in. This is a decrease compared to 2017, mainly caused by the fact that we included new data from one of our companies that produces significant amounts of concrete to the scope of this figure. This data was not yet available last year. This company carries out more specialised work, which asks for more specific concrete properties in order to create a longer technical life span. As a result, there are fewer possibilities for reuse of concrete. As for asphalt, the percentage of secondary materials in asphalt has remained constant over the last years (41%). Although we are taking measures in order to increase this percentage, the results are not yet visible in this year's figure.

CO_2 and energy

CO_2 reduction, energy saving and the use of renewable energy in the built environment is a major part of the challenge in reaching our national and international climate targets. In 2018, the addition of the government's decision to stop using natural gas further accelerated the need for effective strategies for energy and climate neutral buildings. In addition, CO_2 emissions in our value chain are significant – for example, emissions caused by the production of building materials. At VolkerWessels we focus on developing ways to reduce use-phase emissions, for instance by developing renewable energy systems and new building concepts.

In the spring of 2018 we reached the milestone of 1.000 all-electric MorgenWonen homes. In addition to our existing PlusWonen and MorgenWonen concepts which use renewable energy, we also launched our first Nearly Zero Energy Building (NZEB) concept, which already complies with the 2020 NZEB targets for low energy buildings. Energy neutral design can also be applied to other types of building, and in 2018 we finished construction on fully energy neutral sports facilities at Park Harga Schiedam.

Secondly, we have set targets for reducing CO_2 emissions in the value chain for our most important materials. The strategy to reduce these emissions overlaps significantly with circular design. In addition, the use of efficient equipment and renewable energy on our construction sites, as well as using smart logistics with our BouwHub ensures that we minimise emissions during transport and construction. An example in 2018 was our use of electric equipment, nicknamed 'tunnel-Tesla', for tunnel drilling. This was the first such project in the world were this equipment was used. Not only is the equipment itself electric, but no ventilation for harmful exhaust fumes was needed, resulting in further energy savings.

In 2018 we acquired Joulz Energy Solutions. There is a growing demand for solutions that support the energy transition and the electrification trend in the Netherlands. JES adds engineering and construction experience to our existing experience at VolkerWessels. By combining our activities, we are better able to cater for the increasing needs of clients in energy transition solutions.

In recent years our relative CO_2 emissions decreased. After a slight increase in 2017, our CO_2 emissions per euro revenue decreased by 5% in 2018, compared to 2017. This is mainly due to a decrease in emissions from our asphalt plants and our equipment. We produced less asphalt, resulting in lower energy consumption. In addition, we see a reduction in the energy consumption of the production process for asphalt.

In 2018 we built 769 zero-energy bill homes. Together, these 769 homes are saving about 2.000 tonnes of CO_2 per year, compared to the same amount of average houses.

Work and social activities

Being a good employer, both for our own employees, and also for our subcontractors and suppliers, is of major importance to us. 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 opportunities to interact with others. At the same time, work is not something that everyone can take for granted. VolkerWessels wants to contribute to increased participation in the labour market by providing opportunities for people who are at a disadvantage.

We have started an annual culture survey amongst our employees, to find out more about their experience of the work culture and the quality of leadership within the organisation. This provides us with invaluable feedback which helps us to be an employer of choice. In this year's survey, we asked questions about social and physical safety, cooperation, professional development and sustainability.

Furthermore, we see opportunities to organise the built environment in such a way that it encourages social interaction. Both in the physical sense, and by improving digital connectivity.

Employment

To ensure we are and remain an attractive employer we focus on:

1. modern leadership;
2. a transparent culture;
3. training and development of our employees;
4. labour market communication.

Targets for 2020 – Work and social participation

Employment

- Focus on internal succession planning
- Invest in long-term employability
- PSO score 3.7%
- Education to boost equal opportunities

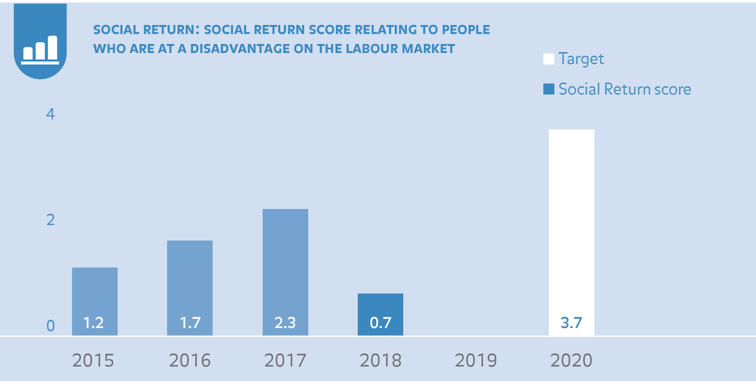
Integrity

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
- who to report any breaches of the code of conduct to

Modern leadership goes beyond just management. Our leadership programme for our top 200 managers helps them to become leaders who are able to coach and train our new generation of employees. It is important to us that our employees act in accordance with our core values: integrity, safety and sustainability. In addition to the culture survey, 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. VolkerWessels has its own training institute, the VolkerWessels Academy, which offers a range of training programmes developed in house. The training courses are delivered by our own VolkerWessels trainers, and our companies also develop their own training programmes. Learning by doing is an important part of these programmes, for instance by creating mentor-apprentice partnerships.

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 employment of people at a disadvantage on the labour market compares to the average for companies, based on an externally benchmarked percentage. In 2018 our Social Return score was 0.7%. This is a decrease compared to 2017 (2.3%).
This year KPMG has given assurance on the Social Return score. This required more thorough and methodical data checks on whether people were still contributing to the Social Return performance, according to the PSO guidelines. As a result, the figures of 2018 and 2017 are not comparable. It appeared that we have better insight in our performance via, but that we do not yet have a clear picture of the total number of FTEs in this category.
It has proven complex to provide both the total numbers of FTEs for subcontractors as well as all necessary evidence regarding the 'starting position' of people with a disadvantage on the labour market. This is why the figure of 2018 consists of only the direct contri-



The Social Return score measures the way in which an organisation operates in a sustainable, more inclusive 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 Social Return score bution, the number of directly employed people with a disadvantage on the labour market in relation to our total direct workforce. For more information, see 'About this Report' in our Sustainability Report.

Integrity
Integrity is one of our three core values. At VolkerWessels, we always conduct our work with integrity. We focus on two main aspects: improving awareness amongst our employees about integrity, for instance through our e-learning, and safeguarding our integrity policy within our organisation. 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 Trust 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.

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 supply chain responsibility and professional cooperation. In 2016 we signed the United Nations Global Compact, thus committing ourselves to its 10 principles. 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.

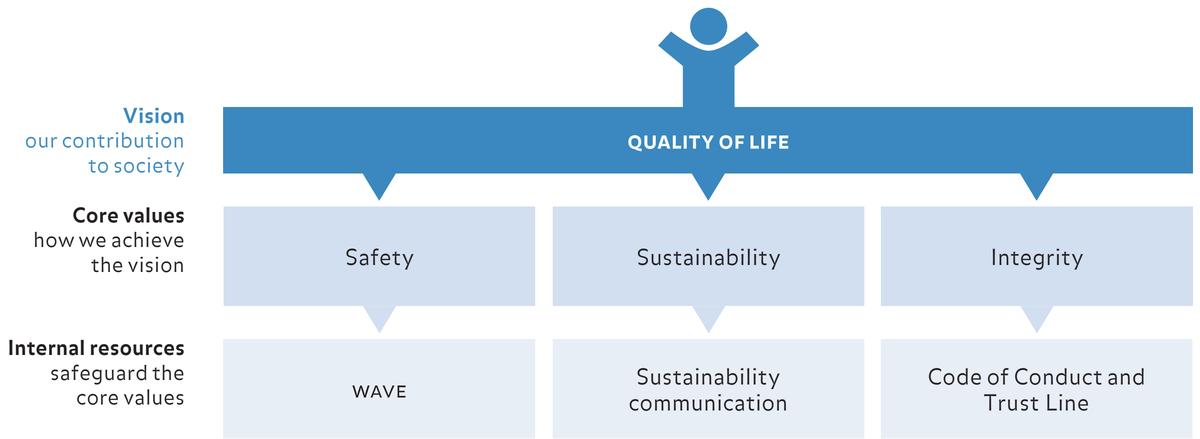
In 2018, 689 employees took part in a course or workshop on integrity. In these workshops, our employees were trained in groups of up to twenty people, focussing on specific examples of integrity dilemmas and on the rules of the Code of Conduct 2016. In 2018 there were 49 reported suspicions of a breach of integrity or wrongdoing. The reports resulted to 13 dismissals. The number of reports made is higher than last year (32), but is still in line with the trend of previous years.

Our sustainable process

Achieving our contribution to a better quality of life is combined with an operational process based on safety, sustainability and integrity. We have set quantitative targets for 2020 for our companies in the areas of safety, use of materials and CO_2 emissions, amongst others. In addition, we invest a great deal of time and energy in campaigns to raise awareness of these issues amongst our employees.

In the past year, we have become increasingly aware that we need to intensify our sustainability efforts, to speed up our transition to a fully sustainable organisation and society. We still have a way to go, and performance on some of our targets can still be improved. As with safety, sustainability is not and should not be voluntary, but should be the basis of how we work. In order to jumpstart this process, we have identified six specific focal points for the coming years. This helps us to translate our vision into tangible actions. These six focal points complement and strengthen our existing sustainability policy, KPI's and targets.

The focal points are divided into two categories: putting our own house in order, by improving our own sustainable performance, and increasing our impact, by developing new concepts, approaches and solutions that measurably and significantly contribute to quality of life.



Putting our house in order

- waste separation;
- car fleet;
- people at disadvantage on the labour market.

Increasing our impact

- circular design;
- sustainable materials;
- sustainable equipment and transport.

Because we are nearing 2020, we have also started developing new targets for 2025. These targets will be finalised in 2019 and will have a strong link to the focal points above, quality of life themes and KPI's.

CSR key figures for VolkerWessels in the United Kingdom

		2018	2017	2016
Health and wellbeing				
Safety	IF rate	1.1	3.4	1.8
Natural environment				
Raw materials	Volume of waste in kilotonnes	321	500	1,055
	Waste separation rate	93%	89%	71%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	32	26	30
Work and social activities				
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	5	43	20

> We are committed to year-on-year improvements

Managing our performance

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 KPI's 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 KPI's. We aim to set and add targets and KPI's that make our contribution to quality of life measurable and concrete. This will continue to be one of the key themes of policy development in 2019 and beyond, as we work on setting new targets for 2025.

In 2018 we took the initiative to link our sustainability performance to our Revolving Credit Facility. For the first time in the Dutch construction industry, the applicable credit margin is linked to sustainability performance. This shows our commitment to sustainability and incentivises us to deliver year-on-year improvements in five sustainability indicators: (i) IF rate, (ii) social return, (iii) car fleet CO_2 emissions, (iv) waste separation and (v) proportion of newly built zero-energy bill homes. Depending on the number of sustainability indicators achieved, a margin discount or increase will be applicable.

Increasing our reporting scope

VolkerWessels has been publishing an annual Sustainability Report since 2009. Assurance regarding the main CSR indicators is issued annually by KPMG. The Sustainability Report previously focused mainly on our activities in the Netherlands. For a small number of sustainability indicators we also reported figures for the United Kingdom. In 2018 we launched an international review of available CSR figures in North America and Germany, with the objective of including data for these divisions in future Sustainability Reports.
As a result, we have expanded our CSR reporting scope with our activities outside of The Nederlands. For the United Kingdom we previously already reported quantitative information for a number of KPI's.

For Germany and North America, we started reporting quantitative data for the first time in 2018. We do this because we believe it is important that our financial and sustainability reporting have the same scope.

Our companies in Germany and North America are relatively new to our Group CSR reporting process. They need time to improve their reporting process and to carry out the necessary internal checks. This will be our focus for 2019. External assurance for the CSR data of Germany and North America is not yet included in our CSR audit scope.

United Kingdom
In the United Kingdom we encourage a positive safety culture through different campaigns that focus on behaviour. We develop these campaigns ourselves. The campaigns are rolled out country-wide and include the principles of PALS (Plan, Attitude, Leadership, Share) and AIM (Attitude, Influence, Management). Despite the fact that the total number of hours worked has strongly increased, the safety performance in 2018 has improved. The IF rate in 2018 was 1.1. There were seven accidents that resulted in absenteeism, which is much lower than in 2017.

For several years, recycling has been our focus in processing waste. We monitor accurately which percentage of waste stream is immediately reused and how much is recycled, landfilled or burned. We have improved our waste separation: the waste separation percentage in 2018 was 93%. The total weight of waste in 2018 was 321 kilotons. This is less than in 2017 (500 kilotons).

The relative CO_2 emissions in the United Kingdom have increased by 6% compared to 2017. The increase can be explained by the fact that a lot of fuel has been used on a number of large projects. The execution of projects and associated energy use represent the main part ofour own CO_2 emissions. A good example of CO_2 reduction measures in these projects is our direct reuse of residual materials on the construction site in the West Anglia Main Line project (WAML). This saved about 2,500 transport movements and 56,300 kilometres of transport.

We consider it crucial that we invest in justice, inclusiveness and diversity of our organisation (Equity, Diversity, Inclusion = EDI). Only in this way will we remain an attractive employer. This is why our board appointed an existing employee to become Head of EDI in 2017 and brought together a steering committee of volunteer and nominated colleagues.

CSR key figures for VolkerWessels in North America

		2018
Health and wellbeing		
Safety	IF rate	7.5
Natural environment		
Raw materials	Volume of waste in kilotonnes	86
	Waste separation rate	99%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	71
Work and social activities		
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	1

North America
The IF rate in 2018 was 7.5. There were 21 accidents with absenteeism, which is more than in 2017. In Canada, accidents mainly occurred in the new added business units. The safety management program still needs to be implemented there.

In North America we made efforts to complete the data for waste and CO_2, but have not yet succeeded.
In Canada, we have data on the waste of our office locations, but not yet on the residual waste streams on the construction sites. In the United States, we also have data on the waste streams related to the constructions sites. However, this data is still limited to concrete and sand.

Germany
The IF rate in 2018 was 14.7. Eight accidents occurred, each of which resulted in absenteeism. These were all relatively minor accidents at our construction sites. The IF rate in Germany is higher compared to the Netherlands, because we have relatively few employees in Germany. This means that each accident with absenteeism weighs relatively heavy on the IF rate. We have noticed that some workers still do not wear helmets or safety shoes at our construction sites. In 2018 we appointed an employee who is responsible for the safety culture in Germany.

Particularly in the larger cities of Germany we have noticed a growing demand for circular construction methods. In 2018 the construction of the PULSE building started. This building is designed with circular principles in mind, and will receive the DNGB Gold certificate. In almost all our projects, waste is being processed by our subcontractors. This is why we do not yet have a complete dataset. We have determined next steps to increase the amount and the quality of the data we collect.

The Circular Viaduct is a prime example of the implementation of circular design principles. In close collaboration with public and private partners we built the first Circular Viaduct of the Netherlands in Kampen in 2018. Through this project, we learned more about which changes are needed in our thinking and our collaboration to actually develop, design and construct circular infrastructure.

We are currently working on implementing the MorgenWonen concept in Germany. In order to do this, we need to adapt the original Dutch concept to make it suitable for the German market. We expect a demand among investors for this type of housing. Data for CO_2 emissions is not complete yet. We will continue to improve the data collection process in 2019.

CSR key figures for VolkerWessels in Germany

		2018
Health and wellbeing		
Safety	IF rate	14.7
Natural environment		
Raw materials	Volume of waste in kilotonnes	0,14
	Waste separation rate	78%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	2
Work and social activities		
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	–

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 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, and where we can make mistakes and learn from them; an organisation where we know our customers, suppliers and partners, and one where everything revolves around working together and focusing on new ways of contracting; and an organisation which is always striving for sustainability to add value to society.

To enable this, we strive to be the preferred employer for our current and future employees. We wish to attract and retain employees who are competent, agile, motivated and aligned with our culture; colleagues who are willing to stand up and take charge. In a competitive labour market, it is important that our people feel they are visible, and that their views are heard. That's why we focus on agile leadership, a transparent culture and continuous development of our employees.

Learning & development
VolkerWessels has its own training institute: the VolkerWessels Academy. The Academy offers modular training programmes, with a strong emphasis on learning about VolkerWessels and on project management and leadership training. In addition, the Academy's programmes offer our employees the latest insights into market development, innovative ways of working and opportunities to develop their skills. This helps our employees remain agile, enables us to keep them informed of changes, and ensures continuous development.

Leadership
The construction sector is not generally known for its agile leadership, but at VolkerWessels we want to change that. We therefore aim to create top performing management teams, which are able to meet our desired standards of leadership. Our leadership programme for the most senior 200 managers in the Netherlands helps develop leaders, who can coach and train the next generation and understand when it is appropriate to manage and when they need to lead. This leadership programme creates a more open and transparent way of working, aims to deliver a positive impact on both our financial and non-financial results and benefits our preferred employer status in the labour market.
The programme has been rolled out in the Netherlands. Our international divisions run similar programmes, adapted as appropriate for their local businesses.

Transparent culture
In a company with many different cultures and a long history dating back to 1854, changes in culture can present a challenge. This is why from 2017 – 2020, we will be focusing on various behavioural change programmes looking at how we approach our work and how we work together.

It is important that our employees work in line with our core values of integrity, safety and sustainability, and we therefore invest a great deal of time and effort in campaigns and workshops to ensure our employees' awareness of the values. Integrity is a key value, which is only possible in a culture where we are open and honest, where we are comfortable to challenge each other about our behaviour in a respectful manner and have the opportunity to make mistakes and learn from them. With this in mind, we ask our employees on an annual basis to give their opinion on our culture and leadership. We also ask for feedback on topics like social and physical safety, collaboration and career opportunities. This input is invaluable in ensuring continuous improvement, so that our business delivers on its full potential.

Central Works Council (cwc)
Around 45 employee representative bodies ensure that all VolkerWessels employees have a say in the policies governing VolkerWessels and its companies. Employee representation has a tiered structure, and the Central Works Council (cwc) sits at the top. All Dutch companies in the Group are represented on the cwc by shared works councils or group works councils.

While the works councils of some of the medium-sized and large companies are directly represented on the cwc, the smaller companies are represented via group works councils or shared works councils. In addition there is one business cluster which is represented through a platform.

The cwc currently has 19 members. The executive committee is responsible for the day-to-day running of the council, and comprises the chairman, secretary and vice-chairman. The duties of the cwc are as follows:
- to represent the staff and consult with the Executive Board;
- to promote the common interests of the Group;
- to discuss topics relating to the Group's policy and matters which are common to all companies, or to the majority of them, and on which decision-making takes place at a central level;
- to discuss matters that affect one company in particular, but which are part of a major organisational or other change for the Group.

A number of permanent committees have been established to ensure an effective distribution of tasks. The committees prepare topics and report to the cwc, after which the cwc proceeds with decision-making. Working groups are also formed, addressing the same tasks as the committees, but on a temporary basis.

Average number of employees

	2018	2017	2016	2015
The Netherlands – Construction & Real Estate Development	3,768	3,716	3,627	3,478
The Netherlands – Infrastructure	4,903	4,983	4,900	4,890
The Netherlands – Energy & Telecoms Infrastructure	2,950	2,789	2,819	2,955
United Kingdom	2,890	2,713	2,590	2,440
North America	1,400	1,348	1,223	1,082
Germany	353	335	334	333
Other/eliminations	366	295	292	309
Total	16,630	16,179	15,785	15,487

In addition to the CWC, VolkerWessels has a European Works Council (EWC), which holds four meetings a year, two of which involve consultation with the Executive Board. The EWC comprises a representative from the Netherlands and Belgium. The chairman of the EWC is also a member of the CWC, ensuring a seamless flow of information.

In 2018, the CWC discussed and advised as necessary on topics including the establishment of Asset.Insight., the sustainable employability of staff, the expense allowance scheme, the driving behaviour dashboard, amendment of the pension scheme, amendments to the credit facility, the introduction of the General Data Protection Regulation (GDPR), the culture survey at VolkerWessels and the review of the company car lease scheme. During meetings with members of the Supervisory Board, the following topics were discussed: the composition and task of the Supervisory Board, the appointment of Frank Verhoeven, the presentation of the annual and half-year results, large projects, new innovations, securing contracts in the various sectors and OpenIJ.

The topics for the annual theme day organised by the CWC were: long-term employability, tightness in the labour market and the culture survey at VolkerWessels.

Carpenter working on a home in the new residential area Clarissenhof in Tilburg.

Health management
The Management Board and the senior management of VolkerWessels' segments are 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 operate. In 2018, we continued our efforts to reduce long-term sickness absence and as a consequence 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 de/increased to 3.9% (2017: 4.2%).

Privacy policy (protection of personal data)

As of 25 May 2018 the General Data Protection Regulation (GDPR) entered into force. To ensure that VolkerWessels complies with the GDPR in 2017, VolkerWessels adopted three policies that govern the protection of personal data: the information security policy, the privacy policy and the archiving policy. The objective of the policies is to safeguard the reliability of data in rest and in transit and to guarantee the availability, integrity and confidentiality of information. The measures stipulated in the policies were launched early 2018 and for each operating company a designated contact person was appointed to implement the policies. This is because each operating company is responsible in its own right for processing the data within the GDPR framework and is as such required to comply with it. Each operating company has a privacy register and has implemented appropriate measures to comply with GDPR. Part of the privacy policy is an awareness campaign for all our employees, to raise awareness about privacy and GDPR. The implementation of the policies is an ongoing process. A privacy taskforce, chaired by the general counsel of VolkerWessels, has been set up to facilitate the implementation in operating companies.

The introduction of an unambiguous reporting process and a corporate point of contact for security incidents and data breaches as well as procedures for the purpose of timely and adequate reporting and registration, are an integral part of the measures implemented. The point of contact was operational from 2016. Above all: the implementation is expected to adequately protect company data and the personal data of its employees, clients and suppliers and will meet the requirements imposed by law and under GDPR.

HIGHLIGHTED

VolkerWessels-Merckx Cycling Team is a training and selection team for talented young cyclists from the east of Netherlands. The team consists of around 16 riders, a team leader, a mechanic and a carer. The talented youngsters, who belong to various regional cycling clubs, are challenged to work together to improve their performance by taking part in high-profile races, including cycling classics in the Netherlands and abroad.

We seek to invest in training facilities, coaching, nutrition programmes and equipment to enable the team to develop to the next level.

JongVolkerWessels

POLICY PLAN 2019

Jong VolkerWessels (Young VolkerWessels) is one of the ways we improve multidisciplinary co-operation within the group. As an employer of choice we attract the best people and give our young employees the opportunity to work on their own development. This is about engaging with enthusiasm and bringing innovative ways of thinking to the fore to enable the future of VolkerWessels. Together we are building a better quality of life.

APPROACH

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

01 CO-OPERATION / KNOWLEDGE SHARING

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN:
• To promote knowledge sharing among younger employees within the VolkerWessels companies • To cooperate with internal and external young employee associations • To connect and engage employees	• Think tanks • Sounding board sessions • Project visits – with a networking component	• Thinktanks: 2019 • Sounding board sessions: 2019 • Project visits: 2019

02 THE BEST PEOPLE / EMPLOYER OF CHOICE

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN:
• 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: 2019 • Networking: 2019 • Representation of Jong VolkerWessels: 2019/2020 • Involvement of own members: 2019

03 THE VOLKERWESSELS OF THE FUTURE

WHAT DO WE WANT:	HOW WE ARE GOING TO ACHIEVE IT:	WHEN:
• To leverage innovative initiatives • Cultural improvement • To make VolkerWessels an employer of choice	• Director for a day • Networking with external parties (clients and competitors) • Sounding board sessions – up-to-date information • Supporting ongoing initiatives such as Futurelab, Digibase and Helix	• Director for a day: 2019 • Networking with external parties: 2019 • Sounding board sessions: 2019 • Ongoing initiatives: 2019

JUTTA LEIBFRIED, SAFETY MANAGER ON OPENIJ

"Safety has been a top priority on OpenIJ right from the start. I have been involved in this great project as safety manager from the beginning of 2015 and at every stage a proactive stance on safety has been high on the agenda. The safety protocols are drawn up before the start of each new stage and adjusted where necessary.

"We have a relatively large safety team on this project but that is necessary because of the scope and nature of the work. The team has changed over time because different stages of the project call for different types of expertise. At the start of the project you are mainly dealing with risk assessment, design and analyses. Later on, the operational safety experts who work on the actual construction site play a crucial role.

"One of the main challenges is that people of more than 15 nationalities are working on this site. Language is not a problem but culture can be: in some cultures it is easier to say that you have never done a certain job than in others. We allow for this by working with homogenous groups in clusters, for example. We hold collective talks with the five largest parties from whom we hire employees who speak a different language. In these talks we discuss what these parties understand a proactive building site to mean. We believe it is important not to impose things on others but equally that these parties approach this matter in a way that is consistent with our own and train their people accordingly.

"Around 500 people are involved in the construction work for the OpenIJ project, meaning there are a lot of logistical movements in a relatively small space. It is important to keep a constant focus on safety within this context. We are not here to be liked but to protect the health and safety of our people. It is tricky to strike the right balance between the hard and the soft sides of safety. Obviously the first thing we do when we see something going wrong in terms of safety is to talk to the people or groups involved but we will not hesitate to give people written warnings or to banish them from the construction site.

"The text below is on the website of the Dutch department of public works and needless to say the entire team is immensely proud of it.

On 21 August 2018 the Inspectorate of the Ministry of Social Affairs and Employment paid an unannounced visit to the IJmuiden sea lock site. "The inspectors were impressed by the attention and efforts devoted to safety and the constant focus on maintaining a tidy building site," said department of public works contract manager Wop Schat proudly. "They gave us a big pat on the back and even said that Zeetoegang IJmond should serve as a model project for the whole of the public works department to show others how it should be done. They were delighted with the approach taken by contractor OpenIJ."

Safety

Creating and safeguarding a culture in which working safely is embedded 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 thought. Needless to say, we attach increasing importance to this value when entering into contracts.

General
Looking back on 2018, we can conclude that our safety performance improved. The safety policy for 2018-2020 was established at the end of 2017 in collaboration with representatives of the statutory boards, works council and health and safety professionals.

wave
Wees Alert!
Veiligheid Eerst!

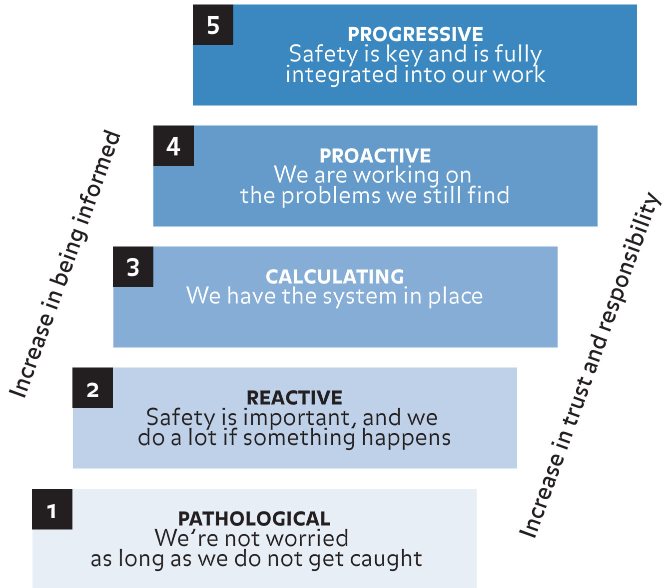
Broadly speaking, we can identify three stages in the evolution of working conditions in general and the safety policy in particular. The 1980s marked the start of the technical phase. For two decades, a lot of hard work was done to get the technical requirements in order. Numerous rules came into force, with the aim of putting an end to accidents occurring as a result of technical failure. In the construction sector, for example, attention was fully focused on barriers, safety devices and personal protective equipment with the aim of preventing the most common accidents, such as falling from heights and collision risks. Around the turn of the millennium, there was a surge in checklists and certifications: first and foremost the Safety Checklist for Contractors (VCA), heralding the start of the system phase. In addition, OHSAS 18001/ISO 45001 certification became important for the international operating companies of VolkerWessels. The main aim in this period was to reduce absenteeism and accidents by focusing on procedures and arrangements, essentially paving the way for the crucial next phase: the behaviour phase. In this phase employees have been compelled to stick to the agreements – not because they have to, but because they themselves see them as important. The VolkerWessels policy for the period up to 2020 is based on this principle.

Looking back on 2018
The safety agenda is clear and in 2018 the first steps were taken towards bringing about a change in behaviour and culture by means of the Safety Ladder. This tool is based on the Hearts-and-Minds principle: safety really needs to be a part of everything you do. The safety ladder has five levels and the basic aim is for all VolkerWessels companies to have reached level 3 by 2020. Level 3 stands for 'calculating: we have the system in place.' A number of operating companies have already reached level 3 or 4.

VolkerWessels is one of the initiators of the Safety in Construction Governance Code, the aim of which is to improve safety across the construction sector.
Key achievements during 2018 include the implementation of the Generic Site Safety Instructions (Generieke Poort Instructie – GPI). Everyone working in the construction industry must successfully pass a test on these instructions by 1 April 2019 in order to streamline and standardise minimum knowledge in the area of safety prior to being allowed to enter a building site.

In addition significant efforts have been made in terms of certifying companies on the safety ladder and there have been positive developments with regard to knowledge sharing following accidents and incidents.

Diagram of the safety ladder



In order to achieve this key objective, in 2018 a number of important KPI's were put in place, with each cluster recording its own individual objective and appointing its own sounding board and working groups to implement the safety ladder. In addition a number of overall KPI's were agreed.

Management involvement is crucial in this context, with managers demonstrating leadership on site, including where safety is concerned. All statutory directors should perform eight site visits per year, focusing mainly on attitude and behaviour rather than the technical aspects. The basic principle is that directors engage with employees onsite on the subject of safety. A further key objective has been set to reduce the IF rate from 4.6 in 2018 to 3.5 in 2020.

In 2018 the decision was also taken to make the safety policy more centralised. In order to achieve this, we appointed a full-time professional safety manager to manage the health and safety professionals as a function.

In addition, independent prevention staff carry out unannounced inspections on sites. The results are reported to the VolkerWessels Safety Group, a body comprising the chairman of the Management Board and statutory directors of a number of operating companies, along with the works council and the VolkerWessels safety manager. They also monitor the progress being made in the implementation of the Safety Ladder.

In spite of these measures, we conclude that whilst the IF rate is showing a downward trend, it has not yet reached the desired level.

At national level VolkerWessels is closely involved in the Safety in Construction Governance Code. The code was developed by clients and contractors in the construction sector with the objective of mitigating safety risks in connection with the realisation, use and maintenance of buildings. The code includes 11 basic principles and core values that are closely related to the policy already initiated by VolkerWessels.

Looking forward to 2019

A number of important decisions were taken in the final quarter of 2018 aimed at bolstering the safety culture in 2019. The key points are:

- better handling and categorisation of accidents. The WAVE app will be adapted to allow for better categorisation and analysis of accidents so that trends can be analysed and improvements can be formulated;
- the central theme for 2019 is 'commit and comply';
- the reporting of unsafe actions and situations ("Melding Onveilige Handelingen en Situaties) will be promoted. Here, the ICT system will support the accurate analysis and formulation of trends and improvement measures;
- the Management Involvement Visits (MBB: Management Betrokkenheids Bezoeken) and WPI's (Workplace Inspection Visits) will also be incorporated in the WAVE app;
- monitoring of our safety record will be done on a monthly basis.

VolkerFitzpatrick finished work on four new aircraft stands at London's Stansted airport.

WILLIAM HOLLANDER, A KEY INITIATOR IN THE FIELD OF SAFETY AT THE C&RED SEGMENT AND IN ACCIDENT INVESTIGATION

"Safety really is our number one priority at Construction & Real Estate Development. It has always been very important but now it really is top of the agenda. Every accident is one too many and we really want to do everything we can to prevent accidents.

"At the VolkerWessels safety conference we agreed a safety agenda for 2018-2020 and each segment has made its own ambitious plans. For example, all foremen and project leaders at Construction & Real Estate Development must take an internal course in Health & Safety Coordination in order to further promote safety on site. An even larger group is set to attend the new Conscious Safe Leadership course, which is aimed at further embedding safety into the culture. Safety is a team effort, which is not only important in the delivery of the work but also during the estimating and procurement stages. Enforcement is an important part of both training courses, with conversations and situations being practised with actors. The aim is that when you call someone out you do not convince them just for a day but for always, and that in effect you gain a new safety ambassador.

"Changes to the WAVE ('Be Alert, Safety First!') app have made accident reporting better and easier and as a result we are getting better all the time at investigating and analysing accidents. In addition we seek to learn from each other, and following a visit to my safety colleagues in the UK we introduced safety dashboard on our projects. The dashboard provides a guideline for the weekly safety meeting on projects. The top 5 risks of the week are discussed, along with areas of concern arising from workplace inspections, progress in terms of the objectives and various registrations such as toolbox meetings and unsafe situations.

"In order to reduce the number of heavy vehicles to and from building sites, and thus increase safety for the surrounding area as well, we have set up a number of BouwHub collection points on the outskirts of major cities. BouwHubs are used as a base for monitoring and coordinating the entire logistical process of the building supply chain. Suppliers can discharge their loads without having to wait, deliveries are consolidated into daily packages and transported to the construction projects in the city centres in the most efficient way. BouwHubs are used for the prefabrication of products and also function as park & ride facilities from where construction workers can be transported to the site."

Integrity

Integrity is non-negotiable at VolkerWessels. Acting with integrity is fundamental to everything we do and therefore is a topic that requires constant focus. Our approach is structured on three foundations; the VolkerWessels Code of Conduct, the Trust Line Scheme and the Guiding Principles for Commissioning Construction Companies.

Code of Conduct
We embed integrity and the VolkerWessels Code of Conduct into our day-to-day activities. The Code of Conduct outlines the standards of behaviour expected at VolkerWessels and is aligned with the code of conduct of the Dutch confederation of construction companies (VG Bouw). The code has a workable format and is easy to use in our day-to-day operations to ensure that everyone within the Group adheres to the rules.

Trust Line Scheme
At VolkerWessels we aspire to an environment that is free of discrimination and illegal or unethical behaviour. Colleagues, clients, subcontractors and/or suppliers who nevertheless suspect any serious wrongdoing within our companies or the Group can follow a special procedure to report the matter anonymously if they wish to do so through our whistleblowing arrangements. The exact procedure and steps to take are set out in the Trust Line Scheme.

Guiding Principles for Commissioning Construction Companies
VolkerWessels and the six other large construction companies in the Netherlands have drawn up a set of rules of conduct aimed at promoting professional, ethical, socially responsible and transparent behaviour in the construction sector. The objective is to make procurement procedures transparent for all partners in the construction process.

Integrity is a prerequisite for doing business and therefore this core value ranks equal to safety and sustainability for us at VolkerWessels. We expect everyone in every company, whatever their position, to act with integrity and professionalism. In 2018 we delivered a mandatory e-learning course on integrity for all staff and the Management Board held six meetings with statutory directors in the Netherlands to discuss and reinforce the necessity for a strong culture of integrity. In the UK, North America and Germany we took similar action to shine a light on this very important core value of our company. Integrity does not stop at our own doorstep, and we expect all our supply chain partners to act with integrity as well. We require our subcontractors to sign our Code of Conduct and the Guiding Principles for Commissioning Construction Companies. VolkerWessels has further reinforced the focus on its core values including integrity following a multiparty investigation by the Dutch authorities into a number of companies operating in St Maarten which includes our dormant subsidiaries VCI and VSC.

Investigation by the Dutch public prosecutor
Despite all the action undertaken by VolkerWessels, two dormant subsidiaries, VCI (Volker Construction International) and VSC (Volker Stevin Caribbean), are part of an ongoing and broader multi-party investigation by the Dutch authorities concerning construction projects on the island of St. Maarten.

The broader multi-party investigations involve several projects, entities and individuals including the two VolkerWessels entities VCI and VSC. The VCI and VSC project that is under investigation is the Causeway Bridge on the island of St. Maarten.

VCI and VSC ceased operating on St. Maarten in 2014. They have been shown as discontinued operations since VolkerWessels made the decision to reduce its international footprint to focus primarily on its profitable home markets in the Netherlands, the United Kingdom, North America and Germany. No new projects were entered into by VCI and/or VSC after 2013. There is no activity in either subsidiary and they both continue to be accounted for under discontinued operations.

VolkerWessels is also conducting an internal investigation with the assistance of external experts, and this is currently ongoing.

Innovation

Our customers, and for that matter, society as a whole, have high expectations of the construction industry, which is exemplified by the following two initiatives by the Dutch government.

"Van het gas af", which loosely translates to "no more natural gas connected new homes", was announced in March of 2017 and became law on the 1st of July 2018 in the Netherlands. The initiative serves a dual purpose: to limit and ultimately stop gas extraction in the province of Groningen due to increasing damage to the environment and, to contribute to our national ambition of decreasing CO_2 emissions by 49% in 2030. It does however also pose a monumental challenge to the construction industry, since real estate development, and housing projects in particular, are heavily impacted by the obligation to provide an alternative to natural gas for heating. Electrification or the construction of heat networks both offer a solution, but require a significant degree of innovation on the part of construction companies.

Another initiative is the focus on circularity, essentially the ambition to decrease the use of virgin material in construction to zero in 2050, with an interim goal of 50% reduction in 2030. This requires our industry to go through a paradigm shift in the next 30 years, with a great deal of work on innovation to develop new materials, building methods and business models.

To cope with these challenges, innovation is key for us, but this is not the only driving force behind our desire to innovate. The rapid growth in the availability of technology is also driving us, because it enables us to perform better and faster. Digitalisation (to make our internal processes data-driven) and digital transformation (to develop new data-driven business models) are at the forefront of our innovation efforts and enable us to remain ahead. In order to maintain our competitive position, we need to evolve into an ambidextrous organisation. In other words, we need to be efficient in managing today's business, while at the same time becoming more adaptive to changes in our environment – we need to balance our exploration and exploitation efforts. To achieve this, we are continuously improving our innovation capabilities. By implementing an innovation strategy that capitalises on the combined strength of our subsidiaries, we are able to effectively develop new products, services and business models, and simultaneously enhance our operational excellence.

The backbone of this strategy is Helix, our company-wide innovation programme, which fosters a culture of innovation and stimulating collaboration. Helix provides our subsidiaries with a clear way of working on innovation, which deviates completely from the way we execute our operational activities. By employing tools and best practices used in other industries, like design thinking, lean start-up and agile methods, we ensure customer focus and rapid testing in our innovation projects. Successful innovation depends entirely on our ability to successfully collaborate, both internally and externally. Helix offers both on-line and off-line environments for collaboration and co-creation, accessible to all our employees as well as our partners and customers.

Finally, the success of our innovation programme hinges on our ability to focus. Therefore, we have defined a number of strategic innovation areas such as digitalisation, industrialisation, circularity, digital transformation, emissions reduction and smart logistics, helping us aim our innovation efforts on topics that matter most to our business.

We believe that creating an environment that provides room for collaboration and experimentation, while capitalising on the combined knowledge and experience of our subsidiaries, we can continuously increase the value we deliver to our customers and to the environment.

HIGHLIGHTED

HYRDE AIR (ARTIFICAL INTELLIGENT IMAGE RECOGNITION) – SMART PARKING

Hyrde AIR (Artificial Intelligent Image Recognition) analyses any image from any camera. The goal is to detect objects and provide real-time results to customers in the smart city - smart mobility sectors. Interesting fact: If cameras are already installed, then no additional infrastructure is required. One of our solutions is smart parking. This provides real-time results on both parking occupancy and exact parking duration to customers: retail, real estate, airports, train stations, private car parks, bus depots and gas stations. The innovative and built in-house object detection technology is however very flexible, and we are now diversifying its portfolio to respond to requests of facilities management, airport management, bus depot management and detection of safety on construction sites for example. This way, Hyrde happily supports each VolkerWessels-company to smarten their day-to-day operations.

Risk management

VolkerWessels is characterised by a client-centric business model where entrepreneurship, integrity, 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, safety 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 2018 steps were taken to further strengthen our formal risk management processes and supervision at segment level 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 Group 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 in all aspects of our business, 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 embedded 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 credit risks 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, tax risks, foreign exchange rates and fraud risks. More details on the specific risks are included in the tables on pages 65-75.

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 benefits from the personal involvement of the managing directors and statutory directors of the operating companies in order to best utilise 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.

A specific risk appetite is set within the context of the 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 validated 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	Appropriate policies and procedures are in place throughout the business.	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' frameworks.
Projects	Appropriate policies and procedures are in place throughout the business.	Loss-making / unpredictable projects or dissatisfied customers.	The level of (residual) risk on a project may not exceed the expected integral profit contribution.
Asset and data protection	Appropriate policies and procedures are in place throughout the business.	Loss of assets due to theft, improper use or insufficient insurance. Confidential and other information could fall into the wrong hands and can be a violation of the new privacy regulation (GDPR).	Zero violations of laws and regulations. To discourage theft and misuse and insure assets in line with policy.

Risk Management framework

As part of its risk management framework Volker-Wessels 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 process 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 further strengthened its risk management framework in 2018. We further increased the involvement of senior management and contract managers (both at Construction & Real Estate Development and at Infra-structure in the Netherlands) in order to align the way in which risk is assessed and additionally appointed a director Contractmanagement in the Netherlands. In our Construction & Real Estate Development segment we started standardizing and optimizing our risk management processes on projects. In our Infra-structure segment in the Netherlands we have continued our "top in projects" programme and gate reviews. Gate reviews focus specifically on the phase transitions in a project and define the primary decision moments during the pursuit, design, build and mainte-nance phases. Furthermore control-processes on projects were standardised and project controllers were trained and have succeeded as Registered project controller.

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. In 2018 the Management Board held six meetings with our statutory directors in the Netherlands to give an overview and update on the internal regulations in place.

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 consoli-dation of information. In 2018 we have upgraded our group consolidation system in SAP, facilitating a direct upload from the local ERP systems. In addition, Volker-Wessels' treasury management system provides weekly updates on the liquidity position (at both operating company level and segment level) and monthly 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 managed by the guarantee department and are based on a standard wording and in principle will include a cap and a termination date. Our Group Tax department assist local and group management in complying with the tax requirements and monitor the effectiveness of the internal controls relating to tax as well as the tax position of the Group.

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 compe-tition, bribery and corruption, theft of company property, conflicts of interest and fraud reporting.

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, facil-itate the exchange of know-how and best practice, create awareness in respect of the relevant strategic, operational and financial 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 activ-ities 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 internal 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, in conjunction with Deloitte.

The Company's Internal Audit Function is positioned independently and performs audits on behalf of the VolkerWessels' Management Board in the divisions, operating companies and project companies.
The Internal Audit Function is tasked with monitoring the internal control systems, business processes and with regard to compliance with the law, regulations and directives and reports directly to the Management Board and the Audit Committee. Internal Audit performs a key role in the risk management system and supports the Management Board in this regard and in its managerial role with independent analyses, assessments, and recommendations. To this end, Internal Audit has extensive and unrestricted powers of information and examination within the Group. Internal Audit aims to protect corporate assets, to assess the reliability of the risk management and internal control systems, and to contribute toward improving those systems. The activities performed by Internal Audit follow international auditing standards and will be subject to regular independent quality assessments.
In 2018 the Internal Audit Charter was developed and approved by the Management Board and Audit Committee. The audits conducted in 2018 include project audits, audits at operating companies, information security audits and auditing the implementation of GDPR.

Culture of engagement and ownership

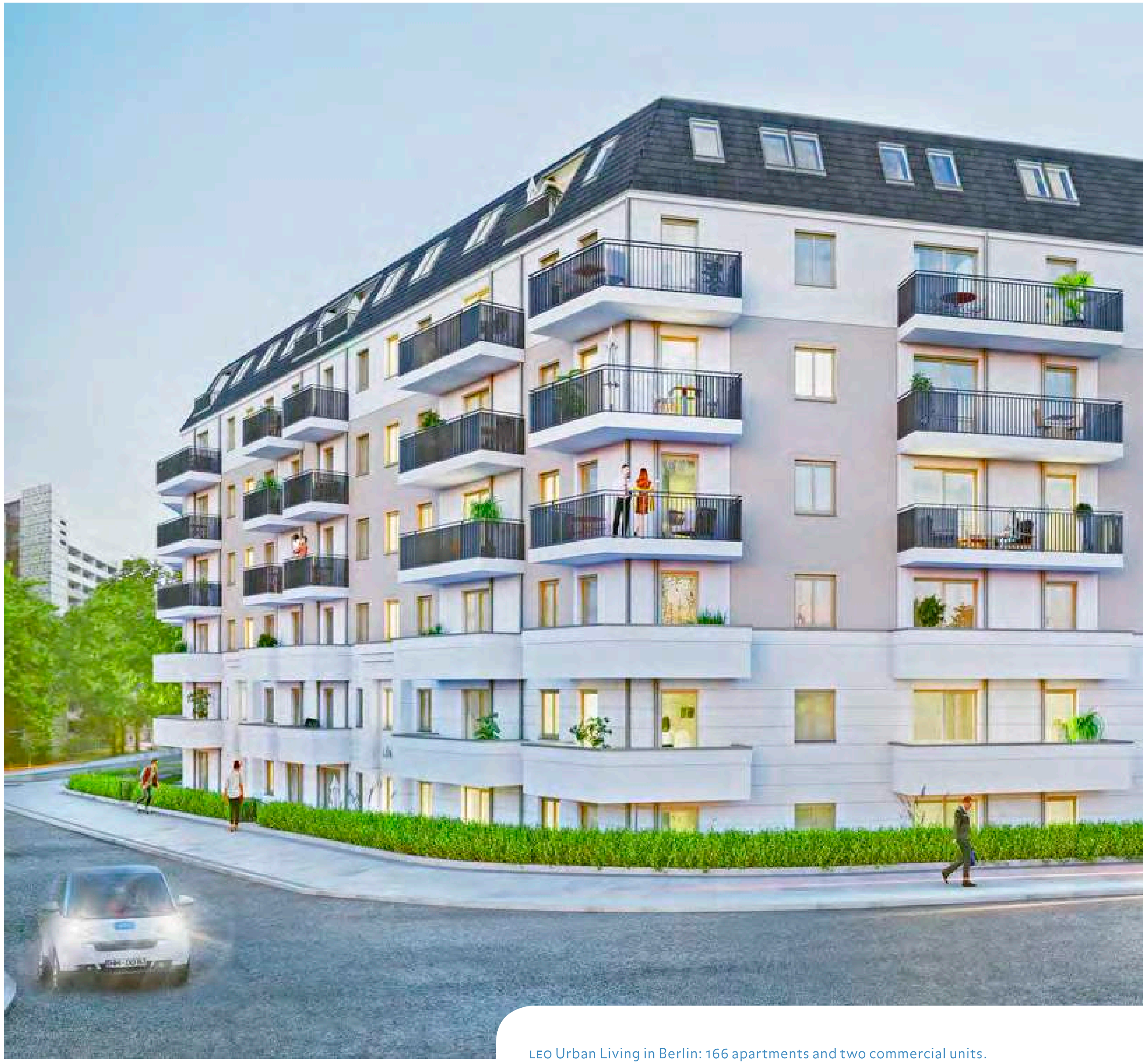
VolkerWessels believes that the informal elements of its risk management framework are a key differentiator. This soft control through the active involvement of VolkerWessels' employees and management teams ensures that its core values of safety, integrity and sustainability are pursued at all times, 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 cover a wide range of information including the contact between employees at VolkerWessels, dealings with subcontractors, 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. In 2018 we started a mandatory e-learning course on integrity and the Management Board held six meetings with our statutory directors in the Netherlands to discuss the necessity of a strong integrity culture. In the UK, North America and Germany we paid similar attention to this very important core value of our company. 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. Relating to the impact of the new regulations for the protection of personal data (GDPR), please refer to our section Human capital in this report.

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. The responsible 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 insight that supports 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 bidding, 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 formal reporting to the management board of the relevant operating company.



LEO Urban Living in Berlin: 166 apartments and two commercial units.

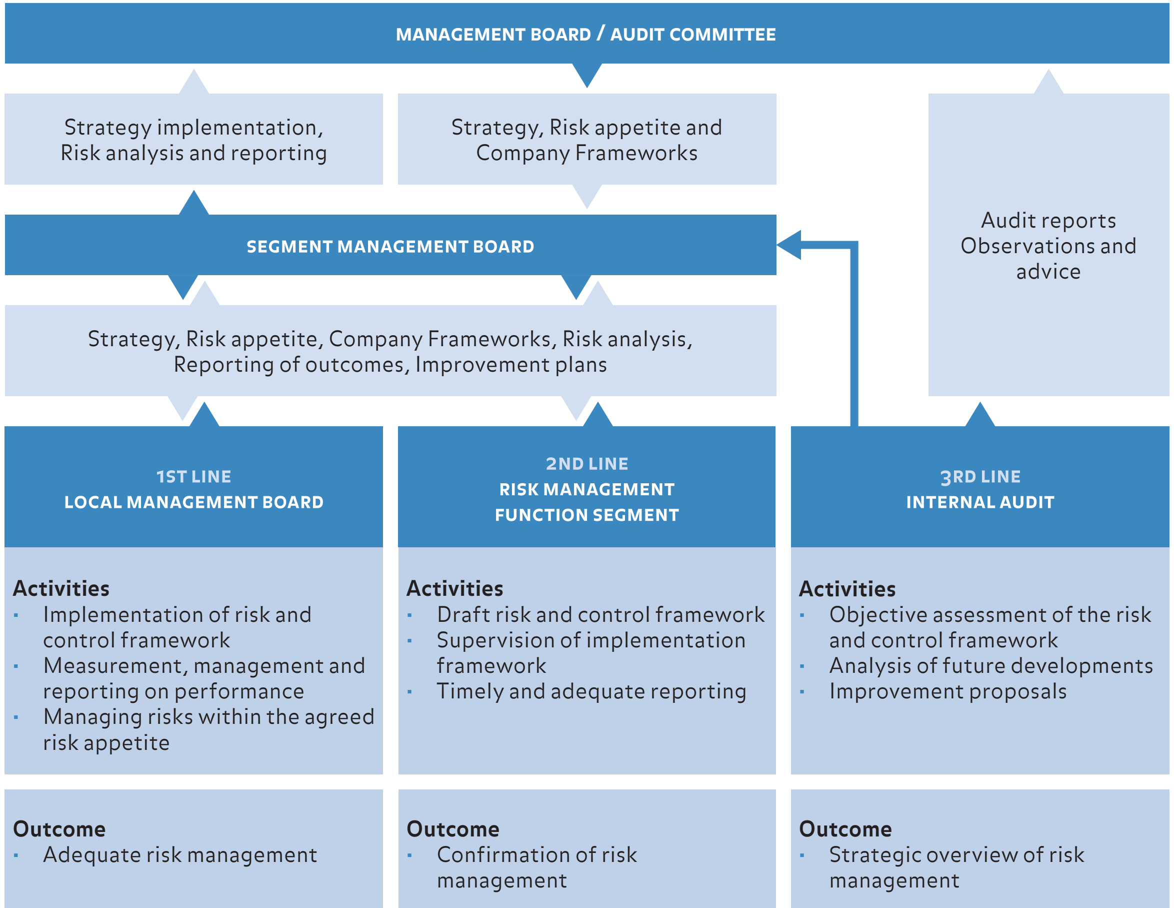
Risk Management Structure: three lines of defence

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 organize 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 enhances and protects organisational value by providing risk-based and objective assurance, advice, and insight. 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 2018, our order book increased to €8.9 billion. In 2018 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 delivery times through prefabrication of housing (the MorgenWonen – Future Living – concept); ■ development of customer-oriented housing concepts. Projects go ahead only if the building 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 more complex 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 2018 the following additional risk measures were taken to limit the risk: ■ reduce our strategic working capital by an additional €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; ■ large development projects such as Delft, Shipdock and Amsterdam South-East are developed with partners to share the development risk.

RISK	POTENTIAL CONSEQUENCE IMPACT	RISK LIMITATION MEASURES
Political uncertainty arising from UK's exit from the EU Owner: Group and UK Management Boards Our UK business may not be able to manage the uncertainty surrounding the terms of the UK's exit from the EU.	Restrictions to the availability of skilled labour and/or materials from outside the UK may impact our business in the UK which in turn may create delays to the delivery of projects that have already been tendered and awarded. Also new projects and tenders may be cancelled or deferred whilst significant political uncertainty remains. The UK's vote to exit the EU has already impacted the exchange rate between GBP and EUR. Any significant further change or uncertainty surrounding the terms of the UK's exit from the EU may have subsequent additional exchange rate consequences.	In 2018, the impact of Brexit on our UK business appears to have been limited. The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for VolkerWessels UK, which is well positioned in a number of key infrastructure sectors. Typically, more than 80% of VolkerWessels UK's annual revenues come from the infrastructure market across both public and private clients. 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 of labor, impact on the supply chain and commodity prices. The strength of the overall order book in the UK should also enable the mitigation of any short term uncertainty impacting on tender delays.
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 2018 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 2018.	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; ▪ 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 Volker-Wessels' 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 Volker-Wessels 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. We have 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, competition and privacy (GDPR) laws. Potential risks include the risk of non-compliance with such laws and regulations and risks elating 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, and the annual fraud risk analysis or to enable them to be detected like the VolkerWessels Trust Line and the whistle blower scheme. See also the description of risk management on page 59-64. 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. In 2018 we started a mandatory e-learning course on integrity and the Management Board held six meetings with our statutory directors in the Netherlands to discuss the necessity of a strong integrity culture. In the UK, North America and Germany we paid similar attention to this very important core value of our company. More risk measures relating to the privacy law please refer to page 51.
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 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, apprenticeships and training schemes along with partnerships with educational institutions. VolkerWessels has set up the VolkerWessels academy and a variety of learning including e-learning to satisfy the need for the development of its staff. VolkerWessels has also created a young potential program to foster the development and retention of younger 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 contract losses. Cost overruns can arise due to inefficiency, delays by VolkerWessels, subcontractors or suppliers, poor design or errors in designs or estimates, 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 estimates 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 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 pages 59 to 64. VolkerWessels adopts a tailored process to contracting and risk management 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 are subject to a tender approval ("TIS") procedure. For each such project a standard 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 form, 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. VolkerWessels continued a wide ranging contract management training initiative and appointed a director Contractmanagement in the Netherlands. In our Infrastructure segment in the Netherlands we continued our "top in projects" program. Furthermore control-processes on projects were standardised and project controllers were trained and have succeeded as Registered project controller. In our Construction & Real Estate Development segment we started standardizing and optimizing our risk management processes on projects.

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 continued our "top in projects" program. Elements of this program include continuous improvement of: uniform project approach; dedicated risk management; project control; integrated design and build and gate reviews. In our Construction & Real Estate Development segment we started standardizing and optimizing our risk management processes on projects.
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 metro 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 relationships 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.

RISK	POTENTIAL CONSEQUENCE IMPACT	RISK LIMITATION MEASURES
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 Volker-Wessels' 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 there was any other failure to estimate accurately the impact of inflation, this 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 where assumptions behind commodity prices and inflation are challenged.
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) program. With its health and safety programs in place, VolkerWessels aims for zero cases of physical injury. VolkerWessels maintains insurance policies to cover these sorts of events. In 2018 steps were taken towards a change in behaviour and culture by means of the Safety Ladder. The safety ladder has five levels and the basic aim is for all Volker-Wessels companies to have reached level 3 by 2020. Level 3 stands for 'calculating: we have the system in place.' A number of operating companies have already reached level 3 or 4.

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 updated its information security policy. A total of over 200 measures were 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. This was almost fully completed in 2018. Implementation of Priority 2 and 3 measures is also on track and will be completed in 2019. Our employees are periodically trained in information security obligations. The progress of our companies regarding the implementation of the policy is reported on a frequent basis and audited by our Internal audit function.

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 harmonised 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 2018, VolkerWessels was in ample compliance with the Leverage and Interest Cover covenants.
Not being compliant with tax legislation and filing requirements, including tax risks in both operational projects as well as relating to specific transactions. Owner: Group Management VolkerWessels operates in a number of different countries. As tax laws and regulations differ per country, change regularly and can be complex, the Company runs the inherent risk of non-compliance with the local tax legislation and the tax policy of the Company.	Compliance risks include additional liabilities, interest or penalties arising due to unsupportable positions in tax returns or late filings. In addition, operational and transactional tax risk may cause unexpected fluctuations in the effective tax rate of the Group. Tax risks may not only cause financial risks but also reputational risks.	VolkerWessels has implemented a Group Tax policy addressing the risks related to tax and which enforces compliance with this policy. Furthermore, the highly skilled tax experts at the Group Tax department assist local and group management in complying with the tax requirements and monitor effectiveness of the internal controls relating to tax as well as the tax position of the Group.

VolkerWessels also anticipates other financial risks. These risks and the management measures are explained in detail in the financial statements in note 39.

Increased risk **Risk is unchanged** **Decreased risk**

What still went wrong in 2018

In 2018, there were two fatal accidents on or near our construction sites in the Netherlands. Neither of the people involved were employed by VolkerWessels. One accident related to a cyclist who did not follow instructions that were shown on the signs nor followed the directions of our safety people on site. The other accident related to a subcontractor's employee who became trapped between a small crane and a container. We deeply regret these two fatal accidents; 'deep dives' into the root causes have been conducted in order to prevent such accidents from happening again.

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 2018 in relation to our financial performance, operational excellence and core values.

In 2017 VolkerWessels reported a substantial provision regarding the OpenIJ project in IJmuiden. Over 2018 we increased the loss provision for the project by €39 million which brings the total provision (VolkerWessels' share) to €107 million. Over 2018 we put €98 million into OpenIJ from our own resources and have almost fully funded our share in the project loss. At the end of 2018, the project was 65% complete.

In recent years, there has been intense competition in the Dutch infrastructure sector. At the same time more complex long-term construction projects were entered into on a fixed-price or lump sum basis for contract models with terms that increased the risk exposure of construction companies in a more legalistic environment.

As a result of this changing nature of the infrastructure market, the risk-reward balance in our Dutch infrastructure segment was adversely affected. In 2018 it was decided that a change of management of our Dutch infrastructure management was required and VolkerWessels decided to reposition the Dutch infrastructure business. We strongly believe that current contract conditions and the level of complexity of projects are not balanced and the assessment of such has become an important element in our tender review process.

Rijkswaterstaat ('RWS' the single largest client in the Dutch Infrastructure sector) is currently in consultation with the Infrastructure sector with the goal to review its tendering and procurement processes. VolkerWessels is actively participating in these discussions. We aim for an outcome which combines innovation and sustainability goals with a more balanced division of risk between client and contractor (which can amongst others be done by choosing appropriate contract forms for integrated complex projects).

IF-rate in 2018 in the Netherlands was 4.6 and has decreased 0.7 compared to 2017. Within VolkerWessels we regard every accident as one too many.

In 2018 there were 49 reported suspicions of a breach of integrity or wrongdoing in the Netherlands. The number of reports made is higher than last year (32), but is still in line with the trend of previous years.

To prevent accidents the construction site needs to be clean and tidy.

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 statements for the financial year ended 31 December 2018 provide 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 2018 and the position of VolkerWessels at the balance sheet date, together with a description of the principal risks associated with VolkerWessels.

Amersfoort, 27 February 2019

Management Board
Jan de Ruiter
Jan van Rooijen
Alfred Vos
Dick Boers
Alan Robertson

Corporate Governance

The Dutch Corporate Governance Code (the "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 2019 Dutch listed companies are required to report on compliance with the Code in the 2018 financial year.

The corporate documentation of VolkerWessels, including the Articles of Association and corporate by-laws, policies, rules and regulations, are in compliance with the general legal requirements for listed companies as well as with the Code.
The corporate governance documents of VolkerWessels can be found on our website (in the Corporate Governance section). These governance documents 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 provision of the Code.

- 2.2.1 – Appointment and reappointment periods of Management Board members: VolkerWessels is not in strict compliance with best practice provision 2.2.1 that stipulates that all Managing Directors are appointed and reappointed for specified periods. Three of the current five members of the Management Board have been appointed for an indefinite period of time. Mr. De Ruiter was appointed for a period of four years ending after the annual General Meeting of Shareholders in 2021 and Mr. Robertson was appointed for a period of four years ending after the annual General Meeting of Shareholders in 2022 (Messrs. Van Rooijen, Vos and Boers were appointed for an indefinite period). 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 the management report.

Internal codes and policies
In addition to compliance with the Code (as set out above), VolkerWessels also applies a wide range of internal (corporate) governance codes and policies, including the code of conduct, the Trustline Scheme and the policy on bilateral contacts with shareholders (these policies are published on the website in the Corporate Governance section), the related party policy, the remuneration policy, the diversity policy, the internal powers schedule and the insider trading policy. All internal codes and policies have been made 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 or due to changes in legislation.

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 evaluate the effectiveness of the composition of both boards and other matters. The ambition is to maintain a blend of industry knowledge and financial and executive expertise. The current Supervisory and Management Board are considered well balanced in terms of professional expertise and educational background, which balance has even been further strengthened in 2018 with the addition of Frank Verhoeven to the Supervisory Board and Alan Robertson to the Management Board. When appointing Mr. Robertson to the Management Board and Mr. Verhoeven to the Supervisory Board on 3 May 2018, unfortunately no female candidates were identified who were equally suitable for these roles. The statutory prescribed target for a balanced board composition is a minimum of 30% male and female representatives.
On 31 December 2018 this target was not met by VolkerWessels. In addition to the nomination of Mr. Eelco Blok, we will however also nominate Mrs. Anja Montijn as Supervisory Board member in 2019 for approval by the shareholders and continue to look for suitable female candidates both for the Supervisory Board and the Management Board. 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.

Unfortunately the construction industry has not been able to attract many female employees in the past. We are hopeful that changes in industry to (**inter alia**) more sustainable development, digitalisation and data management will also make the construction sector more attractive to female employees. It is the inflow of young talent that is needed over time to build sufficient internally trained and educated employees for higher ranked management positions. This particularly applies to female employees at this time. It remains 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. Should new vacancies arise in the Management Board or Supervisory Board before 2022, the aim shall be to reach such fair representation of overall workforce at an earlier date. The Supervisory Board commits itself to ensure

HIGHLIGHTED

GELDERS HUIS

A single 'front door' for employees, politicians, administrators and visitors: that was the brief from the province of Gelderland. Previously housed across five different locations the provincial government now has a single hub for people to meet and work together: Gelders Huis.
Overlooking the market square of Arnhem, the new home of the provincial government is a unique combination of historical allure and modern architecture. The existing Provincial Hall is a 'Gesamtkunstwerk' dating from 1954 and a listed monument. The interior of the building has been completely renovated whilst maintaining a keen eye for the 20th-century look and feel. It stands between the medieval Sabelspoort gate and a brand-new building, an unusual design that won the award for Building of the Year 2018.
Gelders Huis is a real group project, realised by the In Domu Nova consortium consisting of four VolkerWessels companies. Sister companies Wessels Rijssen and Visser & Smit Bouw were responsible for the newbuild and for renovating the national monument. HOMIJ realised the technical installations and is responsible for management and maintenance during the operational phase. PCH Dienstengroep handles matters including facilities management, residual waste management, cleaning, window-cleaning, service desk, green areas, pest control, winter maintenance and security outside office hours.

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.

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, 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 19 and page 11. A general description of the tasks and composition of the Audit Committee, Remuneration Committee and the Selection and Governance 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 rules and Supervisory Board rules.

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 upon 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 Shareholders authorises the Management Board to do so.
By resolution of 3 May 2018, the General Meeting of Shareholders authorised the Management Board for a period of 18 months as from 3 May 2018 until 3 November 2019, 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 date of the General Meeting of Shareholders. 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 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 of which all members 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 2018 annual report the foundation was not yet incorporated.

Related party transactions
Note 37 to the financial statements forming part of this 2018 annual report provides for an 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 2018. Best practice provision 2.7.5 of the Code has been and will be complied with in this respect.

Takeover Directive
In accordance with the Article 10 Takeover Directive Decree (Besluit artikel 10 overnamerichtlijn) of 5 April 2006 this section provides information regarding the matters referred to below:

a. The capital structure of the Company, the various types of shares as well as the rights and obligations associated with them, and the percentage of issued capital represented by each type:
   - The authorised capital of VolkerWessels 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 ordinary shares with a nominal value of €0,01 each. At the date of publication of this 2018 annual report no preference shares were issued.

b. Any limitation by the Company on the transfer of shares or depositary receipts for shares issued with the cooperation of the Company:
   - Not applicable: VolkerWessels does not impose any limitation on transfer of shares or depositary receipts issued with the cooperation of VolkerWessels, other than the transfer restriction of preference shares which would require prior approval of the Supervisory Board. Since no preference shares have been no transfer restriction applies.

Renovation of Doornboom windmill in Hilvarenbeek. The picture shows our bricklayer rendering new arches around the windows. The old arches had completely decayed.

c. Holdings in the Company for which a reporting obligation exists under Articles 5:34, 5:35 and 5:43 of the Financial Supervision Act (Wft):
- On page 107 of this 2018 annual report (chapter entitled VolkerWessels shares, paragraph describing Major shareholders) reference is made to the position of Reggeborgh (63.9%) at 31 December 2018.

d. Special controlling rights attached to shares and the names of the entitled parties:
- Not applicable: there are no special controlling rights attached to shares.

e. The mechanism for controlling any arrangement granting employees the right to subscribe to or acquire shares in the capital of the Company or a subsidiary when the control is not directly exercised by the employees:
- Not applicable: VolkerWessels does not have an employee share participation plan nor an employee share option plan. The share incentive plan for the members of the Management Board and certain key managers is explained in note 38 (Management Remuneration) on page 175 and 176, paragraph Share incentive. The Company itself is not a party to this Share incentive plan and the Company does not, nor do its employees, control the Share incentive plan. The granting of shares to members of the Management Board and key managers is undertaken at the sole discretion of Reggeborgh Holding BV. Upon prior approval of the Remuneration Committee of the Supervisory Board, the Management Board may make proposals to Reggeborgh to grant shares to key managers.

f. Any limitation on voting rights, the period for exercising voting rights and the issuing of depositary receipts for shares with the Company's cooperation:
- Not applicable: since there are no depositary receipts issued with the cooperation of the Company there are no limitations on the exercising of voting rights thereon, the periods involved therewith and the issuance of such depositary receipts either.

g. Any agreement with a shareholder, insofar as known to the Company, that may result in a limitation on the transfer of shares or depositary receipts for shares issued with the cooperation of the Company or in a limitation on voting rights:
- Not applicable: VolkerWessels is not aware of any agreement with a shareholder, that may result in a restriction in the transfer of shares or depositary receipts for shares issued with the cooperation of the Company or in a limitation of voting rights.

h. The provisions for appointing and dismissing Management and Supervisory Board members, as well as for amending the Articles of Association:
- This information is included in the Corporate Governance section of this annual report on page 79 in the paragraph entitled "Management Board and Supervisory Board".

i. The powers of the Management Board, particularly the powers to issue shares in the Company and have the Company acquire its own shares:
- This information is included in the section Corporate Governance of this annual report on page 79 in the paragraph titled "Management Board and Supervisory Board".

j. Important agreements to which the Company is a party and that are created, amended or dissolved under the condition of a change of control over the Company after the issuing of a public bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft), as well as the consequences of such agreements, unless the agreements or their consequences are of such nature that the Company would be seriously damaged by their revelation:
   - On page 158 (note 29 – Loans and other financing obligations) the paragraph titled Committed credit facility mentions that the RCF (the €600 million Revolving Credit Facility) contains customary mandatory prepayment events including change of control (which does not apply to a further divestment of shares by Reggeborgh). The same applies to the €150 million committed guarantee facility. There are no other agreements with VolkerWessels that contain similar change of control stipulations.

k. Any agreement by the Company with a director or employee that provides for remuneration upon termination of service resulting from a public bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft):
   - Not applicable: there are no agreements with directors or employees that provide for remuneration upon termination of service resulting from a public bid.

Responsibility towards taxation

VolkerWessels' Global Tax policy views taxation as an integral part of the business and as an important contribution to VolkerWessels' position in the marketplace and society, by reflecting its attitude towards taxation as part of its corporate social responsibility towards a wide range of stakeholders. VolkerWessels' Global Tax Policy has been approved by the Management Board. The main goal of VolkerWessels' Global Tax Policy are: "Compliance and no surprises", as certainty on tax consequences of business activities is highly desirable.

The following principles govern VolkerWessels' approach to tax:

- tax follows the business;
- VolkerWessels seeks a competitive, stable, sustainable and explainable effective corporate tax rate and will when possible optimise the tax efficiency of its corporate structure. However, any optimisation will only be based on opportunities provided by law or case law and any tax planning will be discussed upfront with the relevant tax authorities;
- VolkerWessels maintains and builds mutual professional and respectful relations with local tax authorities based on open and transparent communications, both verbal and in writing. In the Netherlands VolkerWessels works with the tax authorities based on the principles of horizontal monitoring;
- VolkerWessels aims not to overpay its cash tax to ensure availability of funds for sustainable growth. A fair amount of taxes is paid in all countries where VolkerWessels operates;
- taxable profits are recognised in jurisdictions in which value is created, in accordance with domestic and international tax rules and standards (such as OECD Guidelines) and applying the at arm's length principle. VolkerWessels does not use 'tax havens';
- VolkerWessels takes a prudent approach in respect of the tax charge in the financial accounts. In respect of all taxes the financial accounts are expected to be correct within materiality limits;
- VolkerWessels minimises tax risks through effective tax risk management, timely and accurately compliance with tax laws and obligations in every relevant jurisdiction and by only taking positions in relation to tax which are sufficiently substantiated by tax law and/or case law;
- VolkerWessels' group Tax Team provides proactive support to the business and supports operational decision making to ensure that the tax consequences of proposals are considered and understood. 'Tax surprises' are unwanted (irrespective whether positive or negative) as these could have a financial and reputational impact;
- VolkerWessels' group Tax Team provides knowledge sharing on different tax topics to colleagues within the Group, to increase and maintain their knowledge of tax.

The tax policy applies to all countries where VolkerWessels operates and where it is able to control adherence to this policy. For operating companies where the Company has joint control or only significant influence, the Company strives to apply the concepts of the tax policy as it cannot unilaterally enforce compliance.

Segment reports

Construction & Real Estate Development – the Netherlands

PAKHUISMEESTEREN

From warehouse to lifestyle hotel

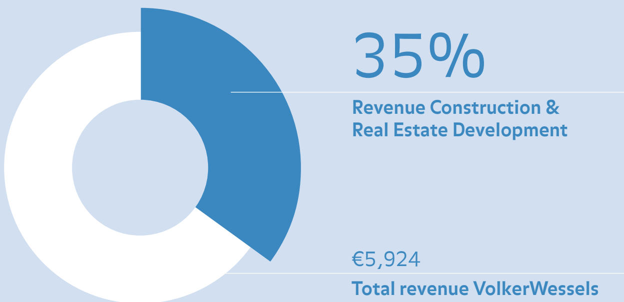
Following drastic renovation and transformation by Aannemersbedrijf Van Agtmaal BV (a wholly-owned subsidiary of VolkerWessels) the former 'Pakhuismeesteren' building in Rotterdam was ready to enter service as a lifestyle hotel. Van Agtmaal restored the monumental façade and added two new storeys. The building houses a hotel with 217 rooms, conference rooms, event space, commercial space and 84 parking spaces. Located at Wilhelminakade 52, the building is in an area that has been beautifully transformed into an architectural hotspot featuring buildings designed by the most famous architects in the world, including Rem Koolhaas, Cruz y Ortiz, Renzo Piano, Muller and Droogleever Fortuyn.

After the renovation and transformation the monumental premises on the banks of the River Maas was rented to Room Mate Hotels, which opened the luxury Room Mate Bruno hotel there in the summer of 2018. The building was sold to a German fund.

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

Construction & Real Estate Development segment's (C&RED) revenue increased by 3.0%, or €62 million, to €2,105 million in 2018, mainly as a result of continuingly strong market conditions especially in the residential construction market. The number of new homes sold decreased to 2,140 from 3,083 in 2017. The lower volume is due to the timing of transactions with institutional real estate investors and project permit delays which in turn leads to pre-sales delays. EBITDA increased by €7 million to €100 million, up 7.5%, with the EBITDA margin improving by 20 basis points to 4.8%. The net result of C&RED was negatively impacted by a provision of €10 million for an arbitration decision which was unfavourable. C&RED is appealing the decision.
The order book of C&RED increased by more than 23% to €3.5 billion. The main additions to our order book were the Holendrecht Community Campus in Amsterdam, Conradhuis in Amsterdam, NDSM Pontkade in Amsterdam, Westflank North in Utrecht and Wonderwoods in Utrecht.

REVENUE 2018
Amounts in millions of euros



Revenue 2018	EBITDA 2018	EBITDA margin 2018 (in %)
2,105	100	4.8%
2017: 2,043	2017: 93*	2017: 4.6%

Order book 2018 (at year end)	Average number of employees
3,493	3,768
2017: 2,831	2017: 3,716

* EBITDA excluding €13 million third party result.

Market developments in 2018
The residential construction market ran at high capacity, driven by low interest rates and the economic upturn which boosted consumer confidence.
The market has grown rapidly in volume and prices continued to increase. Interest from private buyers and professional investors in properties was on the rise. Looking forward, we expect material prices to consolidate while labour costs will continue to increase. Interest from private buyers and professional investors in properties remains at a high level. Due to increased prices in the Randstad conurbation, growth outside the Randstad is now also gathering pace.
The non-residential market (mainly offices) concentrates on A locations near transportation hubs, with Amsterdam as the most popular city for office development. Vacancy levels in the Dutch office market are currently at their lowest level since 2007, thanks to the successful transformation of many office buildings into new housing developments. 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 and best practice aimed at energy neutrality, the requirement for buildings to be off gas by 2050 and circularity. The decision by the Dutch government to stop gas connectivity for new build homes after 1 July 2018 may temporarily impact the growth of the construction of new homes in the Nether-

lands. With our MorgenWonen product, we are very well positioned for this new development.
The construction of industrial/logistics buildings is also booming and is concentrated around the axes between Rotterdam and Venlo.

VolkerWessels is closely monitoring movements in this market. The localised nature of our 40 or so companies means we are well positioned to recognise opportunities for area and real estate development, 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.

> We focus on digitalisation and data management is gaining importance

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

2018 highlights
VolkerWessels builds many landmark projects.
In Amsterdam, VolkerWessels has continued to work on the new ING headquarters, and on the ongoing development of the NDSM wharf, and has finished the North-South metro line in Amsterdam, which is now operational. Other projects under construction include The Valley in Amsterdam; the NATO complex and the Onderwijs and Cultuur Complex in The Hague; E-Shelter in Schiphol Rijk; the Brainport Industry Campus in Eindhoven; Wilhelminawerf and Uptoren in Utrecht; and Westcord Market Hotel in Groningen. VolkerWessels has also been heavily involved in development projects including urban redevelopment projects such as the Strijp-S cultural and creative centre in Eindhoven, Paleiskwartier in Den Bosch and Foodcenter in Amsterdam. Additions to our order book were the Holendrecht Community Campus in Amsterdam, the construction of a new municipality building in Heerlen and the construction of a new hospital in Hardenberg. Superior long-term residential development positions have been obtained in Amsterdam, Delft and Utrecht, securing long-term production volume for the business.

We produced and sold around 450 MorgenWonen prefab single-family homes in 2018. In addition, we are exploring the possibility of producing MorgenWonen homes for the United Kingdom and Germany. In July 2018 we celebrated the construction of the 1,000th MorgenWonen home in the Netherlands.

We continued to roll out digital construction (BIM), we increased the number of building hubs, and we increased the use of Building Smarter Together (Samen Slimmer Bouwen). Almost all C&RED projects are delivered using BIM. VolkerWessels opened DigiBase in

HIGHLIGHTED

VECHTDAL MEDICAL CENTRE (MCV)
On Thursday 29 June 2018 the first pile was driven for the construction of the new Vechtdal medical centre (MCV) commissioned by healthcare provider Saxenburgh Group. The pile-driving ceremony marked the start of the building process for Goossen Te Pas Bouw along with HOMIJ, Dura Vermeer Bouw Hengelo and Saxenburgh Group.
The plans for the new MCV were displayed on the large LED screen at DigiBase, adding an extra dimension to the visualisation. The parties were presented with a comprehensive view: a virtual representation which included even the smallest detail, such as items of medical equipment, as well as giving an overview of patients in the various treatment rooms and wards. Key activities, such as safe working practices, and the associated routines and automated processes were also clearly presented.
The façade of the new medical centre will feature bronze-coloured aluminium cladding to give the new hospital a friendly and accessible appearance. The play of light will make the cladding look different from day to day, with cloudy skies producing a different effect than a clear blue sky. This will give the new hospital its own unique atmosphere and provide the region with a recognisable and distinctive new building.
The new medical centre is being built in front of the existing hospital on the site of the former car park, and is expected to become operational in 2020.

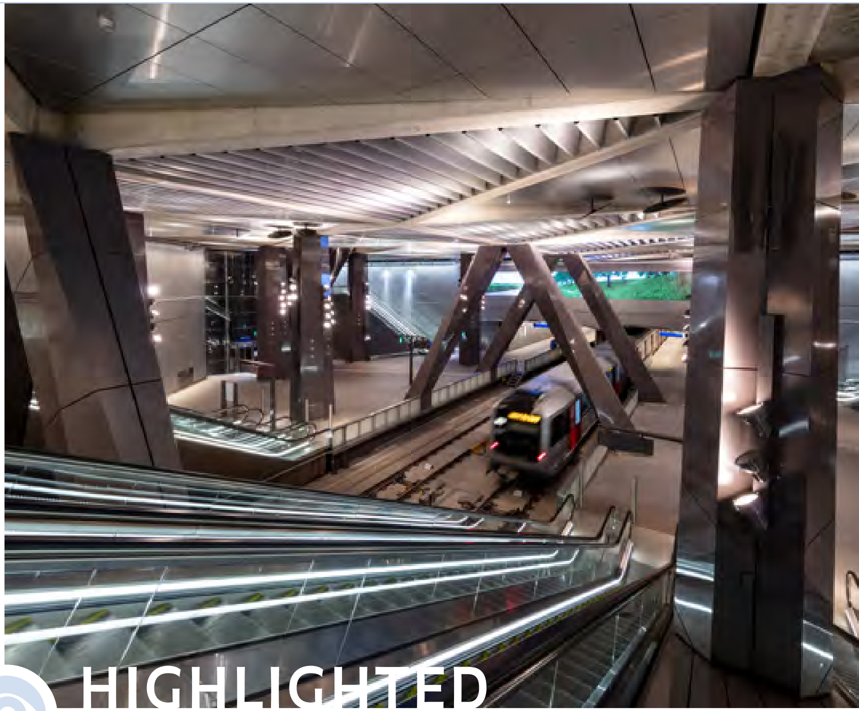
Nieuwegein in December 2017. DigiBase is a professional digital services company, located centrally in the Netherlands. In 2018 DigiBase successfully facilitated the education of a large number of colleagues in this field, supported various project teams and improved recognition of business opportunities by working closely with technology partners.

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 in, and are continuing to invest in sustainable innovations – innovations which reinforce and further improve our business. However, VolkerWessels offers much more: from zero-energy (newbuild) concepts to all electrical houses, to smart sustainable installations, and 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 make the term "circularity" operational, within the context of a registered 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 a high standard of living. As an innovative building contractor we stand for the construction of sustainable dwellings, which offer safe living standards and working environments that offer an improved quality of life.

We work incessantly to reduce the cost of failure and to increase our profitability. In addition we focus on digitalisation, and as a consequence, data management is gaining importance. We also concentrate our attention on 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 boost 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. 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 viable company with a sound reputation, where 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.



HIGHLIGHTED

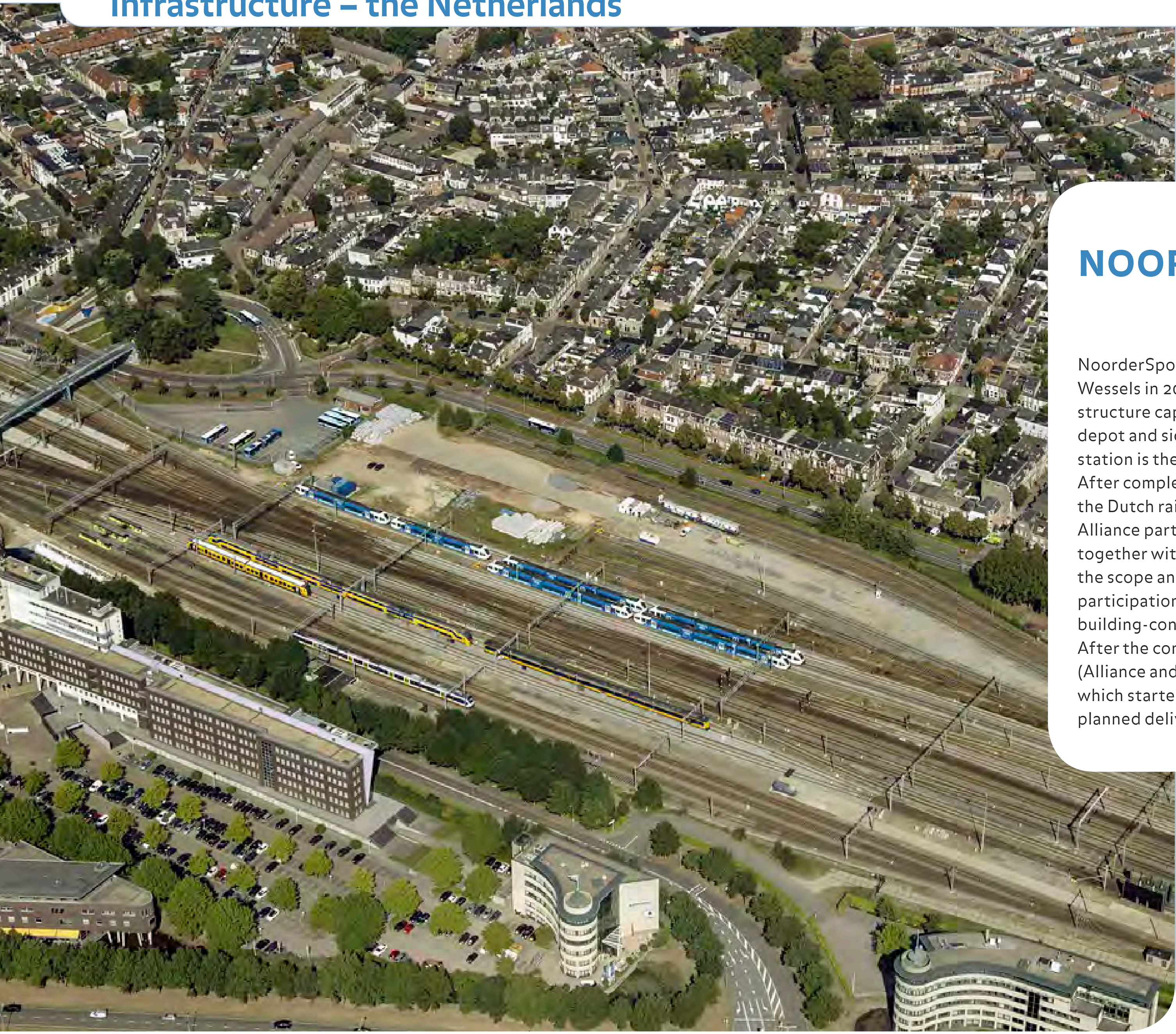
NORTH-SOUTH METRO LINE, THROUGH THE CENTRE OF AMSTERDAM

On behalf of the City of Amsterdam VolkerWessels carried out the final phase of construction work for the Noord/Zuidlijn (the North-South metro line) comprising a 10-kilometre stretch of twin-track rail and seven stations. The stations delivered have a total gross floor area of 28,854 m^2.

The route of the line runs straight through the heart of Amsterdam, linking the North and the South of the city from Buikslotermeerplein in Amsterdam-Noord to Zuid station in the central reservation of the A10, close to the RAI convention centre. Zuid station is on the existing Amstelveen line.

The North-South metro line was officially opened on Saturday 21 July 2018.

Infrastructure – the Netherlands



NOORDERSPOORT

NoorderSpoort is a rail- and civil engineering project won by Volker-Wessels in 2018. The scope of the project is to expand the rail infrastructure capacity to the North of the Netherlands and remodel the depot and sidings at Zwolle station. The depot and sidings at Zwolle station is the second most complex in the Netherlands (after Utrecht). After completion of this project Zwolle station will significantly enhance the Dutch rail infrastructure. The contract was awarded in two parts: an Alliance part (a pain-gain construction agreement) where we work together with the client on the engineering and environmental part of the scope and a building-construction part. In the Alliance part the participation between client and VolkerWessels is 50%-50%. In the building-construction part the participation of VolkerWessels is 100%. After the contract was awarded in March 2018 the project teams (Alliance and Construction) began preparation for the first major work which started in October 2018. The NoorderSpoort project has a planned delivery date of December 2021.

In the Infrastructure segment 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, delivery, 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.

Netherlands – Infrastructure segment's revenue decreased by 4.1% or €60 million to €1,414 million in 2018 mainly due to the finalisation of several large rail projects in 2017. Excluding the provision for OpenIJ in 2018, EBITDA was €61 million. After taking into account the additional provision for OpenIJ, Infrastructure delivered EBITDA of €22 million, which is in line with the statement for the Dutch Infrastructure segment in the nine-month trading update. The order book increased by 6% to €1.7 billion at 31 December 2018. The market for local and regional infrastructure projects is growing and there were a number of important tenders won in 2018 including Noorderspoort Zwolle and the maintenance and construction of the N200 Motorway.

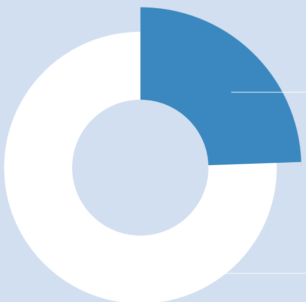
Market developments

We see a continued highly competitive market for large, multidisciplinary infra projects. At the same time, we observe a more selective approach from both national as well as international competitors due the current imbalance between risk and reward for especially large integrated (DBFM) projects. We continue to focus on margin over volume, constructive cooperation with our partners and clients and the quality of our order book.

Our market position for small and medium sized-projects remains strong and unchanged. In addition to numerous small and medium sized local and regional projects, we continue to work on a number of high-profile Dutch projects. 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. Digitalisation, robotisation, big data, the Internet of Things, cybercrime and privacy protection are playing an ever-greater role.

REVENUE 2018

Amounts in millions of euros



Revenue 2018
1,414
2017: 1,474

EBITDA 2018
61
2017: 52

EBITDA incl. OpenIJ provision
22
2017: 52

EBITDA margin 2018 (in %)
1.6%
2017: 3.5%

Order book 2018 (at year end)
1,660
2017: 1,568

Average number of employees
4,903
2017: 4,983

2018 highlights

In recent years, more complex long-term construction projects were entered into on a fixed-price or lump sum basis for contract models with terms that increased the risk exposure of construction companies in a more legalistic environment. As a result of this changing nature of the infrastructure market, the risk - reward balance in our Dutch infrastructure segment was adversely affected. In 2018 it was decided that a change of management of our Dutch infrastructure management was required and VolkerWessels decided to reposition the Dutch infrastructure business. We strongly believe that current contract conditions and the level of complexity of projects are not balanced and the assessment of such has become an important element in our tender review process.

We are on track with repositioning our Infrastructure segment. The necessary management positions have been changed. This repositioning will be completed at the end of the first quarter 2019. We have enhanced our contract management by making this a separate function within the group at top management level. We believe that some of the following changes are necessary (i) a more balanced division of risk between client and contractor (ii) a significant reduction of the current high tender costs and (iii) the ability to speed up the tendering process in general. By implementing these changes, projects will be delivered on time and within budget and make the sector attractive for the necessary talent. We believe that a healthy sector can innovate faster which is a prerequisite for achieving the climate goals that have been set by the Dutch government.

The construction of the world's largest sea lock at IJmuiden (project OpenIJ) is progressing well and yet still challenging. During the second half of the year the loss provision for OpenIJ increased by €7.5 million, bringing the total for 2018 to €39 million (and for the project to €107 million for VolkerWessels). The main reasons for the addition are (i) extra costs incurred for finishing the lock doors in South Korea, due to financial problems of the main contractor in South Korea and (ii) an additional provision for rising construction costs. The first caisson was successfully immersed into its final position in November 2018 and the three lock doors arrived in the Netherlands on 6 December 2018.

The first two pilot projects for the PlasticRoad were successfully constructed in the Province of Overijssel in the form of 30 metre long bicycle paths made of hollow prefabricated elements, enabling water drainage and the laying of cables and pipes.
Important tenders won in 2018 include Noorderspoort Zwolle, N200 Motorway maintenance and renovation between Halfweg and Amsterdam and the Mainport Schiphol maintenance contract.
We finalised the construction of N18 Varsseveld-Enschede successfully and commenced a 25 year maintenance contract for this highway. We built the first circular viaduct near Kampen this year. This viaduct consists of concrete elements that are re-usable in other locations.

We continue to focus on innovation and improving efficiency. BIM is becoming increasingly important in the 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 teams working on measurement and inspection have joined together in merger of various VolkerWessels companies to create a business called 'Asset.Insight'. It comprises the 'Inspection' and 'Data Science' components of VolkerRail, the 'Hardening Control and Advice' department of Aveco de Bondt, and the 'Tecson Inspections' component of MJ Oomen. Asset.Insight. inspects, measures, monitors, and predicts the quality of assets – using over 60 certified inspectors.

VolkerWessels continues to work on the reconstruction of the Amstelveenlijn tram and light rail, the renovation of the Waalbrug near Njmegen, 'Room for the River' flood protection project in the IJsseldelta and numerous maintenance contracts for the Dutch railway.

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

The construction of the second PlasticRoad pilot in the province of Overijssel in Giethoorn.

OPENIJ

The construction of the world's largest sea lock at IJmuiden (project OpenIJ) is progressing well and yet still challenging. During 2018, two significant milestones were achieved: OpenIJ successfully immersed the first lock head and the three lock doors arrived in the port of Rotterdam in December 2018.

On the picture above one of the doors floats into its temporary position and the second lock head is visible on the back ground.

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 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. Using data is key to providing good management and maintenance services. In the interests of data structuring, we have set up: Asset Insight. The purpose of this company will be to help owners, managers and developers use data to optimise the value of their property.

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 pay 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 objective is to improve their position on the Safety Ladder.

DENNIS VAN VEEN, FOREMAN AT VOLKERINFRA SCHIPHOL

"The part of VolkerInfra that I work for is involved in various projects at Schiphol airport. In addition to our own company's safety regulations it goes without saying that we also follow our client's regulations.

"Schiphol is one of the busiest places in the Netherlands and we work at various locations around the airport. Fortunately passengers have no access to our building sites but we still have to consider the safety of the traffic to and from the planes as well as that of all the suppliers, colleagues and contractors at our building sites. This is what makes working at Schiphol unique.

"We use a monitoring app to record all reports of inappropriate safety behaviour and undesirable incidents. These include reports by colleagues, suppliers, clients and all other people at the building site concerning safety offences and unintended situations arising at the project site. Such reports are distributed among the project leaders and if necessary the project directors or the client. They are the ones who have to take action and report back on what measures have been considered or deemed appropriate.

"We believe it is important to be able to call people out on their behaviour, but I have to confess that people find this quite hard. Sometimes we dismiss someone due to unsafe behaviour but as long as no register exists, this person can simply go and work for one of our peers, which means there is not much point in letting them go. A better option is to persuade the person that a change in behaviour is safer; if this has no effect then that person has no place in our field of work. People are shaped by events. Many colleagues have experienced an accident or near miss in the past. I consider it important that we share such things so as to promote understanding of how we work from various aspects. We want everyone to return home safe and healthy at the end of each day.

"It is important that people remain engaged and continue to think. We are all responsible for safety and I have a comprehensive range of duties on projects, so it is still important that every individual not only follows the rules but also continues to think about safety. At our company we are constantly working to improve safety and ideas for improvement in this area are systematically acted upon."

Energy & Telecoms Infrastructure– the Netherlands

Migration of Digitenne

In 2018 VolkerWessels Telecom started work on the migration of Digitenne (a KPN activity) to a new future-proof system where Standard Definition Television (SDTV) is replaced by High Definition TV (HDTV). In addition VolkerWessels Telecom will construct or upgrade 53 transmission sites across the Netherlands.

The conversion will see the old broadcast transmission standard DVB-T replaced by DVB-T2. The choice between upgrade and newbuild will largely depend on the age and condition of the equipment. At some sites where the transmitters have been replaced in the intervening period an upgrade will suffice; at other sites VolkerWessels Telecom will need to replace the entire transmission system. Modern equipment is much more compact, which makes a huge difference in terms of electricity consumption, area space and therefore operating costs.

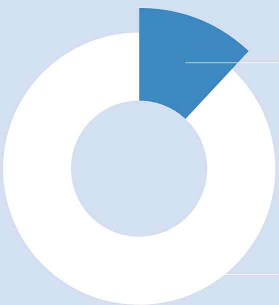
In the Energy & Telecoms Infrastructure segment VolkerWessels designs, builds and maintains onshore distribution, transport, energy and telecoms networks. We deliver projects in the areas of horizontal directional drilling, export cable landfalls and building and overhauling infrastructure above and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

Favourable market conditions caused by the transition to sustainable energy sources in the energy infrastructure market and the ongoing digital transformation in the telecoms market, led to the revenue of our Netherlands – Energy & Telecoms Infrastructure segment increasing by 11.4%, or €77 million, to €751 million. EBITDA increased by €7 million to €39 million in 2018. As a result, EBITDA margin for the segment was 5.2% in 2018 compared to 4.7% in 2017.
The improvement in our result was delivered by all our companies including our Belgian E&T activities.
The order book decreased due to the volume delivered in 2018 on a long-term contract that had been in our order book since December 2015. Excluding this item, the order book increased significantly, partly due to the acquisition of Joulz Energy Solutions.

Energy

Market developments in 2018
The transition to sustainable energy sources, such as wind, solar – and the new kid on the block, hydrogen – continues to be an important driver for demand in the energy infrastructure market in the Netherlands. VolkerWessels' energy business is focused on the associated transport infrastructure for these energy sources. Demand in this sector also improved as a result of developments to limit hydrocarbon emissions and to end the use of gas in homes by 2050. The strong residential and commercial construction market is also aiding the growth in volume. Signals from the market are that clients increasingly want VolkerWessels to move along the value chain: to move beyond simply laying the high-voltage cable to also connecting and maintaining it.
From design, through to work preparation, and construction and subsequent maintenance of an installation or cable or pipeline network, this diversification of disciplines is broadening the position of VolkerWessels in the value chain. The broader scope once again calls for careful management and control of

REVENUE 2018
Amounts in millions of euros



Revenue 2018 **751** 2017: 674	EBITDA 2018 **39** 2017: 32	EBITDA margin 2018 (in %) **5.2%** 2017: 4.7%
Order book 2018 (at year end) **932** 2017: 1,005	Average number of employees **2,950** 2017: 2,789	

costs, risks, projects and processes. It also enhances the asymmetric risk/reward balance of projects and Volker-Wessels is striving to reduce this.

2018 highlights

Visser & Smit Hanab has reached agreement with Stedin Group to acquire Joulz Energy Solutions (JES). JES is a market leading player in the design, construction and maintenance of complex medium and high voltage infrastructure and installations. JES is one of the few players in the market capable of offering integrated electrification solutions to its clients. The transaction was completed in the third quarter of 2018. Together with a partner JES is working to create two offshore high voltage platforms for the large offshore wind parks which are being built in the North Sea. We are responsible for the complete engineering and installation of the high voltage equipment on both platforms. The first platform is expected to be commissioned in the first quarter of 2019. JES is the main contractor for the design and construction of the 150kv high voltage station, Middenmeer. This large station for Reddyn (a joint venture between Liander and TenneT) is being built to accommodate the newly built onshore windpark, Wieringermeer.

Due to the energy transition and the digitalisation of the energy grids, all households in the Netherlands will receive digital gas and electricity meters. These so-called 'smart-meters' have been installed by Volker-Wessels in the Northern and Southern parts of the country. Meanwhile, more than 250,000 meters have been installed by a team of around 100 mechanics.

We will be installing the export cable for Windpark Fryslan, who are to build a new 320 MW windfarm in the IJsselmeer. This export cable will transport wind energy for 340,000 households and this will lead to a CO_2 reduction of 687,000 tonnes annually. The project will be constructed mainly in the Afsluitdijk, one of the most important coastal defences in the Netherlands.

The energy transition in the Netherlands also requires changes to the entire 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 positively in 2018 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 right from the initiation phase, through the construction phase, to the management and maintenance of the project.

Strategy

The energy segment has based its strategic direction on social and economic developments. Energy supply is moving from central to decentralised supply and this transition needs investment from our clients. Volker-Wessels is focusing on facilitating the energy transition for its clients in the areas of heat, geothermic, wind, solar, electrification, water, gas and hydrogen. We are not waiting on legislation for this energy transition but, together with our clients, we are actively seeking opportunities to shape the energy transition market.

To be able to help our clients as efficiently as possible, we spend a lot of time on the digitalisation of internal and external processes, on innovation, and on increasing our 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 infrastructure (decentralisation of energy sources and delivery). We want to make an active and measurable contribution to projects that are demonstrably sustainable in nature. Innovative solutions such

HIGHLIGHTED

WIND FARM FRYSLÂN

In the spring of 2019 Visser & Smit Hanab will start work at a unique location: the Afsluitdijk. The company will be laying 25 kilometres of cable to connect the high-voltage grid to a new, 'green' energy source: Windpark Fryslân wind farm.

The future wind farm is located in the part of the IJsselmeer lake belonging to the northern Dutch province of Friesland. With a total capacity of 320 MW, the park's 89 turbines will be able to supply electricity to over 340,000 homes and reduce CO_2 emissions by an estimated 687,000 tonnes. Visser & Smit Hanab will be responsible for the project's 'aorta': two 110KV cable circuits from the middle of the Afsluitdijk to the city of Bolsward in Friesland.

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 is illustrative of the VolkerWessels entrepreneurial spirit: using creativity, and demonstrating 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.

> Our results reflect our culture of collaboration

Telecoms

Market developments in 2018
After a relatively slow start in Q1 2018 because of cold weather conditions, market demand has increased significantly in the remainder of the year. The ongoing digital transformation is an important trend in the telecoms market, requiring an ongoing need for fast data transmission (such as optical fibre, VDSL, IoT, Smart City, Big data, Blockchain and robotisation). It is expected that 5G will come into operation / service in 2020. The providers for the roll out will be selected in early 2019 and the actual roll out will commence later in that year. The competitive battle between providers will continue. The use of data will continue to grow exponentially and the demand for broadband connections will also grow accordingly, not only in cities but also in the countryside. VolkerWessels expects vitrification to increase in 2019. Connectivity plays an increasingly important role in solving social issues in areas such as mobility, energy efficiency, health, education, environmental protection, sustainability and safety. This also brings new opportunities. Companies including energy and utility companies encourage the use of telecoms applications such as smart meters and demand their own fibreoptic networks. This increased connectivity raises privacy and cyber security issues. The strong residential market is also aiding the recovery and growth in volume.

Where vitrification is not efficient and effective the market will look to other methods to densify the network (small cells, terrestrial connection, hybrid techniques, 4G and other wireless techniques). There is an expectation that maintenance contracts will shift from corrective to preventive maintenance.

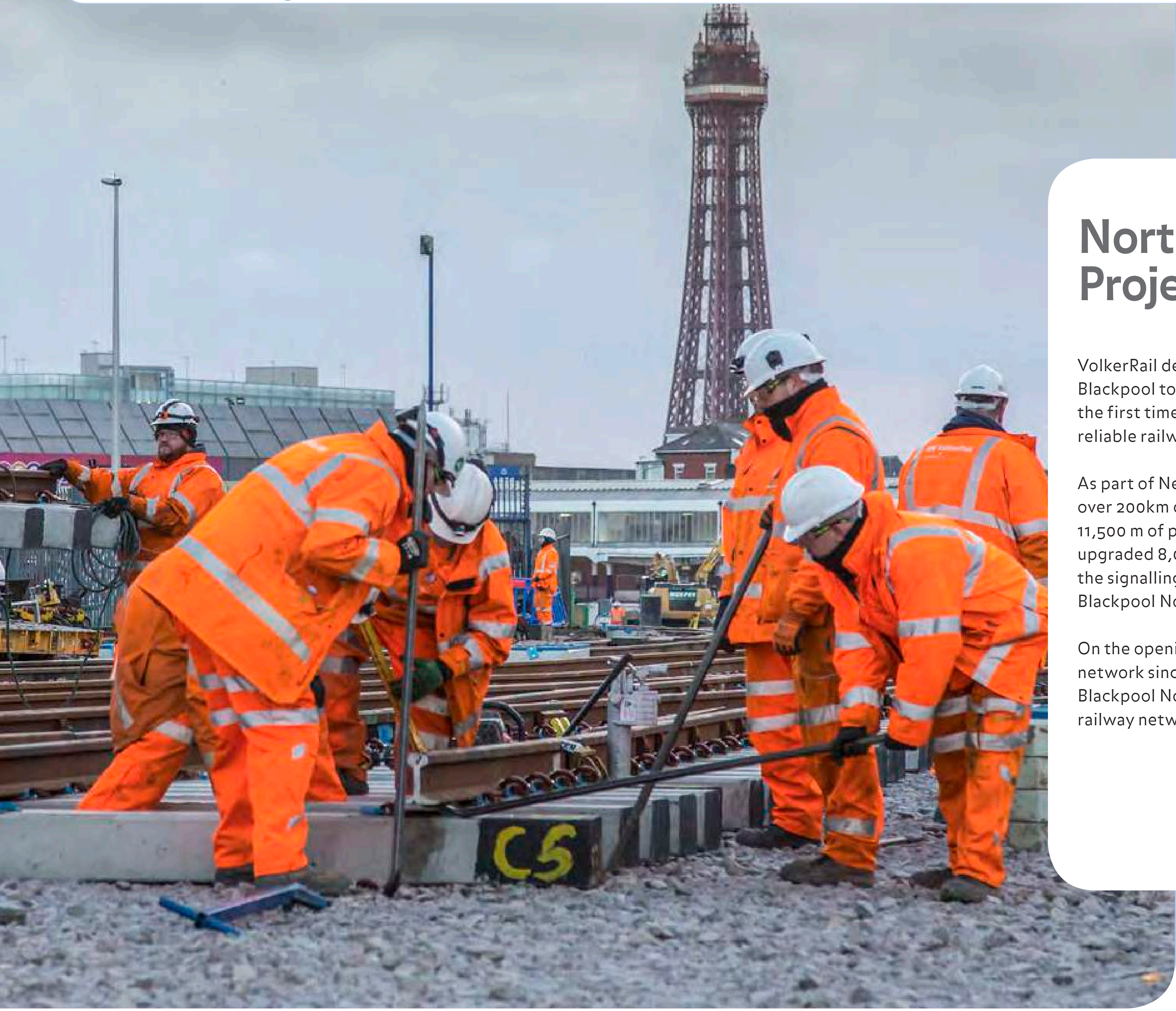
2018 highlights
In 2018 VolkerWessels started work on the migration of Digitenne (a KPN activity) to a new future-proof system where Standard Definition Television (SDTV) is replaced by High Definition TV (HDTV). VolkerWessels also started a new large scale Fibre to the Home project for KPN. GasUnie, Alliander and MapXact (a subsidiary of VolkerWessels) formed a partnership to increase the use of ground radar technology to visualise the position of underground cables and pipelines. VolkerWessels Telecoms' subsidiary Hyrde IoT continued with the implementation of IoT at for example climate sensors and general asset management for owners of real estate.

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 successfully, with the aim of remaining there for the long term. The current activities focus on the actual connection of homes and the additional servicing and management of the connectivity, in close cooperation with local German companies. Our aim is to design, build, and run projects in the same way as we do in the Netherlands.

Strategy
Telecoms is the basis of the worldwide need for connectivity. Telecoms takes away the barriers to new applications and offers room for progress. We combine our years of experience with creative and innovative solutions and our professional employees will do their utmost to satisfy the end-users.

VolkerWessels Telecoms has successfully changed from a regional organisation to a product and client-focused organisation. Our relationship with clients is changing from a traditional supplier to a fully-fledged partner. 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. Where complex critical communication and other networks, design, construction, software applications (Recognize and IoT-ecosystem of Hyrde) and maintenance are concerned, we are positioned much more broadly 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. We are working on our proposition in the field of connectivity and smart city development. Telecoms make a substantial social contribution to quality of life by creating unlimited connectivity to homes, offices, neighbourhoods, cities and systems. Moreover, modern networks help reduce waste and pressure on the environment.

United Kingdom



North West Electrification Project - Phase 3

VolkerRail delivered a project to connect the line between Preston and Blackpool to the West Coast main line with overhead electrified lines for the first time in its history - providing a greener, quieter and more reliable railway for passengers in the North West of England.

As part of Network Rail's Great North Rail Project, VolkerRail installed over 200km of new overhead wiring and equipment; renewed over 11,500 m of plain line track, and 21 switch and crossing units; and upgraded 8,000 m of railway drainage systems. The team also renewed the signalling system, constructed three new bridges, and upgraded Blackpool North and Kirkham and Wesham stations.

On the opening day, following completion of the biggest upgrade to the network since the 1800s, the first ever electric commuter train departed Blackpool North station, marking a significant transformation for the railway network in the North of England.

VolkerWessels UK is a multi-disciplinary contractor that delivers innovative engineering solutions and specialist services across the civil engineering and construction sectors including rail, highways, airport, marine, energy, water, environmental infrastructure and commercial and industrial building. VolkerWessels UK's five businesses have a collaborative approach to project delivery, and offer specialist services, providing clients with targeted and aligned solutions across their markets.

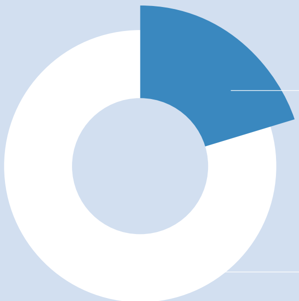
In local currency, revenue in 2018 increased by 12.8% to £ 984 million following positive developments across all market sectors in which we operate. EBITDA improved by £ 5 million to £ 34 million with the EBITDA margin improving by 20 basis points to 3.5%. In euro terms the increase in revenue and EBITDA are in line with the increase in GBP terms. The UK order book increased by 27% to £ 1,367 million which is largely a reflection of the growth in infrastructure build as set out in the National Infrastructure plan in the UK. During 2018 we also strengthened our market position by securing, extending and renewing a number of long-term contracts.

Market developments in 2018

The UK infrastructure and construction sectors have continued to show strong growth in 2018, despite challenges including the ongoing uncertainty regarding the Brexit negotiations, continuing local government funding challenges, the impact of the collapse of Carillion plc and a more severe winter than in previous years. The market is experiencing an increase in input costs, predominantly the result of growing market volumes, the skills shortage and the weakness of the British pound. The impact of Brexit on our companies in

REVENUE 2018

Amounts in millions of euros, unless stated otherwise



19%
Revenue United Kingdom

€5,924
Total revenue VolkerWessels

Revenue 2018	1,116	2017: 995
Revenue 2018 (in GBP million)	984	2017: 872
EBITDA 2018	39	2017: 33
EBITDA 2018 (in GBP million)	34	2017: 29
EBITDA margin 2018 (in %)	3.5%	2017: 3.3%
Order book 2018 (at year end)	1,528	2017: 1,213
Order book 2018 (per end of period in GBP m)	1,367	2017: 1,077
Average number of employees 2018	2,890	2017: 2,713

2018 appears to have been limited. The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across the social and civil infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This offers extensive opportunities for VolkerWessels UK, which is well positioned in each of these sectors. On average, more than 80% of the annual revenue of VolkerWessels UK comes from the infrastructure market – both public and private.

Looking at our sectors, 2018 saw increased activity in the airport sector, as the result of growing numbers of travellers and larger aircraft, bringing with it development at almost every airport in the UK. Our growth in the marine sector is being prompted by increases in the size of container ships, the growing needs of the offshore windfarm sector, and a general focus on safety, efficiency and sustainability. The market in industrial buildings and warehouses is very buoyant, driven by a move away from the high street to internet shopping. Looking ahead over the next few years, it is expected that market activity will be driven by major infrastructure projects in rail, roads, water and in the electricity sub-sectors, and VolkerWessels UK remains well positioned to benefit from these positive long-term trends.

2018 highlights
VolkerWessels UK has delivered a strong set of results for 2018 with positive developments across all market sectors. In addition to delivering continued exemplary safety performance, we are also increasing investment in organisational capacity. Our results reflect our culture of collaboration and the strength of our people. VolkerWessels UK made significant progress on its digital transformation journey during 2018 and plans to accelerate the programme during 2019, exploring the opportunities offered by emerging technology to deliver safer, faster and more cost effective solutions to its clients. Infrastructure and construction remain our core focus, but we are also exploring opportunities in off-site-manufactured housing and associated land development, and also specialist services that are complementary to our core business.

Despite the improved market visibility and generally improving market conditions, the delivery of margin continues to be more important than volume growth, in line with the VolkerWessels Group, and VolkerWessels UK is therefore very selective in taking on new projects, and has turned down a number of projects in 2018 because of unacceptable contract conditions. The business nonetheless 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 award of the HMNB Clyde framework for the Defence Infrastructure Organisation, and securing places on Lot 2 of Highways England's Delivery Integration Partnership Framework, a highways term maintenance contract with Bath and North East Somerset Council and a highways and transport maintenance and construction contract with Wokingham Borough Council. We were also awarded a contract as part of a joint venture to deliver the Luton DART fast transit system, linking London Luton Airport with Luton Airport Parkway railway station, a JV infrastructure contract at RAF Lakenheath, the contract to extend the Gospel Oak to Barking London Overground line to Barking Riverside, as part of a joint venture, and multiple waste water projects for United Utilities.

> Our market position for small and medium-sized projects remains strong

Other highlights include the opening of the Ely Southern bypass, the completion of Mare Harbour in the Falkland Islands and the work on the Stockbury viaduct; the opening of four new aircraft stands at London's Stansted airport, the completion of the North West Electrification Programme to electrify and upgrade the Preston to Blackpool rail route; and ongoing HS2 civils work.

VolkerWessels UK acquired the trade and assets of PJ Davidson (UK) Limited on 30 November 2018. PJ Davidson is a specialist slipform concrete contractor and the UK's largest installer of Rigid Concrete Barrier on the strategic road network. This strategic bolt-on acquisition is complementary to VolkerWessels UK current activities in the highways, ports and airports sector.

Strategy
We take great pride in our solid reputation and strong track record for working safely. This is achieved in part by delivering and 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 recognise that maintaining that status requires continuous effort on our part. Our core markets are experiencing 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 of our stakeholders. Our ability and desire to provide integrated solutions to our clients through our own specialist businesses is a key and growing part of our wider offering, and an important differentiator for VolkerWessels UK.

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

Managing risks and costs at each stage of the construction process is a key contributory factor to the strength of our results. Another key and established strength is the discipline applied to the management of our commercial risk and project management, 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 our Operations Board - a cross business, design and engineering led senior management team, with the remit of focusing on driving excellence in design, planning and operational delivery, advising the business and taking action on all matters with a potential impact on operational delivery. Areas covered include safety and collaborative people strategies, engineering excellence and quality, digital transformation and innovation, with a key focus on best practice across all our business.

The Ely Southern Bypass, constructed by VolkerFitzpatrick on behalf of Cambridgeshire County Council, opened in October 2018.

North America

Service Area 24

Located in the most western Province of Canada, Lakes District Maintenance (LDM) is a subsidiary of Volker Stevin Canada, and a company that specializes in road maintenance. LDM's primary client is the British Columbia Ministry of Transportation (BCMOT), which has been contracting it's road maintenance since 1988.

LDM has three 15-year maintenance contracts with BCMOT. In 2018 LDM successfully renewed one of the three contracts for Service Area 24, a contract area that is in the west central portion of the province.

The primary industries within this region are logging, mining and tourism. Service Area 24 has 1940 lane-kilometers of roadway and 54 bridges to maintain across a geographical area of remote BC wilderness of more than 30,000 square kilometers. The northern TransCanada Highway is a main highway running thru this area.

The focus of the project is on the maintenance of the surface, drainage, winter snow and ice control, roadside furniture, traffic management, bridge structures, emergency response and network management.
To deliver this project the team is comprised of up to 60 people, ranging from managers to equipment operators and technicians, that are on call 24 hours a day due to the weather conditions.

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.), civils works and utilities.

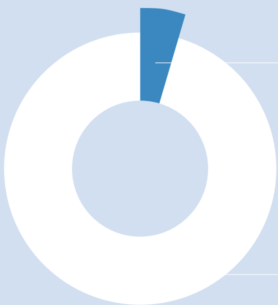
Revenue from our North America segment was stable at €350 million while EBITDA decreased by €8 million to €47 million. The decrease is largely due to the unusual weather pattern in 2018 and the relatively late start and early closure of the production season in some regions in the Province of Alberta in Canada. To some extent the EBITDA was also impacted because the recovery of Fort McMurray takes longer than anticipated after the wildfires in 2016. In the US, revenue increased due to the booming local economy in the Seattle region. The order book decreased to €764 million (-8% since 31 December 2017) as a result of the ongoing delivery of contracts under our long term framework agreements.
The underlying order book showed growth, in particular due to the successful re-bid for Service Area 24 in British Columbia.

Market developments in 2018

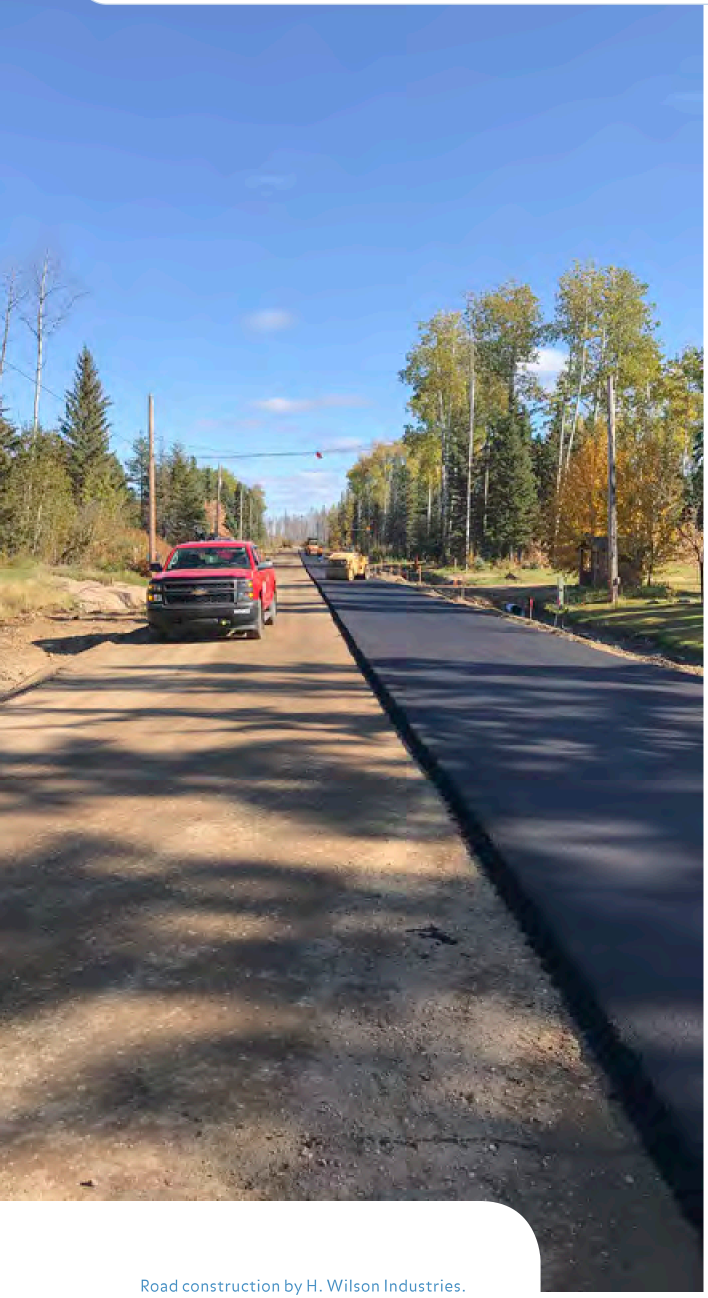
Our business in Canada is based on the economy in Alberta and British Columbia. The economy is primarily resource-based and structured around the development of oil and gas reserves in Alberta and forestry and mining in British Columbia. The expectations for VolkerWessels in British Columbia remain strong for the coming years with the successful renewal of a long-term contract for provincial highway maintenance in late 2018, and optimism regarding another renewal expected in 2019. The expectations for VolkerWessels in Alberta are fundamentally strong but are dependent on market developments within the energy industry

REVENUE 2018

Amounts in millions of euros, unless stated otherwise



Revenue 2018 **350** 2017: 351	Revenue 2018 (in CAD million) **538** 2017: 515	EBITDA 2018 **47** 2017: 55	EBITDA 2018 (in CAD million) **72** 2017: 81
EBITDA margin 2018 (in %) **13.4%** 2017: 15.7%	Order book 2018 (at year end) **764** 2017: 828	Order book 2018 (at year end in CAD m) **1,193** 2017: 1,249	Average number of employees 2018 **1,400** 2017: 1,348



Road construction by H. Wilson Industries.

that dominates the economy in that province. In early 2019 we were awarded with three highway maintenance contracts (seven plus three year extension option). 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 roadworks (including new construction, rehabilitation and intersections), civils work (bridges, retaining walls, etc.) as well as underground utilities and development construction. The overall expectations vary per region, depending on individual markets. Overall, we see increased competition from both international and regional companies.

2018 Highlights
We saw strong top-line activity in most of our businesses in North America, except for northern Alberta where weather impacts and tender delays affected our already short construction season. Our long-term road maintenance contracts in Alberta continue to provide a solid basis for our order book in North America, and we have retained a long-term (10 year) maintenance contract in British Columbia, further supporting the order book. 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. VolkerWessels successfully commenced its projects at the North Satellite Terminal (N-Sat) at Sea-Tac Airport and for the Port of Seattle, and is progressing as expected with the Sound Transit East Link Light Rail project.

> Our focus is on quality and excellent customer service

Strategy
In North America, we are concentrating on healthy, managed growth in the face of an economic upturn, and positioning the business for resiliency in case of local market retraction. 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. Geographically, with our entrance into British Columbia in 2016, we are interested in opportunities for growth in this Canadian coastal province, and solidification of our footprint by renewing two additional long-term contracts. 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.

Germany

Deutscher BundeswehrVerband

Kreuzberg is one of the most sought-after districts of Berlin, quiet and yet close to the most exciting places in Berlin. In a particularly central location, at Stresemannstraße 57, Kondor Wessels developed and built the new headquarter for the German Armed Forces Association. On a gross floor area of around 5,200 m², conference rooms and more than 140 office workstations were built on seven floors. The Deutscher BundeswehrVerband is part of the project known as "Hallesches Quartier".

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

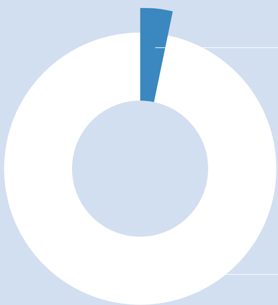
The Germany segment's revenue increased by 10%, or €24 million, to €268 million mainly in our construction companies. EBITDA was stable. The order book declined to €595 million (-13% since 31 December 2017), which is still exceptionally strong and amounts to 2.2 times the revenue in 2018. This decrease mainly relates to some delays in the commencement of new development projects. In 2018 we constructed and delivered a total of 746 houses (2017: 1.191). The number of houses sold from VolkerWessels' own developments in Germany in 2018 was 537 (2017: 89).

Market developments in 2018

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 it is expected that Germany will benefit from Brexit as a number of companies are expected to move from London to Frankfurt. Alongside general economic factors, this will have a positive effect on the demand for offices and housing in this area. Construction capacity constraints are the biggest challenge for the German construction market overall. Locations for construction are scarce, some are owned by companies or individuals who are waiting for even higher prices (speculators), and some are not yet available because of essential changes to zoning plans. Making changes to zoning plans is becoming increasingly difficult in Germany. As locations become more scarce, VolkerWessels Germany has made a small shift in its strategy by acting on occasions as a delegated developer. This shift decreases the risk profile of VolkerWessels Germany and also decreases the working capital requirements. VolkerWessels Germany has significant in-house construction capacity, which gives it an advantage over its competitors. Berlin, Frankfurt and the NRW area are expected to continue to grow, as the ongoing urbanisation trend continues and the need for affordable housing, housing for the elderly and cradle to cradle construction increases in these areas.

REVENUE 2018

Amounts in millions of euros



Revenue 2018 **268** 2017: 244	EBITDA 2018 **16** 2017: 17	EBITDA margin 2018 (in %) **6.0%** 2017: 7.0%
Order book 2018 (at year end) **595** 2017: 684	Average number of employees **353** 2017: 335	

2018 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 grow the order book cautiously in recent years.

In 2018, 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 2017, the "Yours" and

Kappus Höfe project in Offenbach near Frankfurt. A former soap factory will be transformed to a 12,725 m^2 large residential complex with 311 apartments in 17 residential buildings and 229 underground parking spaces.

"Metronome" housing projects were completed. June 2018 saw the completion of the "Deutscher Bundeswehr Verband" project, which included office space of 3,300 m^2. In the first half of 2018, structural work began on the PULSE administrative building. Construction of this project at the intersection of Möckernstrasse and Stresemannstrasse will be finished in 2020, and comprises approximately 12,000 m^2 of rental space over seven floors, with an underground car park for 64 vehicles. It was designed according to the cradle-to-cradle principles and will receive the DNGB Gold Certificate.

In Berlin and Leipzig, VolkerWessels is working on the following projects: Maximilian quarter Forckenbeckstrasse (47,000 m^2 with 973 apartments); Gut Alt-Biesdorf (30,000 m^2 with 518 apartments); two projects at the Rosenfelder Ring: LEO Urban Living (9,480 m^2 with 166 apartments and two commercial units), ROSA (6,594 m^2 with 76 rental apartments); Forster quarter Louis-Lewin-Strasse (13,160 m^2 with 308 rental apartments) and STRIETZ in Leipzig-Stötteritz (3,564 m^2 with 112 apartments).

In addition, VolkerWessels is building the following projects in Berlin: Flämingstrasse 70 (5,140 m^2 with 166 rental apartments), Kienbergstrasse 21 (8,726 m^2 with 142 rental apartments), Otto-Schmirgal-Strasse 10,12 (5,460 m^2 with 100 rental apartments), Albert-Kunz-Strasse (19,013 m^2 with 284 rental apartments, seven commercial units and 125 outdoor parking spaces), Am Lückefeld (7,586 m^2, nine multi-family-houses with 126 rental apartments, 126 outdoor parking spaces).

In Hesse, VolkerWessels is working on the Kappus Höfe project in Offenbach near Frankfurt. That former soap factory will be transformed to a 12,725 m^2 residential complex with 311 apartments in 17 residential buildings and 229 underground parking spaces. In North Rhine-Westphalia, VolkerWessels started on the demolition of O-Quartier in Solingen. This former textile factory will be converted into 305 residential units and 260 underground parking spaces standing on a 15,800 m^2 plot.

Strategy

VolkerWessels will further enhance its efficiency by standardising its internal processes and will further develop the digitalisation of the Company by fully implementing BIM in the internal design office bureau. 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 a shortage of experienced and highly trained people, VolkerWessels continues to develop its own staff and has extended its internal training and coaching offering. In addition, VolkerWessels Germany has developed a programme to attract more young people.

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

VolkerWessels Shares

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, 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.

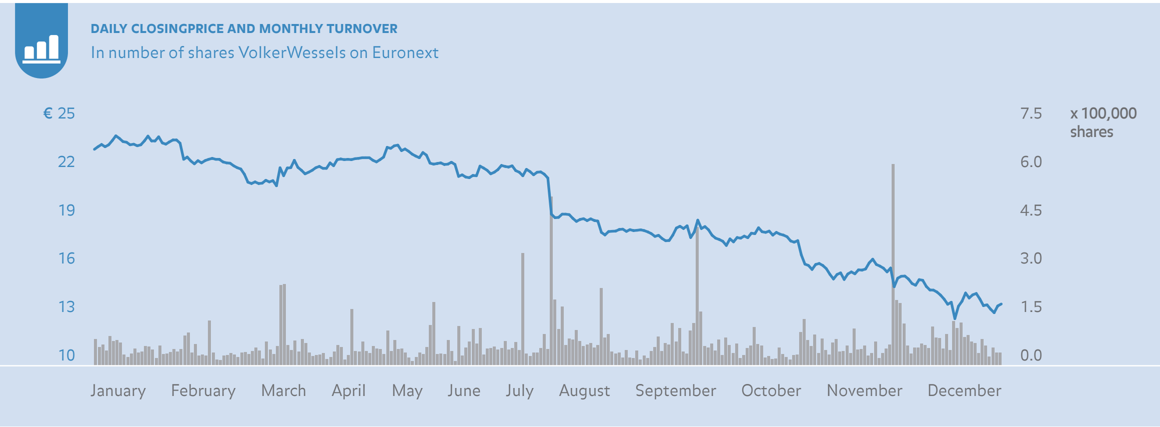
Dividend
The VolkerWessels dividend policy targets a distribution of 50% to 70% of annual reported net income attributable to the shareholders of VolkerWessels. VolkerWessels intends to pay dividends in two semiannual instalments. The first distribution is expected to be made in the fourth quarter of 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 the share incentive under IFRS. In line with this policy 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 2018. 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 2018 amounts €84.0 million or €1.05 per share, which is equal to the 2017 dividend. Once approved, it is proposed that the final dividend will be paid on 2 May 2019.

Major shareholders
At the end of 2018 the number of outstanding shares totalled 80 million. According to the public register of the Dutch Authority for the Financial Markets (AFM), other than Reggeborgh no shareholders own more than 3% of the shares. At year-end 2018 Reggeborgh owns 63.9% of the shares.

Upstairs in Den Bosch will consist of 63 comfortable apartments, ranging between an efficient studios of 47 m² to a penthouse of 147 m², all with a balcony or terrace. Construction started in the second half of 2018.

Share performance

VolkerWessels became a listed company on 12 May 2017, with its shares priced at €23.00. The share price decreased from €23.75 at the end of 2017 to €13.83 at the end of 2018, indicating a negative performance of 41.7% excluding the dividend and 37.3% including the dividend. The highest closing price of €24.26 was recorded on 10 January 2018, and the lowest price of €12.92 on 10 December 2018 on Euronext Amsterdam. In 2018 a total of 18 million VolkerWessels shares were traded. The average daily trading volume was €1.4 million, averaging 70,545 shares per day.



Financial calendar

Event	Date
Annual General Meeting of shareholders	18 April 2019
Ex-dividend date (2018 final dividend)	24 April 2019
Record date (2018 final dividend)	25 April 2019
Payment date (2018 final dividend)	2 May 2019
First quarter 2019 trading update (before trading)	16 May 2019
Half year results 2019 (before trading)	29 August 2019
Nine-month trading update 2019 and interim 2019 dividend announcement (before trading)	14 November 2019
Ex-dividend date (interim 2019 dividend)	20 November 2019
Record date (interim 2019 dividend)	21 November 2019
Payment date (interim 2019 dividend)	27 November 2019

Financial statements 2018

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	Note	2018	2018	2017	2017
Continuing operations					
Revenue	6		5,924		5,714
Costs of raw materials and consumables		−1,192		−1,230	
Costs of outsourced work and other external costs		−2,973		−2,777	
Employee benefit expenses[1]	7	−1,242		−1,173	
Depreciation and impairment of property, plant and equipment	8	−75		−69	
Amortisation and impairment of intangible assets	8	−9		−13	
Other operating costs	9	−305		−301	
Operating expenses			−5,796		−5,563
Result from sale of participating interest(s)[2]	15	5		26	
Share of result from associates and joint ventures	18	28		14	
Results from participating interests (after income tax)			33		40
Operating result			161		191
Financial income	10	22		21	
Financial expenses	10	−19		−17	
Net financial result			3		4
Result before tax			164		195
Income tax	11		−30		−45
Result from continuing operations			134		150
Result from discontinued operations (after income tax)	14		−2		1
Result for the financial year			132		151
Attributable to:					
Shareholders of the Company			131		135
Minority interests			1		16
Result for the financial year			132		151

The Group has applied IFRS 15 using the modified retrospective method. Under this method the comparative information is not restated. There was no material impact on the Group's statement of profit and loss, OCI and statement of cash flows for the year ended 31 December 2018. See note 2.2.

[1] Including share incentive charge of €6 million (2017: €5 million).
[2] Including third party result of €13 million in 2017.

EARNINGS PER SHARE

Amounts in euros

	Note	2018	2017
Basic			
Continuing operations	12	1.66	1.68
Discontinued operations	12	−0.03	0.01
Total		1.63	1.69
Diluted			
Continuing operations	12	1.66	1.68
Discontinued operations	12	−0.03	0.01
Total		1.63	1.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

	Note	2018	2018	2017	2017
Result for the financial year			132		151
Revaluations of commitments/(assets) defined benefit plans	11, 32	–		–5	
Income tax	11	–		1	
Items which will never be transferred to the income statement			–		–4
Foreign currency exchange differences from foreign operations		–3		–29	
Reclassification of currency exchange differences on sale of group companies		–		–	
Share of unrealised result from associates and joint ventures		14		5	
Effective portion from changes of fair value cash flow hedges	11, 30	–2		4	
Income tax	11	–		–1	
Items which have been or may be transferred to the income statement			9		–21
Total other comprehensive income after income tax			9		–25
Total comprehensive income for the financial year			141		126
Attributable to:					
Shareholders of the Company			140		110
Minority interests			1		16
Total comprehensive income for the financial year			141		126
Total comprehensive income attributable to shareholders of the Company arising from:					
– Continuing operations			140		109
– Discontinued operations			–		1
Total comprehensive income attributable to shareholders of the Company			140		110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2018		31 December 2017	
Land and buildings		223		237	
Machinery and equipment		218		198	
Other fixed operating assets		29		44	
Property, plant and equipment under construction		12		4	
Property, plant and equipment	16		482		483
Goodwill		432		407	
Other intangible assets		52		29	
Intangible assets	17		484		436
Investments in associates and joint ventures	18	153		126	
Non-current receivables	19	107		85	
Other non-current assets	20	6		29	
Deferred tax assets	21	31		52	
Other non-current assets			297		292
Total non-current assets			1,263		1,211
Land	22	184		193	
Property held for sale	23	42		69	
Inventories	24	157		241	
Contract assets	6	579		–	
Construction contracts		–		410	
Trade and other receivables	25	986		967	
Income tax receivable		6		8	
Assets held for sale	26	–		12	
Cash and cash equivalents	27	467		494	
Total current assets			2,421		2,394
Total assets			3,684		3,605

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2018		31 December 2017	
Equity attributable to shareholders of the Company		1,182		1,124	
Minority interests		14		11	
Total group equity	28		1,196		1,135
Loans and other financing obligations	29	43		71	
Derivatives	31	2		–	
Employee benefits	32	40		44	
Provisions for associates and joint ventures	33	16		11	
Other provisions	34	138		89	
Deferred tax liabilities	21	31		41	
Total non-current liabilities			270		256
Loans and other financing obligations	29	56		126	
Derivatives	31	–		–	
Contract liabilities	6	489		–	
Construction contracts		–		485	
Trade and other payables	35	1,532		1,508	
Employee benefits	32	19		19	
Provisions for associates and joint ventures	33	3		2	
Other provisions	34	98		40	
Income tax payable		21		26	
Liabilities held for sale	26	–		8	
Total current liabilities			2,218		2,214
Total equity and liabilities			3,684		3,605

The Group has applied IFRS 15 using the modified retrospective method. Under this method the comparative information is not restated. There was no material impact on the Group's statement of profit and loss, OCI and statement of cash flows for the year ended 31 December 2018. See note 2.2.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2018	2018	2017	2017
Cash flow from operating activities					
Result from continuing operations[1]		134		150	
Adjustments for:					
– Depreciation and impairment of property, plant and equipment	8	75		69	
– Amortisation and impairment of intangible assets	8	9		13	
– Proceeds from sale of property, plant and equipment		–12		–4	
– Result from the sale of participating interests		–6		–26	
– Other impairments		–5		–	
– Share of result, less dividend received, from associates and joint ventures	18	3		–2	
– Financial income	10	–22		–21	
– Financial expenses	10	19		17	
– Income tax	11	30		45	
– Share incentive	38	6		5	
Operating cash flow before changes in working capital and provisions			231		246
Changes in land, property classified as held for sale, inventories and contract balances		33		150	
Changes in trade and other receivables		27		–120	
Changes in trade and other payables		4		16	
Changes in provisions and employee benefits		–35		–6	
			29		40
Cash (used in)/generated by operating activities			260		286
Interest paid		–15		–14	
Interest received		19		18	
Income tax paid		–22		–16	
Income tax received		–		–	
			–18		–12
Net cash (used in)/generated by from continuing operating activities			242		274
Net cash (used in)/generated by from discontinued operating activities	14		–5		–7
Net cash (used in)/generated by from operating activities			237		267

The Group has applied IFRS 15 using the modified retrospective method. Under this method the comparative information is not restated. There was no material impact on the Group's statement of profit and loss, OCI and statement of cash flows for the year ended 31 December 2018. See note 2.2.

[1] Result from continuing operations is adjusted to include minority interest, which was not included previously.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2018		2017	
Cash flow from investment activities					
Acquisitions, net of cash	15	–29		–5	
Investment in property, plant and equipment	16	–84		–81	
Investment in intangible assets	17	–16		–10	
Proceeds from the sale of property, plant and equipment		28		18	
Granted borrowings		–98		–71	
Repayments of borrowings		70		83	
Investments in other financial assets		4		–4	
Investments in joint ventures, associates and other investments		–32		–8	
Proceeds from sale of non consolidated entities		10		–	
Proceeds from sale of subsidiaries, net of cash		30		30	
Net cash (used in)/generated by continuing investment activities			–117		–48
Net cash (used in)/generated by discontinued investment activities	14		–		–
Net cash (used in)/generated by investment activities			–117		–48
Cash flow from financing activities					
Receipts from non-current loans and borrowings		47		51	
Repayment of non-current loans and borrowings		–102		–45	
Payment arising from financial lease liabilities		–20		–10	
Dividends paid to shareholders of the Company	13	–84		–106	
Other movements		–		–	
Net cash (used in)/generated by continuing financing activities			–159		–110
Net cash (used in)/generated by discontinued financing activities	14		–		–
Net cash (used in)/generated by financing activities			–159		–110

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2018	2017
Change in liquidity position			
Liquidity position as at 1 January		484	386
Effect of exchange rate differences on cash and cash equivalents and bank overdrafts		–	–11
Net cash (used in)/generated by operating activities		237	267
Net cash (used in)/generated by investment activities		–117	–48
Net cash (used in)/generated by financing activities		–159	–110
Liquidity position as at 31 December		445	484
Composition of liquidity position as at 31 December			
Cash and cash equivalents	27	467	494
Bank overdrafts	29	–22	–10
Total liquidity position as at 31 December		445	484

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

	Issued share capital	Share premium reserve	Legal reserves: Translation reserve	Legal reserves: Hedge reserve	Legal reserves: Other legal reserves	Other reserves: Actuarial reserve	Other reserves: Other reserves	Result for the year	Total	Minority interests	Total group equity
Balance as at 1 January 2018[1]	1	1,177	–12	–16	4	–11	–154	135	1,124	11	1,135
Impact of change in accounting policy	–	–	–	–	–	–	–2	–	–2	–	–2
Adjusted balance at 1 January 2018	1	1,177	–12	–16	4	–11	–156	135	1,122	11	1,133
Comprehensive income for the financial year											
Result for the financial year	–	–	–	–	–	–	–	131	131	1	132
Other comprehensive income for the financial year	–	–	–3	12	–	–	–	–	9	–	9
Total comprehensive income for the financial year	–	–	–3	12	–	–	–	131	140	1	141
Appropriation of profit for 2017	–	–	–	–	–	–	135	–135	–	–	–
Dividends	–	–84	–	–	–	–	–	–	–84	–1	–85
Acquisition of minority interests that do not lead to a change of control	–	–	–	–	–	–	–	–	–	–	–
Transfer from retained earnings	–	–	–	–	23	–	–23	–	–	–	–
Share based payments by the majority shareholder	–	6	–	–	–	–	–	–	6	–	6
Other movements	–	–	–	–	–	–	–2	–	–2	3	1
Balance as at 31 December 2018	1	1,099	–15	–4	27	–11	–46	131	1,182	14	1,196

[1] The Group has applied IFRS 15 using the modified retrospective method. Under this method the comparative information is not restated. See note 2.2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

	Issued share capital	Share premium reserve	Legal reserves: Translation reserve	Legal reserves: Hedge reserve	Legal reserves: Other legal reserves	Other reserves: Actuarial reserve	Other reserves: 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Reporting entity
Royal VolkerWessels NV has its registered office in Rotterdam, the Netherlands with its head office located at Podium 9, Amersfoort, the Netherlands.
The Chamber of Commerce number of Royal VolkerWessels NV is 34270985.

The consolidated financial statements of the Company for the 2018 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 Royal 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 2018. 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 Changes in significant accounting policies
The Group has adopted IFRS 15 and IFRS 9 as from 1 January 2018. However, as noted in our Annual report 2017, the adoption of IFRS 9 does not have a significant impact in terms of classification and measurement, impairment and hedge accounting. The adoption of the expected loss approach has not resulted in a material impact. A number of other new standards as well as amendments (e.g. IFRS 2) are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. There was no material impact on the Group's statement of profit and loss, OCI and statement of cash flows for the year ended 31 December 2018.

The Group has adopted IFRS 15 using the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for FY 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.
The details of the significant changes and quantitative impact of the changes are set out below.

Progress measurement (a, b)
VolkerWessels excludes certain costs in the measure of progress as these costs do not result in progress in transferring control of goods or services to the customers.
(a) VolkerWessels recognises those costs (e.g. costs for mobilisation and tender costs) as a separate asset if it expects to recover the costs. All costs up to the period in which the preferred bid stage is achieved are therefore recognised to the profit and loss account. This change has a limited impact on Group equity at 1 January 2018;
(b) costs that relate to significant inefficiencies (wasted materials, labour or other resources) have to be excluded from the progress measurement.
For projects identified with significant inefficiencies, provisions for losses were already recognised within construction contracts. The proper reclassifications from construction contracts to contract liabilities and/or provisions for onerous contracts have been made.

Onerous construction contracts (c)
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. This resulted in an exposure draft of proposed clarifications (ED/2018/2) with a comment period until 15 April 2019. Awaiting this clarification, VolkerWessels has taken the position that the unavoidable costs in measuring onerous construction contracts are in line with the IFRS 15 definition regarding costs to fulfill a contract.

Presentation of contract assets and contract liabilities, including the provision for onerous contracts (d)

VolkerWessels has changed the presentation of certain amounts in the balance sheet to align with the terminology of IFRS 15 and IAS 37:

- construction contracts (due from customers, debit balance) are presented as contract asset;
- construction contracts (due to customers, credit balance) are presented as contract liabilities; and
- provisions for onerous contracts were previously presented as part of the construction contracts position and are now presented separately (in the line item 'other provisions').

The following table summarises the impact of adopting IFRS 15 for each individual line item on the Group's statement of financial position as at 31 December 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail in the accounting principles for revenue recognition as explained in note 6.

Impact on the condensed consolidated statement of financial position

	Notes	As reported 31 December 2018	Adjustment	Without IFRS 15
Contract assets	(a,d)	579	579	–
Construction contracts	(d)	–	–564	564
Total current assets		2,421	15	2,406
Total assets		3,684	15	3,669
Equity attributable to shareholders of the Company	(a)	1,182	–1	1,183
Total group equity		1,196	–1	1,197
Other provisions	(b,c,d)	138	53	85
Total non-current liabilities		270	53	217
Contract liabilities	(b,d)	489	489	–
Construction contracts	(d)	–	–591	591
Other provisions	(b,c,d)	98	65	33
Total current liabilities		2,218	–37	2,255
Total equity and liabilities		3,684	15	3,669

2.3 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;
- 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: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: 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 for the assets of liability not based on observable market data.

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 (note 39);
- measuring progress for recognizing revenue over time (note 6);
- the estimate of contract costs and contract revenues, and consequently the profitability of long-term contracts (note 6);
- 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 (note 39).

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	
	2018	2017	2018	2017
GBP	1.13	1.14	1.12	1.13
CAD	0.65	0.68	0.64	0.66

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 additionally based on the nature of the activities.

Financial instruments
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely receipts of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. To date, this has not been the case for any of the investments within the Group.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial liabilities
Financial liabilities are measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.
Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

2.4 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 2019. These standards and interpretations have not been applied in preparing these consolidated statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short term and low-value leases. The accounting for lessors will not significantly change.

The standard has a mandatory adoption date of 1 January 2019, and VolkerWessels will adopt the standard on that date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Impact

VolkerWessels has set up an IFRS 16 project team, which has reviewed the Group's leasing arrangements in 2018 in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The most significant change resulting from the adoption of the new standard will be the recognition of Right-of-use (ROU) assets and lease liabilities for our operating leases. Lease assets and lease liabilities will be recognised based on the present value of the future minimum lease payments over the lease term at commencement date. As our leases do not provide an implicit rate, VolkerWessels will use its incremental borrowing rate based upon information available at the commencement date in determining the present value of future payments. Our lease terms may include options to extend or terminate the lease, which will be included in the measurement of the ROU assets and lease liabilities when it is reasonably certain that we will exercise that option. Our ROU asset will also include any lease payment made and any initial direct costs incurred.

We have determined that upon adoption of the standard, we will elect the following practical expedients and exemptions, which are permissible under the standard and will be applied consistently to all of our leases:

– the Company will not reassess whether any expired or existing contracts are or contain leases;

- the Company will elect the short-term exemption for existing contracts with a remaining lease term of 12 months or less on the transition date; and
- the Company will exempt certain low-value contracts, where no ROU asset nor lease liability would be recognised. The expenses relating to the lease of small ticket items will still be recognised as an expense on the income statement for the period over which the asset is utilised by VolkerWessels.

Financial analysis
As at the reporting date, the Group has non-cancellable operating lease commitments of €251 million, see note 36. A preliminary assessment indicates that, in addition to the Group's finance lease agreements, the Group will recognise right-of-use assets of approximately €220-€240 million on 1 January 2019 and lease liabilities of €220-€240 million. The lease liabilities are expected to be lower than the lease commitments, mainly as a result that short-term leases are recognised on a straight-line basis as expense in profit or loss and therefore not included in the lease liability.

As a result of the new accounting rules the Group expects an increase in EBITDA of approximately €55-€65 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. The impact on net result, due to front-loaded expense profile, for 2019 is expected to be limited.

Operating cash flows will increase and financing cash flows decrease by approximately €55-€65 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities instead of cash flows from operating activities.

The above-mentioned figures are estimates, and the actual impacts of adopting the standard on 1 January 2019 may change because:
- the impact assessment has been primarily performed based on contract data gathered per 30 September 2018;
- the impact is subject to variables of which the Group has no influence (e.g. foreign exchange rates); and
- the choices made by the Company relating to lease accounting might be updated until the Group presents its first financial statements that include the new accounting policies.

The Group's activities as a lessor are not material and hence VolkerWessels does not expect any significant impact on the financial statements in this respect.

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 carrying amount of goodwill is included in the carrying amount 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 carrying amount 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 carrying amount 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, other non-current assets and deferred tax assets.

Loans and receivables

Receivables and loans to subsidiaries and other receivables are recognised initially at fair value and subsequently at amortised cost.

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 FVOCI.
Upon disposal the accumulated fair-value adjustments on the investments concerned are eliminated from OCI 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

Deferred tax assets are recognised for deductible temporary differences if and to the extent it is probable that the tax claim can be realised in due course. These deferred tax assets are stated under financial fixed assets and valued at nominal value. They 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.

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 maturity 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

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets at measured amortised costs and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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.

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

Deferred tax liabilities are recognised for taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes 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 taxable 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.

b Accounting policies for the determination of the result

Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained in note 6.

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

Current tax is the expected payable or receivable 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 utilised.
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 realised, 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

Royal VolkerWessels NV mainly operates in four geographical areas: the Netherlands (including Belgium), the United Kingdom, North America and Germany. In the Netherlands the segments are additionally based on the nature of the activities.

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 earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments.

	The Netherlands							
Amounts in millions of euros	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2018								
External revenue	2,098	1,349	723	1,116	350	268	20	5,924
Intrasegment revenue	7	65	28	–	–	–	–100	–
Total revenue	2,105	1,414	751	1,116	350	268	–80[1]	5,924
EBITDA	100	22	39	39	47	16	–18[2]	245[2]
Amortisation and depreciation	–14	–31	–2	–6	–19	–1	–11	–84
Operating result (EBIT)	86	–9	37	33	28	15	–29	161
Net financial result								3
Result before tax								164
Income tax								–30
Result from discontinued operations (after income tax)								–2
Result for the financial year								132
Total assets								3,684
Total liabilities								2,488
Investments in property, plant and equipment	16	36	2	15	17	1	–	87
Average number of employees	3,768	4,903	2,950	2,890	1,400	353	366[3]	16,630
Order book[4]	3,493	1,660	932	1,528	764	595	–48[1]	8,924

1 In revenue in 'Other' an amount of €-112 million is included regarding eliminations. In the order book in 'Other' an amount of €-115 million is included regarding eliminations.

2 Includes €6 million share incentive charge.

3 Including discontinued operations. The total average number of employees of discontinued operations is: 49.

4 Unaudited non-GAAP information.

	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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT
Amounts in millions of euros

6 Revenue

The Group has recognised the following amounts relating to revenue in the statement of profit or loss:

	2018	2017
Revenue from contracts with customers	5,924	5,714

6(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services in the following major activities. The table also includes a reconciliation of the disaggregated revenue with the Group's six divisions, which are its reportable segments (see note 5).

2018	The Netherlands							
	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
Construction contracts	1,329	1,121	625	968	262	164	–53	4,416
Property development	600	–	–	–	7	96	–	703
Service and maintenance	98	195	126	146	77	–	1	643
Goods sold and other services rendered	78	98	–	2	4	8	–28	162
Total revenue	2,105	1,414	751	1,116	350	268	–80	5,924

2017	The Netherlands							
	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
Construction contracts	1,309	1,151	557	843	252	140	–40	4,212
Property development	564	–	–	–	15	94	–	673
Service and maintenance	86	239	117	153	80	–	–1	674
Goods sold and other services rendered	84	84	–	–1	4	10	–26	155
Total revenue	2,043	1,474	674	995	351	244	–67	5,714

6(b) Contract balances
The Group has recognised the following revenue-related (contract) assets and liabilities:

	31 December 2018	1 January 2018
Receivables, which are included in 'Trade and other receivables' (note 25)	620	622
Contract assets	579	472
Contract liabilities	–489	–425

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The Group receives payments from customers in line with a series of performance – related milestones and will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The contract liabilities primarily arise if a particular milestone payment exceeds the revenue recognised to date under the cost–to–cost method.
There were no significant changes in the composition of the contract balances during the reporting period.

In 2018 revenue has been recognised for an amount of €420 million which was included in the contract liability at the beginning of the period.

The amount of revenue recognised in 2018 that related to performance obligations satisfied (or partially satisfied) in previous periods is €19 million. This mainly relates to outstanding variation orders for which agreement has been reached upon in 2018.

6(c) Transaction price allocated to the remaining performance obligations
The aggregate amount of the transaction price allocated to contracts with customers that are (partially or fully) unsatisfied as at 31 December 2018 is €8.9 billion, being the Group's order book. Management expects that 56% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period (€5.0 billion). The remaining 44% (€3.9 billion) will be recognised merely in the two years thereafter.

6(d) Accounting policies and significant judgements
The Group recognises revenue from the following major resources:
I construction contracts;
II property development;
III service and maintenance; and
IV goods sold and other service rendered.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

(I) Construction contracts
The Group constructs and sells residential properties, non-residential properties and infrastructure projects under long-term construction contracts with customers. Such contracts are entered into before construction begins. Revenue from construction contracts is therefore recognised over time because either:
- the Group constructs an asset that the client controls, because it is constructed on the land of the customer; or
- the Group is contractually restricted from redirecting the properties or infrastructures to another customer and as such does not have an alternative use to the Group and the Group has an enforceable right to payment for work performed to date.

Progress is measured on a cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The related costs are recognised in the income statement when they are incurred.

For certain contracts, which are still in the planning or design phase, the Group is not able to reasonably measure the outcome of the performance obligation(s). This might be the case for projects with significant and ongoing design changes, for which the discussion with the customer about the compensation are not yet finalised. If the Group at least expects to recover the costs for the project, the Group recognises revenue in accordance with IFRS 15.45 to the extent of the costs incurred until the Group can reasonably measure the outcome of the performance obligation.

The Group becomes entitled to invoice customers for construction contracts based on achieving a series of performance-related milestones. When a particular milestone is achieved, the customer is sent an invoice for the related milestone payment. The Group accounts for a contract asset for any work performed, for which the Group is not yet entitled to invoice based on the milestones agreed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised based on the progress to date, the Group recognises a contract liability for the difference. Advances received are also included in contract liabilities.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that it is highly probable that a reversal of revenue that is recognised will not occur when the uncertainty associated with the consideration is subsequently resolved.

In determining the amount to be recognised, the Group considers the contractual agreements and the laws and regulation applicable in the respective country.

The aforementioned uncertainties are highly influenced by the nature of the contract as well as the stage of the project.
Depending on the nature of contract, the potential uncertainty varies. In a 'Design and Construct' (DC) contract the Group assumes the design risk (as well as construction risk). In a 'Design, Build, Finance, Maintain' (DBFM) contract, the Group has an additional responsibility in respect of the financing and maintenance of the project.
In respect of the stage of a project, the Group is exposed to a larger amount of uncertainty for projects, which are still in the design stage, as the design may be subject to substantial changes in the process of transforming a provisional design into a final design. Depending of the entitlement of the Group to compensation for these design changes from the customer, this may result in changes in the estimated result of the project, both upward and downward.

At balance sheet date there is one contract where our share in the joint operation estimated contract revenue is in the range of €150 to €200 million for which a dispute on design changes and related negotiations with the client is ongoing. These design changes relate to changes in laws and regulations and a large number of variable considerations assigned by the client and other stakeholders, that are beyond our influence and contractual responsibility. As the dispute is ongoing, it is impossible to estimate reliably the final scope of the performance obligation. The Group expects to recover the costs incurred in satisfying the performance obligation. The actual outcome can deviate significantly from the current accounting, given the uncertainty of the outcome of these negotiations.

Our business may involve 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, the Group's profitability depends on costs being accurately calculated and controlled, besides other factors such as the scope of the project being correctly determined during the tender and execution phases, and on projects being completed on time and not subject to any early termination. The cost calculations made at the project portfolio-level are subject to a number of assumptions. Therefore, 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.

The Group has adopted a tailored process to contracting and risk management 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. Additionally, the Group involves senior management, specialised contract managers, and specialised lawyers in the tendering phase to limit such risks. 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.

Most of the contracts in the Group's project portfolio are subject to specific completion schedule requirements. Failure to comply with such schedule requirements could result in the occurrence of penalties or deductions. 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. Moreover, any additions to the original scope of work from clients may require the Group to fund the costs until the scope is approved thus, engaging our working capital on a temporary basis. The Group limits such risks by employing a project acquisition process that involves validation of the project price calculation and risk assessment. Further, the Group engages project teams on larger projects to focus in particular on quality, timely delivery, cost efficiency and reduction of failure costs. In addition, the Group has an increased focus on reporting risks and scope on projects, including the accuracy of cost and cash forecasting.

For the accounting policy for onerous contracts, see note 4 and 2.2.

The Group did not identify significant financing component in its construction contracts with customers.

(II) Property development

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. An enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred.

If the customer 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 over time in accordance with the terms and the milestones set out in the contract.

In the Netherlands there are certain property development project in which land has been legally transferred to the customer. The performance of the

Group therefore creates an asset that the customer controls and revenue is recognised over time in accordance with the terms and milestones set out in the contract.

Management considers that the aforementioned output methods are an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

(III) 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 providing services and maintenance is recognised in the accounting period in which the services are rendered.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Advances received are also included in contract liabilities.

Customers are invoiced based on the terms and milestones as set out in the contracts with the customers and the consideration is payable when invoiced.

(IV) Goods sold and other services rendered

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, being the moment of delivery. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenues generated through services rendered are recognised over time in line with the accounting principles as explained by (III) Service and maintenance.

7 Employee benefit expenses

	2018	2017
Wages and salaries	–978	–938
Social security costs	–169	–148
Pension costs – defined contribution plans	–95	–87
Pension costs – defined benefit plans	–	–
Total	–1,242	–1,173

At the end of 2018 the Group had 16,646 employees expressed in FTE (2017: 16,001), of which 5,129 FTE (2017: 4,791 FTE) are working outside the Netherlands.
The average number of employees was 16,630 FTE (2017: 16,179), of which 5,215 FTE (2017: 4,970 FTE) are working outside the Netherlands.

Share incentive

In 2018, a total amount of €6.2 million for the share incentive plan for the members of the Management Board and other managers was charged to the income statement (7 month period in 2017: €4.6 million).

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

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

	2018	2017
Depreciation of property, plant and equipment	–75	–69
Impairment of property, plant and equipment	–	–
Total depreciation and impairment of property, plant and equipment	–75	–69
Amortisation of intangible assets (excluding goodwill)	–9	–9
Impairment on goodwill and other intangible assets	–	–4
Total amortisation and impairment of intangible assets	–9	–13
Total	–84	–82

9 Other operating costs

Restructuring costs

A sum of €3 million (2017: €9 million) is included in employee benefit expenses and other operating costs for restructuring costs.

10 Financial income and expenses

	Note	2018		2017	
Financial income					
Interest income from non-current receivables		9		8	
Interest income from current receivables		9		8	
Capitalised interest on property development		–		1	
Return on plan assets	32	2		2	
Other financial income		2		1	
Exchange differences (positive)		–		1	
Total financial income			22		21
Financial expenses					
Interest expense for non-current liabilities		–5		–7	
Interest expense for current liabilities		–7		–5	
Interest accrual on provisions		–1		–1	
Exchange differences (negative)		–1		–	
Interest on employee benefits obligations	32	–2		–2	
Other financial expense		–3		–2	
Total financial expenses			–19		–17
Net financial result			3		4

An average interest rate of 2% was used during the financial year (2017: 2%) to calculate the interest to be recognised on property development positions.

11 Income tax

	2018	2017
Current income tax expense		
Current year	–22	–23
Adjustments for previous years	2	–2
Total current income tax expense	–20	–25
Deferred income tax expense		
Related to temporary differences	–	–21
Change in tax rate	3	–1
Write down or reversal of write down of deferred tax asset	–13	2
Total deferred income tax expense	–10	–20
Total income tax	–30	–45

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The effective tax rate is 18.3% (2017: 23.1%). The difference compared to the blended tax rate of the Group is caused by the following items:

	2018	2017
Result from continuing operations	134	150
Plus: total income tax	30	45
Result before tax excluded result from participating interest (after income tax)	164	195
Tax calculated based on the Group's tax rate	–41	–49
Tax effects of:		
– Different tax rates in several countries	2	–1
– Participation exemption	11	8
– Impairment of goodwill	–	–2
– Adjustments for previous years	–5	–
– Change in tax rate	3	–
– Effect non valued losses	2	–
– Investment schemes	–	–
– Other differences	–2	–1
Effective tax	–30	–45
Effective tax rate (%)	18.3	23.1

The difference between the effective tax rate and the statutory rate in the Netherlands can be explained due to a number of items that have impact on the effective tax rate. Different statutory tax rates apply in the countries in which we operate outside the Netherlands. Furthermore under the Dutch participation exemption results that relate to shareholdings in other companies are exempt from tax. Due to tax rate changes that have been enacted in the Netherlands and the UK, the deferred tax positions have been adjusted to the future tax rates with a positive effect to the effective tax. In addition, certain tax schemes apply for investments in for instance energy efficient assets resulting in a reduction of the effective tax rate. Other movements relate to various true-ups to the tax returns over prior periods.

Income tax directly recognised in other comprehensive income

	2018		
	Before tax	Tax income (expense)	After tax
Effective portion fair value changes from cash flow hedges	–2	–	–2
Actuarial gain (losses) on defined benefit pension plans	–	–	–
Total	–2	–	–2

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

12 Earnings per share

	2018	2017
Weighted average number of ordinary shares in issue (x 1)	80,000,000	80,000,000
Net result attributable to shareholders (in million €)[1]	131	135
Basic earnings per share (in €)	1.63	1.69
Net result from continuing operations attributable to shareholders (in million €)	133	134
Basic earnings per share from continuing operations (in €)	1.66	1.68
Net result from discontinued operations attributable to shareholders (in million €)	–2	1
Basic earnings per share from discontinued operations (in €)	–0.03	0.01

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

	2018	2017
Weighted average number of ordinary shares in issue (x 1)	80,000,000	80,000,000
Net result attributable to shareholders (in million €)[1]	131	135
Diluted earnings per share (in €)	1.63	1.69
Net result from continuing operations attributable to shareholders (diluted) (in million €)	133	134
Diluted earnings from continuing operations per share (in €)	1.66	1.68
Net result from discontinued operations attributable to shareholders (diluted) (in million €)	–2	1
Diluted earnings from discontinued operations per share (in €)	–0.03	0.01

[1] Including share incentive charge of €6 million (2017: €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.

13 Dividends per share

The total dividends paid to shareholders of ordinary shares in 2018 amounts to €84 million (€1.05 per share). This consists of €61.6 million (€0.77 per share) dividend (paid in May 2018) in relation to prior year and €22.4 million (€0.28 per share) interim dividend for current year (paid in November 2018).
The total dividends paid to shareholders of ordinary shares in 2017 amounts €105.6 million (€1.32 per share). This consist of €83.2 million dividend in relation to the prior year (2016).

For more information see note 28.

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); and
- offshore activities (as from 2016).

Result from discontinued operations

	2018	2017
Revenue	8	9
Depreciation and impairment of property, plant and equipment	–1	–1
Amortisation and impairment on intangible assets	–	–
Other operating costs	–7	–3
Share in result of associates and joint ventures	–	–1
Share in result of investments	–	–
Net financial result	–2	–2
Result from activities	–2	2
Income tax	–	–1
Result from activities, after tax	–2	1
Book profit on sale of discontinued operations	–	–
Income tax gain on sale of discontinued operations	–	–
Result from discontinued operations after income tax	–2	1

The result from discontinued operations after income tax amounting to €–2 million (2017: €1 million) is fully attributable to the shareholders of the Company.

Cash flow from discontinued operations

	2018	2017
Result after tax for the financial year	–2	1
Adjustments for:		
– Depreciation and impairment of property, plant and equipment	1	–
– Amortisation and impairment on intangible assets	–	–
– Result from the sale of participating interests	–	–
– Share of result, less dividend received, from associates and joint ventures	–	1
– Financial expenses	2	2
– Income tax	–	1
Cash flow before changes in working capital and provisions	1	5
Changes in land, property classified as held for sale, inventories and contract balances	1	–2
Changes in trade and other receivables	–	1
Changes in trade and other payables	–1	2
Changes in provisions and employee benefits	–3	–13
Cash (used in)/generated by discontinued operations	–2	–7
Interest paid	–2	–
Income tax paid	–1	–
Income tax received	–	–
Net cash (used in)/generated by discontinued operations	–5	–7
Cash flow from investment activities		
Investment in property, plant and equipment	–	–
Other changes in financial assets	–	–
Proceeds from sale of discontinued operations, net of cash	–	–
Other movements	–	–
Net cash (used in)/generated by investment activities	–	–
Cash flow from financing activities		
Repayment of non-current loans and borrowings	–	–
Net cash (used in)/generated by financing activities	–	–
Net cash (used in)/generated in the financial year	–5	–7

15 Business combinations and disposals

2018

In 2018, the Group completed business combinations as listed below. In each case 100% of the businesses were acquired unless stated otherwise. Total consideration for 2018 acquisitions is €38 million (2017: €5 million) for acquisitions completed during that year. In addition the Group had one disposal completed during 2018.

Transaction dates	Acquired or Disposed Business
4 September 2018	The Energy & Telecoms Infrastructure segment acquired Joulz Energy Solutions BV (JES). JES is a market leading player in design, construction and maintenance of complex medium and high voltage infrastructure and installations in the Netherlands. JES is one of the few players in the market capable of offering integrated electrification solutions to its clients.
30 November 2018	The United Kingdom segment acquired PJ Davidson Limited (PJD). PJD is a specialist concrete slip forming contractor in the UK. It's acquisition represents an opportunity for VolkerWessels, together with its existing capability, to become the sector leading concrete paving specialist within the UK.
11 December 2018	Investment company BBGI SICAV S.A. ('BBGI') acquired a 49.0% interest in Participatiemaatschappij VolkerInfra PPP through a joint-venture arrangement, reducing the Company's ownership percentage in the subsidiary to 51.0%. With this transaction, the Company divested part of its financial interests in three operational DBFM(O) projects in the Netherlands.

Acquisitions

The (partially provisional) fair value of net assets for the acquisitions that are recognised on the balance sheet is €13 million. The intangible assets are principally customer relationships and contractual licenses.

Further details of the (partially provisional) fair values of net assets acquired are provided in the next table.

The current estimate of goodwill is €25 million. It represents the future value which the Group believes it will obtain through operational synergies and the market position.

Total acquisition-related costs incurred to date for the acquisitions are €0.8 million which have been recorded within other operating costs in the income statement for the year ended 31 December 2018.

Effect on Consolidated Income Statement

The acquisitions completed in 2018 have contributed €15.9 million to Group revenue and €-0.5 million to Group EBITDA since the relevant acquisition dates. If the acquisitions completed in 2018 had all taken place at the beginning of the year, Group revenue would have been €5,969 million and Group EBITDA would have been €253 million (excluding share incentive charge).

Effect on Consolidated Statement of Financial Position

In the next table the effect of the acquisitions in 2018 on the consolidated balance sheet is disclosed. The fair values currently used for opening balances of one of the acquisitions made in 2018 are provisional. Balances remain provisional due to ongoing negotiations regarding the final purchase price and its effect on the goodwill.

When the information becomes available within the measurement period, the respective balances shall be adjusted accordingly.

Detailed information relating to goodwill is provided in note 17. The value of goodwill is not tax deductible.

	2018
Property, plant & equipment	7
Cash and cash equivalents	6
Other intangible assets	15
Other non-current assets	1
Contract balances	5
Trade and other receivables	20
Other current assets	–
Non-current liabilities	–3
Current liabilities	–38
Net assets acquired	**13**
Non-controlling interest	–
Goodwill	25
Total consideration	**38**

	2018
Cash consideration	34
Contingent consideration	4
Total consideration	**38**

The obligation for contingent consideration for acquisitions during the year has been recorded at its estimated fair value at the acquisition dates. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The estimated fair value of the applicable contingent consideration is calculated using the weighted probability of the expected contingent consideration to be paid.

Disposals and loss of control

As a result of the change in ownership in Participatiemaatschappij VolkerInfra PPP, the Company recorded a gain of €4.9 million as a result from sale of participating interest in the consolidated income statement. This gain, realised in the Infrastructure segment, results from removing the carrying value of the non-controlling interest in Participatiemaatschappij VolkerInfra PPP and the carrying value of the consolidated net assets of Participatiemaatschappij VolkerInfra PPP, which the Company reported prior to the closing of the transaction, and recording the fair value of the Company's 51.0% retained non-controlling investment in Participatiemaatschappij VolkerInfra PPP as of the transaction date.

2017

Acquisitions

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 realised and the future expected market developments in the Wareco expertise area. These benefits cannot be identified separately from goodwill as they do not meet the criterion for the identification of (in)tangible fixed assets.

Disposals and loss of control

In April 2017, the Company sold its shares in a project development company. The result on this transaction is €25.6 million which has been recognised as result from sale of participating interest in the consolidated income statement. 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).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in millions of euros

16 Property, plant and equipment

2018	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 2018					
Cost	458	647	136	4	1,245
Accumulated depreciation and impairments	–221	–449	–92	–	–762
Carrying amount	237	198	44	4	483
Changes					
Acquisitions	–	7	–	–	7
Investments	15	51	6	15	87
Disposals	–13	–4	–1	–	–18
Depreciation	–18	–48	–9	–	–75
Reclassification	3	15	–11	–7	–
Foreign currency exchange differences	–1	–1	–	–	–2
Total changes	–14	20	–15	8	–1
Balance as at 31 December 2018					
Cost	449	703	129	12	1,293
Accumulated depreciation and impairments	–226	–485	–100	–	–811
Carrying amount	223	218	29	12	482

We had no impairments or reversal of impairments in financial year 2018 nor in 2017.

There are no contractual obligations in respect of property, plant and equipment.

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 2018
Land and buildings	–
Machinery and equipment	5
Other fixed operating assets	11
Total	16

	Land and buildings	Machinery and equipment	Other fixed operating assets	Property, plant and equipment under construction	Total property, plant and equipment
					2017
Balance as at 1 January 2017					
Cost	464	611	142	8	1,225
Accumulated depreciation and impairments	–211	–427	–99	–	–737
Carrying amount	253	184	43	8	488
Changes					
Reclassification	2	15	2	–15	4
Acquisitions	–	–	–	–	–
Deconsolidated	–	–	–	–	–
Investments	7	51	12	11	81
Disposals	–5	–5	–2	–	–12
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
Carrying amount	237	198	44	4	483

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

17 Intangible assets

2018	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2018				
Cost	411	31	33	475
Accumulated amortisation and impairments	–4	–18	–17	–39
Carrying amount	407	13	16	436
Changes				
Acquisitions	26	–	15	41
Investments	–	6	10	16
Disposals	–	–	–	–
Amortisation	–	–4	–5	–9
Impairments	–	–	–	–
Foreign currency exchange differences	–1	–	–	–1
Other changes	–	1	–	1
Total changes	25	3	20	48
Balance as at 31 December 2018				
Cost	436	34	58	528
Accumulated amortisation and impairments	–4	–18	–22	–44
Carrying amount	432	16	36	484

2017	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2017				
Cost	406	21	29	456
Accumulated amortisation and impairments	–	–11	–13	–24
Carrying amount	406	10	16	432
Changes				
Acquisitions	–	1	2	3
Investments	6	6	4	16
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	411	31	33	475
Accumulated amortisation and impairments	–4	–18	–17	–39
Carrying amount	407	13	16	436

We had no impairments in financial year 2018 (2017: €4 million), nor any reversal of impairments (2017: €0 million). Part of the investment in goodwill is provisional, as disclosed in note 15.

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 unit (CGU) or group of CGUs expected to benefit from that business combination. The following segments have goodwill items:

	31 Dec 2018	31 Dec 2017
The Netherlands		
– Construction & Real Estate Development	106	106
– Infrastructure	113	113
– Energy & Telecoms Infrastructure	95	75
	314	294
United Kingdom	54	49
North America	64	64
Germany	–	–
Total	432	407

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 carrying amount of the assets of the cash-generating units (including allocated goodwill) with their net realisable value. The net realisable values are calculated based on projected cash flows, which in turn are based on forecasts of revenues and profit margins (after tax). The cash flows for the subsequent period after the third consecutive year are 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 after tax relevant for the segment, reflecting 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 bandwidth of the discount rates is from 8.4% till 9.0%, the bandwith of the pre-tax discount rates is from 8.6% till 9.2%).

The Company believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based, would not cause the aggregate carrying amounts to exceed the aggregate recoverable amount of the cash-generating units.

18 Investments in associates and joint ventures

In general, 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.

VolkerWessels holds a number of equity investments in public-private partnerships (PPP) for transport and social infrastructure projects. In such partnerships the government's primary contractual partner in a concession agreement is a Special-Purpose-Company (SPC). Typically such contracts are Design-Build-Finance-Maintain contracts (also known as DBFM agreements). The private sector is responsible for all four components, whereby the maintain component often is structured in hard facility management or maintenance services under a long-term agreement. The SPC is a single-asset legal entity, usually a limited liability company, that is created for the sole and exclusive purpose of acting as the project owner, responsible for raising the finance and contracting other parties for the design, build and maintain services. The SPC raises finance through a combination of equity – provided by the SPC's shareholders – and debt provided by project financing banks. VolkerWessels typically only holds a minority share in such a SPC and classifies its interest as joint venture.

The SPC contracts group companies of it's construction related shareholders to manage design and construct the project (usually known as an Engineering, Procurement and Construction, or EPC contract). These companies, normally structured in a general partnership ('VOF'), are classified as joint operation. The assets, liabilities, revenues and costs that relate to our share in these partnerships are proportionally consolidated in our financial statements.

The SPC also contracts with group companies of it's construction related shareholders, normally structured in a limited liability company, operations and maintain activities (O&M contract). Our interest in these companies are classified as joint ventures.

IFRS 12 requires to provide disclosures, such as name, nature of the entity's relationship, principal place of business and proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held for each joint venture and associate that is material to the reporting entity.

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.

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.

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

	31 Dec 2018	31 Dec 2017
Associates	60	62
Joint ventures	93	64
Total	**153**	126

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

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

2018

West Pine Creek, WEVI BV, Laagraven Investment BV, Westfields Logistics Development BV, Brainport Industries Campus CV, Consortium Frankemaheerd CV, Park Strijp CV, Connect-Z BV, Mineralis BV, Traffic Service Nederland BV and Boerenwetering BV.

2017

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

In 2018 the Group received €30 million in dividend payments from investments in associates and joint ventures (2017: €11 million).

The total amount invested in associates and joint ventures includes €6 million goodwill (2017: €6 million). We had no impairment on this goodwill in financial year 2018 nor in 2017.

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

31 December 2018

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	76	64	51	62	27	79	–61	18
Joint ventures	16	379	18	134	243	282	–272	10
	92	443	69	196	270	361	–333	28
Netting by parent company of receivable on associate/joint venture with a negative equity value			59					
Goodwill of associates and joint ventures			6					
Total net investments in associates and joint ventures			134					
To assets held for sale			–					
To provision for negative participating interests			19					
			153					28
Result of associates and joint ventures of discontinued operations								–
Result excluding discontinued operations								28

31 December 2017

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	123	54	47	109	21	91	–79	12
Joint ventures	179	290	–24	268	225	201	–200	1
	302	344	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

19 Non-current receivables

	31 Dec 2018	31 Dec 2017
Non-current receivables from associates and joint ventures	71	51
Non-current receivables from third parties	36	34
Total	107	85

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.

We had no impairments in financial year 2018 nor in 2017. The reversal of impairments in financial year 2018 amounted to €5 million (2017: €0 million).

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

Other non-current assets mainly relate to unlisted participating interests in which the Group does not have a significant influence. 2017 also included an investment in a PPS project.
This project is no longer consolidated as part of our interest in the related entity has been sold during the year. Our remaining investment in this entity is now presented as a joint venture.

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:

			31 Dec 2018			31 Dec 2017
	Asset	Liability	Net	Asset	Liability	Net
Tax losses carried forward	27	–	27	40	–	40
Property, plant and equipment	3	−14	−11	2	−30	−28
Intangible assets	–	−2	−2	2	−1	1
Financial fixed assets	3	−5	−2	3	−1	2
Land	–	−3	−3	1	–	1
Contract balances	–	−6	−6	1	−9	−8
Derivatives	–	–	–	–	–	–
Loans and other financing obligations	4	–	4	8	–	8
Employee benefits	1	–	1	2	−3	−1
Provisions	9	−10	−1	1	−5	−4
Other items	4	−11	−7	3	−3	–
Tax assets/(liabilities)	51	−51	–	63	−52	11
Netting of tax assets and liabilities	−20	20	–	−11	11	–
Net tax assets/(liabilities)	31	−31	–	52	−41	11

The opening balance of the tax losses carried forward amounts to €40 million. Operating results in 2018 have led to an amount of €13 million being recognised in the income statement (€15 million is utilised in 2018 based on operating results and additionally €2 million previously unvalued tax losses are recognised). The closing balance of the tax losses carried forward amounts to €27 million.

In various countries, VolkerWessels has taken points of view regarding its tax position which may at any time be challenged, or have already been challenged, by the tax authorities, because the authorities in question interpret the law differently. These uncertainties are taken into account in determining the probability of realisation of deferred tax assets and liabilities.

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilisation of tax loss carry forwards. Deferred tax assets are recognised for future tax benefits arising from temporary differences and for tax loss carry forwards to the extent that the tax benefits are likely to be realised.

Deferred tax assets are reduced if, and to the extent that, it is not probable that all or some portion of the deferred tax assets will be realised. In the event that actual future results differ from estimates, and depending on tax strategies that VolkerWessels may be able to implement, changes to the measurement of deferred taxes could be required, which could impact on the Company's financial position and profit for the year.

The composition of the tax losses carried forward per region is as follows:

	31 Dec 2018	31 Dec 2017
Tax losses carried forward:		
The Netherlands	103	165
Foreign markets	55	49
Total	158	214
Of which recognised tax losses carried forward:		
The Netherlands	88	158
Foreign markets	18	–
Total	106	158
Valued as deferred tax asset in relation to tax losses carried forward	27	40

In the Netherlands, the existing tax losses may be carried forward for nine years (6 years for losses arising as from 2019). VolkerWessels has to assess the likelihood that deferred tax assets will be recovered from future taxable profits. The tax losses in Germany and Belgium can be offset indefinitely.

	31 Dec 2018	31 Dec 2017
Deferred tax assets:		
– Maturity less than 1 year	23	34
– Maturity longer than 1 year	8	18
	31	52
Deferred tax liabilities:		
– Maturity less than 1 year	–9	–14
– Maturity longer than 1 year	–22	–27
	–31	–41
Net deferred tax assets and liabilities	–	11

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

	2018	2017
As at 1 January	11	30
Recognised in the income statement	–13	–18
Acquisitions	–2	–
Recognised in other comprehensive income	–	–
Changes income tax rate	3	–1
Exchange differences	1	–
As at 31 December	–	11

Deferred tax assets not recognised in the statement of financial position

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

	31 Dec 2018	31 Dec 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 before or no later than in 2021	–	–
Offset after 2021 but not without time limit	3	4
Can be offset indefinitely	11	14
Total	14	18

No deferred tax assets are recognised for tax losses carried forward amounting to €14 million (2017: €18 million). It is expected that an amount of unrecognised tax losses carried forward of €3 million will expire in the years up to and including 2027 (2017: €4 million up to and including 2026).

22 Land

	31 Dec 2018	31 Dec 2017
The Netherlands	177	184
Foreign markets	7	9
Total	184	193

This relates to land acquired with the intention to develop as a construction site in the near future.

Each year, the Group reviews the valuation of the properties held. This review focusses on the high risk positions and is 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.

We had no impairments of land in financial year 2018 nor in 2017. The reversal of impairments in financial year 2018 amounted to €8 million (2017: €0 million).

23 Property held for sale

	31 Dec 2018	31 Dec 2017
Leased	22	43
Unleased	26	33
Impairments	–6	–7
Total	42	69

Property held for sale includes a number of leased and unleased real estate objects.
The impairment charge in 2018 amounts to €2 million (2017: €1 million). We had no reversal of impairments in financial year 2018 nor in 2017. The movement in impairment also include projects that have been sold in 2018.

24 Inventories

	31 Dec 2018	31 Dec 2017
Property development	81	175
Raw materials and consumables	62	59
Finished goods and goods for sale	18	9
Provision for obsolescence	–4	–2
Total	157	241

In 2018 the Group recognised no write-down on raw materials and consumables, finished goods and goods for sale (2017: €0 million).
In 2018 no reversal of the provision for obsolescence was recognised, nor in 2017.

25 Trade and other receivables

	31 Dec 2018	31 Dec 2017
Trade receivables	634	639
Less allowance for doubtful debts	–14	–17
Net trade receivables	620	622
Receivables from associates and joint ventures	136	135
Current portion of non-current receivables	12	12
Amounts to be billed for completed projects	42	52
Receivable from majority shareholder	–	17
Other receivables	125	76
Prepayments and accruals	51	53
Total	986	967

Trade and other receivables are due within one year.

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

	31 December 2018		31 December 2017	
	Gross	Provision	Gross	Provision
Not yet due	446	–1	468	–
Overdue 1 to 60 days	131	–	119	–1
Overdue 61 to 180 days	24	–1	26	–1
Overdue 181 days to one year	14	–1	4	–1
More than one year	19	–11	22	–14
	634	–14	639	–17
Less allowance for doubtful debts	–14		–17	
Net trade receivables	620		622	

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 paid by Reggeborgh Holding BV in full in 2018. For more information we refer to note 37.

Credit and currency risks as well as write downs associated with trade and other receivables are discussed in note 39.

26 Assets and liabilities classified as held for sale

	31 Dec 2018	31 Dec 2017
Assets held for sale		
Non-current assets	–	–
Inventories	–	6
Construction contracts	–	2
Trade and other receivables	–	3
Cash and cash equivalents	–	1
Total	–	12
Liabilities held for sale		
Non-current liabilities	–	–
Current liabilities	–	8
Total	–	8

In 2017 the assets and liabilities classified as held for sale related to expected sale of VRS Railway Industry BV. Management currently does not expect that VRS Railway Industry BV will be sold within 12 months after balance sheet date. As such the related assets and liabilities cease to be classified as held for sale and are reclassified to assets and liabilities classified as held for continued use.

27 Cash and cash equivalents

	31 Dec 2018	31 Dec 2017
Deposits	1	59
Cash and bank balances	466	435
Total	467	494

Deposits have a maturity of no more than one month and are callable at any time.
The availability of an amount of €71 million is subject to restrictions (2017: €41 million). Of this amount, €36 million relates to restricted bank accounts (2017: €26 million).

28 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 ensure 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, EBITDA, net cash adjusted for non-recourse financing and net working capital.

Return on capital employed (ROCE) is defined as the EBIT (excluding share incentive charge) to capital employed (group equity minus net cash position). The capital employed as at 31 December 2018 was €830 million (2017: €838 million) and the ROCE was 20.1% (2017: 21.8%*).

The Management Board has presented the performance measure 'operational EBITDA' as they believe this measure is relevant to understand the Group's financial performance. Operational EBITDA is calculated by operating result (EBIT) to exclude the impact of depreciation and amortisation, third party results on sale of participations for real estate developments and the share incentive charge which is offset in equity.

	2018	2017
Operating result (EBIT)	161	191
Depreciation and impairment of property, plant and equipment	75	69
Amortisation and impairment of intangible assets	9	13
EBITDA	245	273
Less: third party gain on sale of a project	–	–13
Plus: share incentive charge	6	5
Operational EBITDA	251	265

Net cash is defined as agreed in the covenant guidelines of the bank facility, a reference is made to note 30. The Group's net cash position is managed with the intention of retaining a strong credit rating.

Net working capital is defined as the sum of traditional working capital and strategic working capital. Traditional working capital is defined as inventories (excluding property development), contract balances (including provisions onerous contracts project losses), trade and other receivables (excluding receivables from associates and joint ventures and excluding current third party loans) less trade and other payables (excluding amounts owed to associates and joint ventures) and net taxes. Strategic working capital is defined as land, property development, property held for sale, investments in associates and joint ventures (less provisions), non-current receivables from associates and joint ventures, and net receivables on participations.

* Excluding third party result of €13 million.

	31 Dec 2018	31 Dec 2017
Net working capital		
Inventories (excl. property development)	76	66
Contract balances (incl. provision onerous construction contracts)	–28	–75
Trade and other receivables (excl. receivables from ASs and JVs and current third party loans)	839	820
Trade and other payables (excl. amounts owed to ASs and JVs)	–1,497	–1,480
Net taxes	–15	–18
Traditional working capital	–625	–687
Land	184	193
Property development	81	175
Property held for sale	42	69
Investments in associates and joint ventures (less provisions)	133	113
Non-current receivables from associates and joint ventures	71	51
Net receivables on participations	101	107
Strategic working capital	611	708
Net working capital	–14	21

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 (2017: 80,000,000) ordinary shares with a nominal value of €0.01 each and are fully paid up.

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 2018 the change amounted to €-3 million (2017: €–29 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 2018 result attributable to shareholders of the Company amounts €131 million. Excluding the share incentive charge of €6 million the result attributable to shareholders amounts €137 million. The proposal to the General Meeting of Shareholders is that a total dividend of €84.0 million will be paid out. In November 2018 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 2019 the final dividend of €61.6 million will be paid out. The remaining result shall be recognised in other reserves.

29 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 risks incurred by the Group on interest and currency, see note 39.

	31 Dec 2018	31 Dec 2017
Committed credit facility	–	–
Other financing	61	154
Financial lease obligations	16	33
Bank overdrafts	22	10
	99	197
Repayment in coming year (including bank overdrafts)	–56	–126
Total	43	71

Committed credit facility

In May 2018, VolkerWessels successfully amended and extended its €600 million committed credit facility (a revolving credit facility, 'the RCF'), introducing the first sustainable revolving credit facility in the Dutch construction sector. The amended facility includes two one-year extension options, potentially extending the tenor to 31 January 2025. The first option to extend the term to 31 January 2024 was exercised in January 2019.

For the first time in the Dutch construction industry, the applicable credit margin is linked to the sustainability performance of VolkerWessels. This shows VolkerWessels' strong commitment to sustainability and incentivises VolkerWessels to deliver year-on-year improvements in five sustainability indicators: (i) injury frequency, (ii) social return, (iii) car fleet CO_2 emissions, (iv) waste separation and (v) proportion of newly built zero-energy bill homes. These commitments have been transposed into annual objectives that will be monitored during the lifetime of the facility. Depending on the number of sustainability indicators achieved, a margin discount or increase will be applicable.

The RCF is based on Loan Market Association investment grade documentation and 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 France S.A., Amsterdam Branch, ING Bank NV and MUFG Bank (Europe) NV. Several Dutch asset companies guarantee the obligations of the borrowers under the RCF. No security other than these guarantees is provided. 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. 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 90 and 170 basis points, based on net debt to EBITDA ratio) adjusted for the performance on the five sustainability indicators, if applicable. The effective interest rate is approximately equal to the nominal interest rate.

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 Ratio 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 2018 and 31 December 2017, 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 €46 million (2017: €105 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 15 million to VolkerWessels UK Ltd., an indirect wholly-owned subsidiary of the Company.

North America

VolkerWessels has access to an uncommitted credit facility provided by HSBC Bank Canada of CAD 16 million with an annual seasonal limit increase to CAD 21 million from June to November and an uncommitted lease facility of CAD 8 million in Canada. In the US, Columbia Bank has provided an uncommitted credit facility of USD 4 million to MidMountain Contractors Inc., an indirect wholly-owned subsidiary of the Company.

Financial lease obligations
No financial lease agreements were concluded during the reporting year as well as last year. 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 2018	31 Dec 2017
Less than 1 year	6	13
Later than 1 year and less than or equal to 5 years	9	20
More than 5 years	1	–
Future finance charges on financial leases	16	33

The present value of financial lease liabilities is as follows:

	31 Dec 2018	31 Dec 2017
Less than 1 year	6	13
Later than 1 year and less than or equal to 5 years	9	19
More than 5 years	1	–
Present value of financial lease liabilities	16	32

30 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 2018	Financing cash flows	Effect of changes in foreign exchange rates*	Disposal of subsidiaries	Changes in fair value*	Other changes	31 December 2018
Committed credit facility	29	–	–	–	–	–	–	–
Other financing	29	154	–55	–	–16	–	**–22	61
Financial lease obligations	29	33	–20	–	–	–	3	16
Bank overdrafts	29	10	–	–	–	–	12	22
Derivatives	31	–	–	–	–	2	–	2
Total		197	–75	–	–16	2	–7	101

* These columns relate to non-cash changes.
** The other changes in other financing mainly relate to deconsolidations.

	Note	1 January 2017	Financing cash flows	Effect of changes in foreign exchange rates*	Disposal of subsidiaries	Changes in fair value*	Other changes	31 December 2017
Committed credit facility	29	–	–	–	–	–	–	–
Other financing	29	148	6	–1	–	–	1	154
Financial lease obligations	29	44	–10	–1	–	–	–	33
Bank overdrafts	29	26	–	–	–	–	–16	10
Derivatives	31	5	–	–	–	–5	–	–
Total		223	–4	–2	–	–5	–15	197

* These columns relate to non-cash changes.

Net cash position

	Note	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	27	467	494
Non-current loans and other financing obligations	29	–43	–71
Non-current derivatives	31	–2	–
Bank overdrafts	29	–22	–10
Current loans and other financing obligations (excluding bank overdrafts)	29	–34	–116
Current derivatives	31	–	–
Net cash position		366	297
Non-recourse financing		46	105
Net cash position adjusted for non-recourse financing		412	402

31 Derivatives

	31 December 2018		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–2	–2
Interest rate swaps – current	–	–	–
Total	–	–2	–2

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

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 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. Derivatives are only used for economic hedging purposes and not as speculative investments.

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.

The Group's accounting policy for its cash flow hedges is set out in note 2.3.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Hedge ineffectiveness for interest rate swaps may occur due to differences in critical terms between the interest rate swaps and loans and/or a change in the credit risk of the Group or the counterparty to the interest rate swap. The Group therefore performs a qualitative assessment of effectiveness and uses the hypothetical derivative method to assess effectiveness.

There was no ineffectiveness during 2018 or 2017 in relation to the interest rate swaps.

32 Employee benefits

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

	31 Dec 2018	31 Dec 2017
Present value of unfunded schemes	–3	–3
Present value of funded schemes	–84	–90
	–87	–93
Fair value of the plan assets	78	83
Present value of net obligations	–9	–10
Other employee benefit obligations	–33	–37
Long-service award obligations	–17	–16
Total	–59	–63
Non-current portion	–40	–44
Current portion	–19	–19
Total	–59	–63

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 2018 was 118.3%, an increase of 3.1% compared to 31 December 2017. The coverage ratio of Pensioenfonds Metaal en Techniek at 31 December 2018 was 99.4%, a decrease of 2.7% compared to 31 December 2017.

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 2018 was 115.1%, an increase of 2.4% compared to 31 December 2017.

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 assets and obligations arising from defined benefit plans:

Pension scheme assets

	The Netherlands	United Kingdom	Germany	Total
Pension scheme assets on 1 January 2018	32	51	–	83
Foreign currency exchange differences	–	–1	–	–1
Return on plan assets	1	1	–	2
Employer's contribution	–	1	–	1
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	–1	–3	–	–4
Actuarial results	–1	–2	–	–3
Pension scheme assets on 31 December 2018	31	47	–	78

Pension obligation

	The Netherlands	United Kingdom	Germany	Total
Pension obligation as at 1 January 2018	–39	–51	–3	–93
Foreign currency exchange differences	–	1	–	1
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	2	2	–	4
Actuarial results	1	2	–	3
Pension obligation as at 31 December 2018	–37	–47	–3	–87

Net balance of obligation and plan assets

	The Netherlands	United Kingdom	Germany	Total
Balance of obligations and plan assets as at 31 December 2018	–6	–	–3	–9

Status of pension fund

	The Netherlands	United Kingdom	Germany	Total
Net pension obligation as at 1 January 2018	–7	–	–3	–10
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	–	–	–	–
Paid pension contributions and disbursed pensions	1	–	–	1
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2018	–6	–	–3	–9

Pension scheme assets

	The Netherlands	United Kingdom	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	United Kingdom	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	United Kingdom	Germany	Total
Balance of obligations and plan assets as at 31 December 2017	–7	–	–3	–10

Status of pension fund

	The Netherlands	United Kingdom	Germany	Total
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

The plan assets consist of:

	31 Dec 2018	31 Dec 2017
Cash and other insurance contracts	32	33
Shares	23	25
Bonds and receivables	23	25
Total	78	83

The actual return on the plan assets was €2 million in 2018 (2017: €2 million).

Expenses recognised in the income statement for defined benefit plans

2018	The Netherlands	United Kingdom	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Return on plan assets	1	1	–	2
Curtailments	–	–	–	–
Total	–	–	–	–

2017	The Netherlands	United Kingdom	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Return on plan assets	1	1	–	2
Curtailments	–	–	–	–
Total	–	–	–	–

The Group anticipates a contribution of approximately €0 million to the financed defined benefit plans in 2019.

There were no employee benefit expenses or financial result incurred in both 2018 and 2017 in relation to the defined pension benefit plans.

Actuarial assumptions

The main actuarial assumptions for 2018 were as follows:

2018	The Netherlands	United Kingdom	Germany
Discount rate	1.73%	2.80%	1.55%
Return on plan assets	1.73%	0.00%	0.00%
Future salary increases	0.00%	3.20%	0.00%
Inflation	1.00%	3.20%	2.00%

The main actuarial assumptions for 2017 were as follows:

	2017		
	The Netherlands	United Kingdom	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 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

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Present value of obligations under defined benefit plans	–87	–93	–94	–91	–93
Fair value of plan assets	78	83	89	86	86
Present value of net obligation	**–9**	**–10**	**–5**	**–5**	**–7**

Remeasurement gains/(losses)

	2018	2017
Actuarial gains and losses arising from demographic assumptions	2	–1
Actuarial gains and losses arising from changes in financial assumptions	–	–2
Return on plan assets (excluding amounts included in net interest)	1	2
Change in limit on recognition of assets	–3	–4
Total	**–**	**–5**

Expenses recognised in the income statement for defined contribution plans
The expenses recognised in the income statement for defined contribution plans in 2018 amount to €95 million (2017: €87 million). We refer to note 7.

33 Provisions for associates and joint ventures

	2018	2017
As at 1 January	**13**	37
Additions	–	–
Share in result	6	–24
Received dividends	–	–
Foreign currency exchange differences	–	–
Other movements	–	–
As at 31 December	**19**	13
Non-current portion	16	11
Current portion	3	2
Total	**19**	13

34 Other provisions

	Provisions for onerous contracts	Guarantees	Restructuring	Environ-mental and remediation costs	Other	Total
As at 1 January 2018*	–	70	7	5	47	129
Impact of change in accounting policy	121	–	–	–	–	121
Adjusted balance at 1 January 2018	121	70	7	5	47	250
Acquisitions	12	–	–	–	–	12
Addition	28	18	4	–	10	60
Withdrawal	–34	–14	–5	–	–	–53
Release	–12	–7	–3	–1	–8	–31
Interest accrual	–	1	–	–	–	1
Reclassification	12	–	–	–	–15	–3
Other movements	–	–	–	–	–	–
As at 31 December 2018	127	68	3	4	34	236
Non-current portion	61	50	–	4	23	138
Current portion	66	18	3	–	11	98
Total	127	68	3	4	34	236

* The Group has applied IFRS 15 using the modified retrospective method. Under this method the comparative information is not restated. See note 2.2.

	Guarantees	Restructuring	Environ-mental and remediation costs	Other	Total
As at 1 January 2017	80	8	4	52	144
Addition	19	9	2	18	48
Withdrawal	–9	–9	–	–8	–26
Release	–21	–1	–1	–17	–40
Interest accrual	1	–	–	–	1
Other movements	–	–	–	2	2
As at 31 December 2017	70	7	5	47	129
Non-current portion	53	2	5	29	89
Current portion	17	5	–	18	40
Total	70	7	5	47	129

The provision for onerous contracts mainly relates to construction contracts for which it is probable that the estimated costs to complete the project will exceed the estimated consideration to be received for completing the project. The amount of the provision is based on the total amount of the estimated project loss, less the loss recognised to date, based on the progress of the project.

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 has been discounted at a rate of 2% (2017: 2%).

35 Trade and other payables

	31 Dec 2018	31 Dec 2017
Trade payables	871	878
Other creditors and accrued expenses	187	206
Taxes and social charges	174	162
Accruals and deferred income	142	118
Expected accrual on delivered projects	58	55
Holiday accrual	56	53
Advances received on projects to be started	9	8
Amounts owed to associates	11	12
Amounts owed to joint ventures	24	16
Total trade and other payables	1,532	1,508

Supply chain finance
In the Netherlands, Coöperatieve Rabobank UA has provided a supply chain finance facility of €45 million, allowing the suppliers of several operating companies access to their payments ahead of the contractual terms, reducing their need for working capital. At the balance sheet date an amount of €16 million (2017: €37 million) was used. VolkerWessels liability to the supplier continues to exist until the final payment is transferred. Given the amount and timing of cash flows and no interest is paid the liability is classified as trade payables.

36 Contingent liabilities

	31 Dec 2018	31 Dec 2017
Guarantees		
Guarantees relating to performance	547	489
Guarantees relating to credit facilities	1	1
Guarantees relating to prepayments received	4	10
Guarantees issued to clients based in North America	236	239
Total bank guarantees	788	739
Guarantees relating to performance	1,348	1,175
Guarantees relating to credit facilities	151	152
Guarantees relating to prepayments received	3	8
Total parent company guarantees	1,502	1,335

From the total bank guarantees as at 31 December 2018 an amount of €29 million (2017: €29 million) relates to joint ventures.
From the total parent company guarantees as at 31 December 2018 an amount of €49 million (2017: €51 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, surety bond or letter of credit (a 'bank guarantee') 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 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 facility has recourse against the Group. VolkerWessels strives to provide the counter-indemnities for a bank guarantee facility at the lowest possible (holding company) level to avoid cross-links between its various operating segments as much as possible.

The Group has entered into bank guarantee and surety bond facilities with various financial institutions totalling €1.6 billion at year-end 2018 (2017: €1.6 billion), including a committed syndicated guarantee facility of €150 million. The text of each bank guarantee is verified for compliance with the internal company policy for guarantees. Bank guarantees relating to credit facilities are issued typically as security for project financing granted in connection with a construction project or as security for a bank guarantee facility. Bank guarantees relating to prepayments received serve as security for advance payments made by clients in connection with 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 typically guarantees the performance and/or warranty obligations of such project company or subsidiary under a construction and/or maintenance agreement. Providing a PCG as a form of security is

carefully considered and the text of a PCG is verified for compliance with the internal company policy for guarantees. 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 2018
Lease, rental and leasehold agreements	70	53	67	61	251
(Contingent) obligation to purchase building land	68	13	4	3	88
Other	48	7	3	1	59
Total	186	73	74	65	398

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2017
Lease, rental and leasehold agreements	73	56	77	23	229
(Contingent) obligation to purchase building land	36	41	11	34	122
Other	43	3	4	1	51
Total	152	100	92	58	402

The obligations arising from lease and rental agreements relate mainly to office buildings and vehicles, based on the nominal value. Operational lease and rental expenses charged to the income statement for 2018 amount €69 million (2017: €63 million).

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 2018 amounts to €199 million (2017: €323 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 disputes, arbitrations and legal procedures. This can relate to contracts with customers on topics such as claims, design changes, variation orders, project delays and other variations, throughout the various stages of such contracts. But also in relation to discussions with governmental bodies or taxing authorities.

In accordance with the current accounting policies, the Group recognises a provision with respect to these disputes and/or proceedings if the Group has a current obligation for which an outflow of economic resources is probable and of which the amount can be estimated reliably.
The Group also has various disputes and/or legal proceedings with customers or any other third party, for which the Group expects based on a legal analysis that:
- it has no obligation; or
- it is not probable that an obligation will result in an outflow of economic resources.

For these legal proceedings, the Group does not recognise a provision.

The outcome of such disputes and/or legal proceedings and discussions is in nature uncertain and the actual outcome, when subsequently resolved in the future, may differ from the current expectations of the Group. This may have a material impact on the Group's financial position, operational result or cash flows. The Group may also enter into discussions regarding settlement of these and other proceedings in the future and may enter into settlement agreements, if it believes settlement is in the best interests of the Company.

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 categorised 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	
	2018	2017	2018	2017	2018	2017
Sales by:						
– VolkerWessels consolidated entities	138	165	10	12	244	96
– VolkerWessels joint ventures	7	–	–	–	–	3
– VolkerWessels associates	9	16	–	–	3	12
Total	154	181	10	12	247	111
Sales to:						
– Reggeborgh entities	109	124	3	11	151	104
– Joint ventures between VolkerWessels and Reggeborgh	18	18	6	–	86	3
– Reggeborgh associates	26	39	1	1	7	–
– Management Board	1	–	–	–	3	4
Total	154	181	10	12	247	111

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 €75 million (2017: €92 million);
- revenue in the Germany segment, including land and real estate completed, to Reggeborgh entities of €34 million (2017: €31 million);
- revenue in the Energy & Telecoms Infrastructure segment of €0 million (2017: €1 million).

The total commitment at year-end 2018 amounts to €151 million (2017: €104 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 €17 million (2017: €15 million);
- revenue in the Infrastructure segment of €1 million (2017: €3 million).

The total commitment at year-end 2018 amounts to €86 million (2017: €3 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 €10 million (2017: €32 million);
- revenue in the Energy & Telecoms Infrastructure segment related to maintenance of oil terminals and telecoms networks of Reggeborgh associates of €16 million (2017: €5 million);
- revenue in the Infrastructure segment of €0 million (2017: €2 million).

The total commitment at year-end 2018 amounts to €7 million (2017: €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 2018 €1.2 million (2017: €0.5 million).

The total commitment at year-end 2018 amounts to €3 million (2017: €4 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	
	2018	2017	2018	2017	2018	2017
Purchases by:						
– VolkerWessels consolidated entities	16	12	2	1	42	46
– VolkerWessels joint ventures	–	–	–	–	–	–
– VolkerWessels associates	–	–	–	–	–	–
Total	16	12	2	1	42	46
Purchases from:						
– Reggeborgh entities	7	6	1	–	33	36
– Joint ventures between VolkerWessels and Reggeborgh	–	–	–	–	–	–
– Reggeborgh associates	9	6	1	1	9	10
– Management Board	–	–	–	–	–	–
Total	16	12	2	1	42	46

Purchases from Reggeborgh entities primarily consist of:
- rent of property in several locations in the Netherlands and Germany from Reggeborgh entities of €7 million (2017: €6 million).

The total commitment at year-end 2018 amounts to €33 million (2017: €36 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 €4 million (2017: €1 million);
- delivering construction materials and services to VolkerWessels companies for an amount of €3 million (2017: €5 million);
- purchase land and a production hall for an amount of €2 million (2017: €0 million).

The total commitment at year-end 2018 amounts to €9 million (2017: €10 million) and mainly relates to the contractually agreed rent period.

Other related party transactions

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 75% in the Germany segment.

The amount of equity provided by Reggeborgh entities as at 31 December of each year was as follows:

	2018	2017
Equity provided as at 31 december		
Construction & Real Estate Development	30	21
Germany	1	–
Total	31	21

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:

	2018	2017
Project loans provided by Reggeborgh entities to joint ventures with the Construction & Real Estate Development segment		
Loans as at 1 January	6	5
Provided during the year	–	1
Repaid during the year	–2	–
Loans as at 31 December	4	6

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 2017. The outstanding amount as at 31 December 2018 is €2 million.

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

Royal 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 paid by Reggeborgh Holding BV in full in 2018. A receivable for this amount was accounted for as at 31 December 2017, refer to note 25.

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 2018 is shown below:

Amounts in thousands of euros	Base pay	Pension benefits	Short-term incentive	Termination benefits	Management participation plan	Subtotal[2]
						2018
J.A. de Ruiter (chairman)	560	155	412	–	525	1,652
J.G. van Rooijen	560	123	412	–	525	1,620
A. Vos	560	124	554	–	525	1,763
D. Boers	560	142	434	–	525	1,661
A.R. Robertson[1]	366	73	292	–	397	1,128
H.J. van der Kamp	560	150	–	560	315	1,585
Total	3,166	767	2,105	560	2,812	9,410

[1] Appointed as Member of the Management Board with effect from 3 May 2018. Compensation in table as from 3 May 2018. Base pay based on fixed FX rate EUR-GBP in April 2018.
[2] Subtotal is excluding share incentive charge. Please refer to the third table in this note on page 176.

The proposal for the remuneration for their performance in 2018 was discussed between the Remuneration Committee and the Management Board with regard to the amount and structure of their remuneration. When discussing this, attention was paid to best practice provision 3.1.2 of the Dutch Corporate Governance Code.

Mr. H.J. van der Kamp resigned as Member of the Management Board with effect from 31 August 2018. The employment of Mr. Van der Kamp terminates as per 1 March 2019 and a severance payment of one year's salary is part of the arrangement. Additionally 30,000 shares under the share incentive have been forfeited (please refer to the separate disclosure on the share incentive).

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[2]
					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.
[2] Subtotal is excluding share incentive charge. Please refer to the fourth table in this note on page 176.

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 life insurance, as determined by the Supervisory Board from time to time. The Management Board also received an expense reimbursement, as well as a company car. 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. 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 2018 payment under the STI scheme is the balanced scorecard 2018 which has been set for each individual board member. The KPI's for the balanced scorecard 2018 are 50% financially driven (operational 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 2018, 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 and the board member J.G. van Rooijen have been awarded a short-term incentive for 2018 equal to 92% of his 'at target' short term incentive (equal to 80% of the base pay) in view of the achievement of targets set for 2018.

Board member A. Vos has been awarded a short-term incentive for 2018 equal to 124% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2018.

Board member D. Boers has been awarded a short-term incentive for 2018 equal to 97% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2018.

Board member A.R. Robertson has been awarded a short-term incentive for 2018 equal to 98% of his 'at target' short term incentive as from the period after appointment as Management Board member from 3 May 2018 (equal to 80% of the annual base pay) in view of the achievement of targets set for 2018.

The balanced scorecard 2019 will follow a similar division in KPI's as the balanced scorecard 2018.

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 2018, payable in the years 2019-2021.
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 members of the Management Board have been granted shares under the share-incentive plan (referred to below) and in addition Mr. De Ruiter purchased 10,000 shares in 2018 and Mr. Van Rooijen purchased 5,000 shares in 2018. No loans or advances have been granted to members of the Management Board.

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 before May 2018, six between May 2018 and August 2018 and five as of September 2018)) with the average pay of all other employees within VolkerWessels.

The following table shows the 2018 ratio compared with the 2017 ratio:

	Management Board		Other employees	
Amounts in thousands of euros	**2018**	**2017**	**2018**	**2017**
Average number of FTEs	4.67	4.83	16,625	16,174
Employee benefit expenses[1]	7,825	8,125	1,226,196	1,160,094
Average pay	1,675	1,682	74	72

[1] Excluding employee benefit expenses for mr. H.J. van der Kamp in 2018

The pay ratio (calculated as: Average pay of Management Board / Average pay of other employees) in 2018 is 22.64 (2017: 23.36).

Supervisory Board
The remuneration paid or payable to the Supervisory Board for services is shown below:

Amounts in thousands of euros	2018	2017
J.H.M. Hommen[1]	90	58
H.M. Holterman	70	58
R.J.H.M. Kuipers	70	55
S. Hepkema[2]	70	45
D. Wessels[3]	–	55
F. Verhoeven[4]	46	–
Total	**346**	271

[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] Appointed as member of the Supervisory Board with effect from 3 May 2018.

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.

The compensation paid in 2018 includes the remuneration for Mr. Hepkema, Mr. Holterman, Mr. Hommen, Mr. Kuipers and Mr. Verhoeven (as from 3 May 2018).

No shares have been granted to the members of the Supervisory Board. As at 31 December 2018 Mr. Hommen holds 13,000 shares (31 December 2017: 5,000 shares) in the Company, which were acquired on a personal title. As at 31 December 2018 Mr. F. Verhoeven holds 5,441 shares in the Company, which were acquired on a personal title and also at 31 December 2018, Mr. S. Hepkema 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 managers to 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 November 2018, Mr. Vos has been granted 20,000 additional shares. In June 2018, Mr. Robertson was granted 35,000 additional shares as incentive for joining the Management Board on 3 May 2018. Both the 20,000 additional shares for Mr. Vos and the 35,000 additional shares for Mr. Robertson have been granted under the same conditions as the other shares being granted to the Managing Directors and are subject to a lock-up until one day after the general meeting of the Company in 2020.

In 2019, the members of the Management Board shall receive an additional 4,000 shares per person as reward for their performance in 2018.

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 2018 for the members of the Management Board and for all other participants is shown below:

	As at 1 January 2018	Granted	Vested/ Exercised	Forfeited	As at 31 December 2018
J.A. de Ruiter	70,000	–	–	–	70,000
J.G. van Rooijen	110,000	–	–20,000	–	90,000
A. Vos	110,000	20,000	–20,000	–	110,000
D. Boers	110,000	–	–20,000	–	90,000
H. van der Kamp	110,000	–	–20,000	–30,000	60,000
A.R. Robertson	15,000	35,000	–	–	50,000
Other managers	361,500	13,500	–	–7,000	368,000
Total granted shares	886,500	68,500	–80,000	–37,000	838,000

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 2018	As at 31 December 2017
Granted shares	955,000	886,500
Vested/Excercised	–80,000	–
Forfeited	–37,000	–
Reserved shares for future granting	5,000	73,500
Total number of available and granted shares	843,000	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
- 2018 weighted share price at actual grant date for other managers (in €) 18.68
- 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 2018, a total amount for the share incentive plan (including other managers) of €6.2 million was charged to the income statement.
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 summarised 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	850	738	239	2,518
D. Boers	691	834	542	174	2,241
A.R. Robertson	–	195	389	130	714
H. van der Kamp	691	511	343	99	1,644
Total	3,054	3,688	3,018	990	10,750

The total charge to the income statement in 2018 in respect of the Management Board for the remuneration as well as the share incentive is summarised in the table below:

Amounts in thousands of euros	Remuneration subtotal	Share incentive	Total
J.A. de Ruiter	1,652	464	2,116
J.G. van Rooijen	1,620	834	2,454
A. Vos	1,763	850	2,613
D. Boers	1,661	834	2,495
A.R. Robertson	1,128	195	1,323
H. van der Kamp	1,585	511	2,096
Total	9,410	3,688	13,098

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 summarised 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 Financial instruments

The Group recognises financial risk factors with respect to liquidity, currency and interest rates. 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 the exposure to public sector organisations, there were no significant concentrations of credit risk as at 31 December 2018. 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.

Impairment of financial assets

The Group has several types of financial assets that are measured at amortised costs and therefore subject to the expected credit loss model of IFRS 9. While all assets included in the table below are subject to this ECL model, the identified impairment loss for non-current receivables, contract assets, other receivables and cash and cash equivalents was immaterial.

As aforementioned the credit risk on VolkerWessels' assets is low as a high portion of the non-current and other receivables are from public sector organisations or the receivables are to finance property development projects for which securities have been provided by the counterparties.

The contract assets relate to unbilled work in progress and are therefore all not yet due. Based on the expected credit loss for trade receivables not yet due,
the expected credit loss for these assets is considered immaterial.

	31 Dec 2018	31 Dec 2017
Assets subject to credit risk		
Non-current receivables	107	85
Contract assets	579	–
Trade receivables	620	622
Other receivables	366	345
Cash and cash equivalents	467	494
Total	2,139	1,546

Trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. On that basis, the provision was determined as follows for trade receivables:

	31 December 2018		31 December 2017	
	Gross	Provision	Gross	Provision
Not yet due	446	–1	468	–
Overdue 1 to 60 days	131	–	119	–1
Overdue 61 to 180 days	24	–1	26	–1
Overdue 181 days to one year	14	–1	4	–1
More than one year	19	–11	22	–14
Total	634	–14	639	–17

Trade receivables are written off (provisions used) when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The changes in the provision for doubtful debts relating to receivables during the year were as follows:

	2018	2017
As at 1 January	17	14
Provisions made during the financial year	–	5
Provisions used during the financial year	–4	–2
Release of provision during the year	–1	–
Other movements	2	–
As at 31 December	14	17

Liquidity risk
Liquidity risk is the risk that the Group 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.

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 surety bonding facilities with several banks and other financial institutions in order to satisfy client requirements in respect of providing bank guarantees and surety bonds.

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2018:

	31 Dec 2018 Carrying amount	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Loans (including current)	61	62	16	13	5	14	14
Derivatives (including current)	2	2	–	–	–	2	–
Financial lease obligations (including current)	16	16	3	2	3	7	1
Bank overdrafts	22	22	22	–	–	–	–
Trade and other payables	1,532	1,532	1,389	143	–	–	–
Total	1,633	1,634	1,430	158	8	23	15

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2017:

	31 Dec 2017 Carrying amount	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

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 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	
	2018	2017	2018	2017
GBP	1.13	1.14	1.12	1.13
CAD	0.65	0.68	0.64	0.66

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
2018				
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–9	–1	9	1

	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
2017				
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–10	–1	10	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 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 2018	31 Dec 2017
Non-current receivables from associates and joint ventures	62	46
Non-current receivables from third parties	31	19
Financial lease obligations	–16	–33
Total	77	32

Instruments with a variable interest rate

	31 Dec 2018	31 Dec 2017
Non-current receivables from associates and joint ventures	9	5
Non-current receivables from third parties	5	15
Other financing obligations	–61	–154
Cash and cash equivalents	467	494
Bank overdrafts	–22	–10
Total	398	350

Sensitivity analysis

The fair value of the instruments with a fixed and variable interest rate approximates to their carrying amount. A change of 100 basis points 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. The Group designates derivates (interest rate swaps) as cash flow hedging instruments. Therefore a change in interest rate would not affect result.

	31 December 2018			
	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	5	–5	–	–
Bank overdrafts	–	–	–	–
Sensitivity of cash flows	4	4	–	–
Instruments with a fixed interest rate				
Interest rate swaps – non-current	–	–	–3	3
Sensitivity of fair value	4	4	–3	3

	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	–	–	–	–
Sensitivity of cash flows	3	–3	–	–
Instruments with a fixed interest rate				
Interest rate swaps – non-current	–	–	–	–
Sensitivity of fair value	3	–3	–	–

Fair value of financial instruments

The table below shows the fair value of financial instruments.

	31 Dec 2018	31 Dec 2017
Hedging instruments at fair value		
Interest rate swaps	–2	–
Financial assets at amortised costs		
Non-current receivables	107	85
Contract assets	579	–
Trade and other receivables	986	967
Cash and cash equivalents	467	494
Total financial assets at amortised costs	2,139	1,546
Financial liabilities at amortised cost		
Financial lease obligations (current and non-current)	–16	–33
Committed credit facility	–	–
Other financing obligations (current and non-current)	–61	–154
Contract liabilities	–489	–
Trade and other payables	–1,532	–1,508
Bank overdrafts	–22	–10
Total financial liabilities at amortised cost	–2,120	–1,705

The carrying amount 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 described in the following paragraphs:

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 2018
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Balance
Level 1	–	–	–	–	–
Level 2	–	–	–2	–	–2
Level 3	–	–	–	–	–
Total	–	–	–2	–	–2

					31 December 2017
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Balance
Level 1	–	–	–	–	–
Level 2	–	–	–	–	–
Level 3	–	–	–	–	–
Total	–	–	–	–	–

40 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. These joint operations include our general partnerships in EPC contracts as part of our public private partnerships as disclosed in note 18.
Joint operations remain in place until the project is finished. The Group's share of the balance sheet and income statement of joint operations as included in our consolidation is indicated below:

	31 Dec 2018	31 Dec 2017
Assets		
Non-current assets	2	3
Current assets	184	178
Total assets	186	181
Liabilities		
Non-current liabilities	8	8
Current liabilities	260	259
Total liabilities	268	267
Net balance	–82	–86

	2018	2017
Total revenues	338	498
Total costs	–364	–529
Total net result	–26	–31

The net result includes our share in OpenIJ EPC VOF (2018: -€39 million, 2017: -€67.5 million).

41 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 2018	Other Deloitte network 2018	Total Deloitte 2018
Audit of the financial statements	3	1	4
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	3	1	4

	Deloitte Accountants BV 2017	Other Deloitte network 2017	Total Deloitte 2017
Audit of the financial statements[1]	3	1	4
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	3	1	4

[1] 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).

42 Research and development

The costs of research and development recognised in the income statement during the 2018 financial year amounted to €9 million (2017: €5 million).

43 Government grants

The subsidies received in 2018 and 2017 relate mainly to training, research and development and labour costs. The subsidies received are offset against the costs incurred.

44 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 2018		31 December 2017	
Intangible assets	1	369		369	
Participations in group companies	2	1,267		1,127	
Deferred tax assets		30		34	
Total non-current assets			1,666		1,530
Trade and other receivables		1		–	
Receivable from group companies		51		–	
Receivable from majority shareholder		–		17	
Cash and cash equivalents		–		–	
Total current assets			52		17
Total assets			1,718		1,547
Issued share capital		1		1	
Share premium reserve		1,099		1,177	
Translation reserve		–15		–12	
Hedge reserve		–4		–16	
Other legal reserves		27		4	
Other reserves		–57		–165	
Result for the year		131		135	
Total equity	3		1,182		1,124
Provisions	4	9		11	
Total non-current liabilities			9		11
Provisions	4	11		8	
Payable to group companies	5	515		390	
Other liabilities		1		14	
Total current liabilities			527		412
Total equity and liabilities			1,718		1,547

COMPANY INCOME STATEMENT

Amounts in millions of euros

	Note	2018	2018	2017	2017
Revenue			–		–
Employee benefit expenses		–15		–17	
Amortisation and impairment of intangible assets	1	–		–	
Other operating costs		–1		–	
Operating expenses			–16		–17
Operating result					–17
Financial income	7	–		–	
Financial expenses	7	–18		–13	
Net financial result			–18		–13
Share in result of group companies	2		156		157
Result before tax			122		127
Taxes			9		8
Result after tax			131		135

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General
The company financial statements form part of the financial statements 2018 of Royal 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	
	2018	2017
Balance as at 1 January		
Cost	369	369
Accumulated impairments	–	–
Carrying amount	369	369
Changes		
Impairments	–	–
Other changes	–	–
Total changes	–	–
Balance as at 31 December		
Cost	369	369
Accumulated impairments	–	–
Carrying amount	369	369

2 Participations in group companies

Participations in group companies developed as follows:

	2018	2017
Balance as at 1 January	1,127	995
Investments	–	–
Share in result	156	157
Received dividends	–19	–
Foreign currency exchange differences	–3	–23
Other movements	6	–2
	1,267	1,127
To provision	–	–
Balance as at 31 December	1,267	1,127

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 28 in the consolidated financial statements.

Proposed appropriation of the result of 2018

The 2018 result attributable to shareholders of the Company amounts €131 million. Excluding the share incentive charge of €6 million the result attributable to shareholders amounts €137 million. The proposal to the General Meeting of Shareholders is that a total dividend of €84.0 million will be paid out. In November 2018 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 2019 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 employee benefits:

Employee benefits

	2018	2017
Balance as at 1 January	19	9
Addition	10	15
Release/Usage	–9	–5
Balance as at 31 December	20	19
Non-current portion	9	11
Current portion	11	8
Total	20	19

5 Payable to group companies

The amounts owed to group companies are specified as follows:

	31 Dec 2018	31 Dec 2017
Volker Wessels Stevin Financial Services BV	482	384
Other Group companies	33	6
Total	515	390

Interest is paid on debts to group companies amounting to 4% (2017: 4%).

6 Contingent liabilities

Royal VolkerWessels NV together with most of its wholly-owned domestic subsidiaries, is included in the tax group of Royal 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 Royal VolkerWessels NV.

In declarations filed with the Trade Registers, Royal VolkerWessels NV has assumed joint and several liability arising from juristic acts by a number of its Dutch subsidiaries.

Royal 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

	2018	2018	2017	2017
Financial income				
Interest income – intercompany	–		–	
Other financial income	–		–	
Total financial income		–		–
Financial expenses				
Interest expense – intercompany	–18		–13	
Other interest expense	–		–	
Total financial expenses		–18		–13
Total		–18		–13

The interest expense-intercompany in 2018 amounting to €-18 million (2017: €-13 million) relates to the interest on the payable to group company VolkerWessels Stevin Financial Services BV.

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 Royal 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, 27 February 2019

Management Board
J.A. de Ruiter
J.G. van Rooijen
A. Vos
D. Boers
A.R. Robertson

Supervisory Board
J.H.M. Hommen
H.M. Holterman
S. Hepkema
R.J.H.M. Kuipers
F.A. Verhoeven

Other information

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Supervisory Board of Royal VolkerWessels NV

Report on the audit of the financial statements 2018 included in the annual report 2018

Our opinion
We have audited the accompanying financial statements 2018 of Royal VolkerWessels NV (VolkerWessels 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 Royal VolkerWessels NV as at 31 December 2018, and of its result and its cash flows for 2018 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 Royal VolkerWessels NV as at 31 December 2018, and of its result for 2018 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 2018;
2. the following statements for 2018: 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 2018;
2. the company profit and loss account for 2018;
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 Royal VolkerWessels NV in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (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 €25 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 primary 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 €1.25 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
Royal 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 Royal VolkerWessels NV.

Our group audit mainly focused on significant group entities.

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 97% of revenues.

We have:
- used the work of other auditors when auditing the components Construction & Real Estate Development, Infrastructure, Energy & Telecoms Infrastructure, the United Kingdom, North America and Germany;
- performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, 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. The company is working on strengthening the internal control framework and the related IT environment. Depending on the maturity of the internal control environment and the related IT 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 tested the design and implementation of the relevant controls. 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 2018 audit of the financial statements we tested the design and implementation of certain selected key financial controls including controls related to segregations of duties, construction contracts, information security, manual journal entries and cash/payment related controls.

Valuation of large and more complex construction contracts

Description

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 the key audit matter was addressed in the audit

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.

For long-term contracts we performed a retrospective review to ensure consistency in the valuation applied and forecasted project results by the company.

Observation

We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (Note 6) 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

Description

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 the key audit matter was addressed in the audit
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.

Observation
We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (Note 22 and 23) 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
Description
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 the key audit matter was addressed in the audit
We tested the design and implementation of the relevant controls. Auditionally 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.

Observation
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 annual report 2018

In addition to the financial statements and our auditor's report thereon, Annual Report 2018 contain other information that consists of:
- Management Board report;
- Supervisory Board report;
- segments 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 Royal VolkerWessels NV for a three year period on June 16, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

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, 27 February 2019

Deloitte Accountants BV
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 27 February 2019 – this is the operational structure which differs from the legal structure.

Where VolkerWessels shares are not equal to 100% entities are marked with an *.

Construction & Real Estate Development (NL)

VolkerWessels Bouw & Vastgoedontwikkeling BV
D. Boers, M. den Harder, L.A.S. van der Ploeg

VolkerWessels Bouw & Vastgoedontwikkeling Nederland BV
M.H. Luchjenbroers
BMB ontwikkeling BV E.B.H. de Weijer, D.C. Ruit
Jongen Projectontwikkeling BV
Credo Integrale Planontwikkeling BV
G&S Vastgoed BV* J.F. Blackmore, M.B. Gründemann
KondorWessels Vastgoed BV W.A. Gaijmans, R.H.K. Elbersen
Kondor Wessels Projecten BV H.T.J.M. Roelofs, R.G.J. Hasselerharm, J. Quist
Loostad BV H. Driesen
SDK Vastgoed BV F.P.M. Gremmen, D.M.A.H. van de Ven
VolkerWessels Vastgoed BV M.H. Schipper, A. Vink
VolkerWessels Logistics Development BV E.J.A. Sprakel, M.R. van den Berg

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 H.J. Schoonhoven, H.A. Leenders
Bouwbedrijf Wessels Rijssen BV C.J. Knoot, P.G.M. Bekhuis
Systabo BV R.M.C. van Hoof
Veluwezoom Verkerk Bouw BV R.A. Brons
Bouwbedrijf Wessels Zeist BV J. Schellevis, E.W. Vernooij

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, 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 J.F.A.M. Corten, W.J.A.M. Martens, R.W.P.A. Quaedackers, R.H.J. Schreurs
Aannemersbedrijf Van Agtmaal BV J.A.C. Snepvangers, M.S. Robberegt
de Bonth van Hulten BV J.A.C. Snepvangers, M.S. Robberegt
Aannemersbedrijf Van der Poel BV R.M. van Pamelen, C.J.J. de Regt
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

VolkerWessels Industriële Bouw en Technische Dienstverlening BV
HOMIJ Technische Installaties BV* A. Navarrete Gelde, J.W.J. Fabri, G.L.H. Hoek, R.A.C. van Zijl
Dubotechniek Beheer BV* M.B. van den Heuvel, J.W.J. Fabri
VolkerWessels Bouw Schiphol BV A.J. van Eijk, A.J. Bok
DigiBase BV R.L. de Groot
MorgenWonen BV M. den Harder, E.J. Pot

VolkerWessels Industriële Bouw en Bouwtoelevering BV
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 H.W. Wiggers
VolkerWessels Bouwmaterieel BV K.J. Nieboer, R.G.R. Frazer

Infrastructure (NL)

Infrastructure (NL) A. Vos, M. van Aller
VolkerInfra BV G.R. Bos, R.S. Beurze, P.J. Boogaard

Civil Engineering

Van Hattum en Blankevoort BV J. Bonekamp, R. Jansen, B.G. van Katwijk
Volker Staal en Funderingen BV 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
KWS Infra BV, vestiging Leek R. van den Berg
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 F.F.P. Groot
KWS Infra BV, vestiging Zwijndrecht 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
M.J.O. Holding BV D.N. Winkel
Wilchem BV P.A.H. Ahsman

Traffic and Rail Technology

Vialis BV R.M. Wittmaekers, S.T.P.M. de Bekker

Railway Construction and Technology

VolkerRail Nederland BV J.J. Vos, P. van Gool

Equipment Management and Services

Volker Stevin Materieel BV J.H.H. Hertsenberg, A. Vos
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

Energy & Telecoms Infrastructure

Energy (NL)

Visser & Smit Hanab BV R.C.H. Koole, H. Herremans, M. Springvloed

Telecom (NL)

VolkerWessels Telecom BV W.R. van de Mast, S.H.M. Braam, J. ten Hove

Oil & Gas (NL)

Pipeline Refinery Services BV A. Stoevelaar
Oakite BV A. Stoevelaar
Workforce Nederland BV* A. Stoevelaar, E.J.F.H. Koops

Energy & Telecom (BE)

Visser & Smit Hanab NV V.E. van Esbroeck, J. Troch
VolkerWessels Telecom Belgium NV V.E. van Esbroeck, J. Troch

Other (NL)

VolkerWessels Triple S Transformations BV R. Veffer
PCH Services Group BV R.E. Kas, L.A.M. Stockmann

International markets

Germany

Kondor Wessels Holding GmbH* L.W.A. de Man, R. Richter
Kondor Wessels Bouw Berlin GmbH* M. Becker, R. Richter, L.W.A. de Man
Kondor Wessels Invest GmbH* R. Richter, L.W.A. de Man
Kondor Wessels Projektentwicklung GmbH* L.W.A. de Man
Kondor Wessels West GmbH* R. Richter, L.W.A. de Man, E. Bertarelli
Kondor Wessels Wohnen Berlin GmbH* V. Mulder, L.W.A. de Man
Kondor Wessels Dach - Bauelemente und Service GmbH* L.W.A. de Man
Kondor Wessels Planungsgesellschaft GmbH* L.W.A. de Man, D. Schöder, D. Müller, T. Hoffmann

United Kingdom

VolkerWessels UK Ltd A.R. Robertson, N.A. Connell, M.G. Woods, S.J. Cocliff, R. Coupe, R.A. Offord
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

VolkerWessels Canada Ltd. K.R. Briscoe, J.W. Vanover
Volker Stevin Contracting Ltd. K.R. Briscoe, M. Festa, W.G. Hooper, J. Wallace
Volker Stevin Highways Ltd. K.R. Briscoe, F.D. Desjarlais, M. Rijkens
H. Wilson Industries (2010) Ltd. K.R. Briscoe, W.G. Hooper, W. Holodniuk
McNally Contractors (2011) Ltd. K.R. Briscoe, F.D. Desjarlais, M. Peterson
Mainline Construction (2014) Ltd. K.R. Briscoe, G. Hooper, B. Ogston
Lakes District Maintenance Inc.* K.R. Briscoe, F.D. Desjarlais, J.W. Vanover

United States

VWS US Corp. K.R. Briscoe, M. Mills, J.W. Vanover
MidMountain Contractors Inc. K.R. Briscoe, J.W. Vanover, M. Mills, G. Lovinger

Group head office

F. van Dissel – Head of Internal Audit
E.H. van Gasteren, Director Tax Affairs
H.H. Gorrée, Director Insurance & Pension Affairs
H.W.R.A.M. Janssen, General Counsel
H. de Jong, Director Finance & Control
R. Kamphuis, Director Communication
T. Lampe, Company Secretary
I. Prins, Investor Relations Manager
B.P. Spelbos, Director Treasury & Financing
B. Verhoeven, Director Corporate Development
D.S.E.M. Wieggers, Director Human Resources
H. Zijlstra, Director Strategy

Supervisory Board

J.H.M. Hommen, Chairman
H.M. Holterman
S. Hepkema
R.J.H.M. Kuipers
F.A. Verhoeven

Management Board

J.A. de Ruiter, Chairman
J.G. van Rooijen, Chief Financial Officer
A. Vos, Chief Operating Officer, Energy & Telecoms Infrastructure (NL), Infrastructure (NL), North-America and Germany
D. Boers, Construction & Real Estate Development (NL)
A.R. Robertson, United Kingdom

Central Works Council

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

European Works Council

M. van der Sluys, Chairman

DEFINITIONS

Capital employed Group equity minus net cash position.

Current ratio The current ratio is calculated on the basis of the ratio of current assets to current liabilities (excl. current loans and other financial obligations and current provisions).

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.

Operational EBITDA Operating result before interest, tax, depreciation and impairment of tangible fixed assets and amortisation and impairment of intangible assets excluded third party results on sale of participations for real estate developments and the share incentive charge.

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.

Traditional working capital Inventories (excluding property development), contract balances (including provisions onerous contracts project losses), trade and other receivables (excluding receivables from associates and joint ventures and excluding current third party loans) less trade and other payables (excluding amounts owed to associates and joint ventures) and net taxes.

Strategic working capital Land, property development, property held for sale, associates and joint ventures (less provisions), non-current receivables from associates and joint ventures, and net receivables on participations.

Net working capital Traditional working capital and strategic working capital.

Return on capital employed (ROCE) EBIT/Capital employed.

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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