VolkerWessels

Annual report 2016

Tour de force on the A1 motorway

At 255 metres long, 17 metres wide, 55 metres high and weighing in at 8,400 tonnes, the new rail bridge at Muiderberg is one of the largest objects ever to have been moved in one piece. In the spring of 2016 the new rail bridge was transported over the A1 motorway on special trailers with a total of nearly 1,000 wheels, taking around seven hours to reach its destination. Melanie Schultz van Haegen, minister of Infrastructure and the Environment, attended and described the operation as "a tour de force with the precision of a watchmaker." Construction of the rail bridge was completed on-site before the bridge was moved into its final position after the demolition of its predecessor during the summer. The bridge, named 'Zandhazenbrug' after the nickname for residents of Muiderberg, was taken into service at the end of August. The engineering structure, which spans 2x5 motorway lanes and features the longest span in the Netherlands, is part of the extensive road expansion project between Schiphol, Amsterdam and Almere. VolkerWessels and its partners are responsible for the design, construction and 30-year maintenance of the 20-kilometre long expansions of the A1 and A6 motorways between Diemen and Almere Havendreef.

Operating companies and associates involved: Van Hattum en Blankevoort, KWS, Vialis, VolkerRail, Holland Scherm, Volker Staal en Funderingen, VolkerWessels Telecom.

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Profile, activities and markets

VolkerWessels is a leading integrated and diversified construction group and aims to operate with a "think global, act local" mind-set. VolkerWessels' operating model combines a local sales and client focus with a centralised management structure that optimises scale and expertise across its operating companies. VolkerWessels prides itself in developing local companies who are leaders in their respective sub-sectors, supported by strong governance and shared expertise. 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.

OPERATING SEGMENT	ACTIVITIES
The Netherlands **Construction & Real Estate Development**	■ Construction and renovation for residential and non-residential real estate including industrial and logistic facilities ■ Real estate development ■ In-house technical installations services capabilities ■ Industrial production and supply of construction elements, including pre-fabricated building supplies
The Netherlands **Infrastructure**	■ Road construction service and maintenance and asphalt production ■ Railway construction, services and maintenance ■ Civil engineering activities for roads, waterways and rail ■ Multi-disciplinary project management for complex projects ■ Traffic management for road and railway installations
The Netherlands **Energy & Telecom Infrastructure*** * Operations include Belgium.	■ Construction and maintenance of energy infrastructure for underground and above ground pipelines and cables for energy and water transport and production and industrial processes ■ Construction and maintenance of telecom infrastructure including fibre-optic and wireless networks
United Kingdom	■ Industrial construction and civil engineering ■ Rail construction, services and maintenance ■ Construction and maintenance of water and energy infrastructure including ports and harbour infrastructure, flood risk management, utilities and waste facilities ■ Highway and airport infrastructure construction and maintenance
North America	■ Active particularly in the Alberta and British Columbia provinces with focus on municipal road and highways maintenances and underground utilities (sewage and water construction) ■ Active in the north-west of the United States (broader Seattle area) in roadwork construction and maintenance, civil engineering (such as bridge construction and flood risk management) and underground utilities ■ Asphalt and gravel production
Germany	■ Construction for residential housing ■ Real estate development ■ Focus on selected major urban areas in Germany, in particular Berlin and North Rhine-Westphalia, Frankfurt and Munich regions

Preface

VolkerWessels' strong results over 2016 once again underline the strength and resilience of the company's operational model, which is based on local leadership positions of our operating companies. Most of our segments benefited from higher volumes and improved market conditions. This led to an increase in both revenue and EBITDA in 2016, whereby our overall EBITDA margin increased by 0.2% to 4.6% and our return on capital employed increased by 4.2% to 17.6%.

Our financial results are based on a very good mix of smaller and local projects, larger and more complex projects and selective multi-disciplinary projects. As a result of a strong cash conversion, our net cash position increased by €251 million to €189 million at year-end 2016.
Total equity, including the result for the year, increased to over €1.1 billion at year-end 2016, resulting in a solvency ratio of 31.5%.
On 13 December 2016, VolkerWessels entered into a €600 million stand-by revolving credit facility with a syndicate of international banks for a duration of 5 years.

Finally, we are very pleased that we have finished the year 2016 with a record high order book of €8,157 million.

We have six operational segments within VolkerWessels: Netherlands – Construction & Real Estate Development, Netherlands – Infrastructure, Netherlands – Energy & Telecom Infrastructure, United Kingdom, North America and Germany. All segments contributed to the net results in 2016.

The segments in the Netherlands are responsible for 71% of revenue and 67% of EBITDA in 2016. Although all three segments benefited from improving market conditions, Energy & Telecom Infrastructure realised lower EBITDA due to a higher proportion of lower-margin projects while the other two segments were able to capitalise on the improved conditions with higher margins resulting in higher EBITDA.

The United Kingdom (19% of revenue, 12% of EBITDA), North America (6% of revenue, 17% of EBITDA) and Germany (4% of revenue, 4% of EBITDA) all realised growth in 2016 on a local currency basis despite uncertainties surrounding Brexit in the United Kingdom and wild fires and extreme weather conditions in some of our markets in North America.

The numbers in this annual report are not comparable to numbers published previously by VolkerWessels. There are various reasons for this, as is explained more extensively elsewhere in this report. To comply with best practice in the market and as a result of the contemplated stock exchange listing of VolkerWessels in 2017, in 2016 we changed our reporting standard from NL GAAP to IFRS.
We divested our offshore activities in July 2016, with the operational results for 2014 and 2015 and the book profit recorded in 2016 being accounted for as discontinued operations. With the acquisition of 94.88% of Kondor Wessels Holding GmbH ("KWH") in December 2016 we added Germany as a home market. The acquisition of KWH has been treated as a transaction under common control and KWH's results have been retrospectively

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

consolidated in our results with effect from 1 January 2014. Lastly, we reorganised VolkerWessels' legal structure and included the Matex real estate portfolio.

The focus at VolkerWessels is on quality and efficiency in order to drive controlled and profitable growth. This approach has enabled us to become the market-leading contractor in the Netherlands in our selected markets and to have top-tier competitive positions in the specialist areas that our operating companies compete in internationally. Our aim is to deliver controlled profitable growth and strong shareholder returns based on three strategic pillars: (i) profitably capture attractive market opportunities, (ii) improve margins through operational excellence, and (iii) pursue strategic bolt-on acquisitions.

VolkerWessels has a long and rich history, characterised by entrepreneurship, professionalism, passion and innovative power. This is the DNA of our company and the bedrock of VolkerWessels' success.

We could never achieve these great results without our people. They make the difference. We want to thank everyone who contributed both to our strong results in 2016 and to making VolkerWessels the company we know today through their effort, energy and devotion.

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

VolkerWessels at a glance

Important developments in 2016

	Net result continuing operations	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order book	Revenue
2016	€103 million	€254 million	4.6% million	17.6%	31.5%	€189 million	€8,157 million	€5,490 million
Increase	21%	9%	20 bps	420 bps	700 bps	251 million	6%	3%
2015	€85* million	€234* million	4.4%*	13.4%*	24.5%	–€62 million	€7,712 million	€5,318 million

* 2015 EBITDA, net result from continuing operations and ROCE excludes the positive impact of a €12 million fail value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV; this is also excluded in the calculation of the 2015 EBITDA margin.

Three-year summary

INCOME STATEMENT

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

	2016	2015	2014
Revenue	5,490	5,318	5,000
EBITDA	254	234	223
Fair value adjustment	–	12 [1]	–
EBITDA including fair value adjustment	254	246	223
Depreciation and impairment of tangible fixed assets	–73	–77	–74
Amortisation and impairments of tangible assets	–16	–9	–12
Operating result after amortisation (EBIT)	165	160	137
Financial income and expenses	–26	–33	–77
Result before tax	139	127	60
Income tax	–36	–30	–17
Result from continuing operations	103	97	43
Result from discontinued operations (after tax)	38	16	18
Result for the financial year	141	113	61
Attributable to:			
Shareholders of the Company	139	107	60
Minority interest	2	6	1
Result for the financial year	141	113	61

[1] Represents a fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV.

For definitions of the key figures detailed above, please see the Definitions on page 155.

Three-year summary

STATEMENT OF FINANCIAL POSITION

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

	31 December 2016	31 December 2015	31 December 2014
Tangible fixed assets	488	550	562
Intangible fixed assets	432	463	447
Financial fixed assets	300	336	355
Total non-current assets	1,220	1,349	1,364
Inventories/work in progress	697	786	671
Land/property for sale, receivables and prepayments and accruals	1,253	1,271	1,323
Cash and cash equivalents	412	407	309
Total assets	3,582	3,813	3,667
Equity attributable to owners of the company	1,116	426	–78
Minority interests	12	11	10
Total equity	1,128	437	– 68
Provisions (current and non-current)	283	269	243
Long-term liabilities (current and non-current)	197	917	1,465
Bank overdrafts	26	50	69
Other current liabilities	1,948	2,139	1,958
Total equity and liabilities	3,582	3,813	3,667
Ratios			
Current ratio	1.21	1.15	1.18
Solvency	31.5%	24.5%	21.9%
EBITDA as % of revenue	4.6%	4.4% [2]	4.5%
Net profit as % of revenue	2.5%	2.1%	1.2%
Tax rate	25.6%	23.5%	28.2%
ROCE	17.6%	14.5% [3]	11.8%
Other information			
Orderbook	8,157	7,712	6,722
Average number of employees	15,785	15,487	15,245
Free cash flow	216	156	40
Net working capital (continuing operations)	136	208	192
Net cash position (–=debt)	189	– 62	–244

[2] The fair value adjustment is excluded in the calculation of the 2015 EBITDA margin.

[3] Includes 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. Excluding this adjustment, ROCE in 2015 is 13.4%.

Three-year summary

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

	2016	2015	2014
Revenue			
Construction and Real Estate Development (the Netherlands)	1,946	1,747	1,494
Infrastructure (the Netherlands)	1,371	1,378	1,492
Energy & Telecom Infrastructure (the Netherlands)	649	590	662
VolkerWessels United Kingdom	1,071	1,174	926
VolkerWessels North America	317	301	295
VolkerWessels Germany	207	214	221
Other/eliminations	–71	–86	–90
Total revenue	5,490	5,318	5,000
EBITDA			
Construction and Real Estate Development (the Netherlands)	79	53 [4]	36
Infrastructure (the Netherlands)	73	70	51
Energy & Telecom Infrastructure (the Netherlands)	31	34	44
VolkerWessels United Kingdom	34	35	24
VolkerWessels North America	46	46	46
VolkerWessels Germany	12	10	17
Other/eliminations	–21	–14	5
Total EBITDA	254	234 [4]	223
Orderbook			
Construction and Real Estate Development (the Netherlands)	2,737	2,514	2,030
Infrastructure (the Netherlands)	1,562	1,451	1,356
Energy & Telecom Infrastructure (the Netherlands)	1,151	1,378	876
VolkerWessels United Kingdom	1,176	1,222	1,252
VolkerWessels North America	886	796	891
VolkerWessels Germany	667	351	402
Other/eliminations	–22	–	–85
Total orderbook	8,157	7,712	6,722

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

Composition of the Supervisory Board and the Management Board

Supervisory Board

H.M. (Henry) Holterman (1955)

Chairman of the Supervisory Board [5]

- **Nationality** Dutch
- **Appointed** 17 January 2017 (current term expires on the date of the annual general meeting to be held in the year 2021).
- **Committees** audit committee (chairman), selection and appointment committee.
- **Other and previous positions** member of the Management Board of Reggeborgh Bestuur BV and supervisory board member at Varo Energy BV and at Tivo Exploitaties BV.

[5] Mr. Holterman shall become Vice-chairman upon appointment of Mr. Hommen

R.J.H.M. (René) Kuipers (1960)

- **Nationality** Dutch
- **Appointed** 17 January 2017 (current term expires on the date of the annual general meeting to be held in the year 2020).
- **Committees** remuneration committee (chairman) and audit committee.
- **Other and previous positions** director of Reggeborgh Invest BV since May 2015 and supervisory board member at Argos Group Holding BV. Mr. Kuipers was the shareholder and director of Norit NV. Currently, he is the owner and director of a firm that invests in equity and real estate.

D. (Dik) Wessels (1946)

- **Nationality** Dutch
- **Appointed** 17 January 2017 (current term expires on the date of the annual general meeting to be held in the year 2019).
- **Committees** selection and appointment committee.
- **Other and previous positions** member of the Management Board of Reggeborgh Bestuur BV, supervisory directorships with Meatpoint BV, Robusto BV, W. Wessels Rijssen BV and Voortman Steel Group BV. Prior to joining the Supervisory Board, Mr. Wessels was a member of VolkerWessels' Management Board.

As part of the contemplated stock exchange listing of VolkerWessels in 2017, as of the first date of trading of VolkerWessels shares on the stock exchange, the Supervisory Board shall be extended with the following two independent Supervisory Board Members

J.H.M. (Jan) Hommen (1943)

Chairman of the Supervisory Board

- **Nationality** Dutch
- **Appointment** 2017 (appointment expires on the date of the annual general meeting to be held in the year 2020).
- **Committees** selection and appointment committee (chairman), audit committee and remuneration committee.
- **Other and previous positions** Mr. Hommen holds supervisory memberships at Koninklijke Ahold Delhaize NV as vice-chairman and Brabantse Ontwikkelings Maatschappij Holding BV as chairman. Mr. Hommen is furthermore chairman of the board of governors of Tilburg University and adviser of Advent International BV. Mr. Hommen has served as CEO of ING Group and CEO of KPMG (Netherlands).

S. (Sietze) Hepkema (1953)

- **Nationality** Dutch
- **Appointment** 2017 (appointment expires on the date of the annual general meeting 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 member of the management board at 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 also holds supervisory directorships at Wavin NV and SBM Offshore NV. He is a member of the Dutch Monitoring Committee Corporate Governance Code.

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 Varo Energy BV, bunq.com, Stichting de Nieuwe Poort Amsterdam and Goethe Fiber S.a.r.l., which last position he will resign from after the contemplated listing.
  Mr. De Ruiter was an adviser to Reggeborgh Invest BV and prior to joining VolkerWessels, Mr. De Ruiter was chairman of the board of RBS NV and Country Executive Netherlands for the RBS Group, Global Head of M&A and ECM for ABN AMRO Bank NV and joint chief executive officer of ABN AMRO Rothschild.

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

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

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

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

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

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

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

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

Strategic objectives and results

Strategic objectives and results

Strategy

The focus at VolkerWessels is on quality and efficiency to drive controlled and profitable growth. This approach has enabled VolkerWessels to become the market leading contractor in terms of revenue in the Netherlands in its selected markets and to have top-tier competitive positions in the specialist areas that its operating companies compete in internationally. VolkerWessels' aim is to deliver controlled profitable growth and strong shareholder return based on the following three pillars: (i) profitably capture attractive market opportunities, (ii) improve margins through operational excellence, and (iii) pursue strategic bolt-on acquisitions. VolkerWessels aims to achieve these objectives by providing its customers with optimum services and solutions, relying on a skilled workforce and making sustainability, integrity and safety top priorities in its operations.

Profitably capture attractive market opportunities
VolkerWessels has grown sustainably in the recent years and over that period its profitability has been driven by the strength of its decentralised operating model and its centralised risk management processes. VolkerWessels considers that growing its profitability and cash returns rather than revenue will be a key factor for creating value for its shareholders.
VolkerWessels' decentralised operating model is a key element of sustained growth and profitability. VolkerWessels' risk management and governance processes ensure that its operating companies maintain a disciplined approach when undertaking projects that is based on prudent budgeting and project selection. By having a local focus through its operating companies, VolkerWessels' directors and employees can respond swiftly to market developments and are able to work closely with its clients on their projects, increasing its understanding of their overall business needs, as well as the technical requirements of their specific projects. Combining this focus with VolkerWessels' centralised management structures and the ability to share client insights across the divisions and operating companies of its segments, VolkerWessels believes that its operating model is able to provide a strong basis to capture local market opportunities.

VolkerWessels aims to pursue 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 and real estate market as well as its strategic land bank opportunities. In addition, VolkerWessels is pursuing opportunities to develop its UK and North America operations to match increasing infrastructure investments.

VolkerWessels considers that its ability to offer local level services that benefit from its centralised management and ability to offer innovative solutions will enable it to continue to be competitive in the market. VolkerWessels' operating model provides it with the local opportunities and the shared expertise to market the project services that its clients are expected to need in the pre-design phase, such as planning or innovative solutions for projects; in the design phase, such as project coordination across its range of services; and in the construction phases, including operations and maintenance services.

As VolkerWessels has done in the past, VolkerWessels will continue to focus on a balanced portfolio of small projects that form the core of its operations and large projects, where prudent risk management and budgeting will continue to underline its project selection process.

Further improvement of VolkerWessels' margins through operational excellence
Operational excellence is about working better, smarter and/or more effectively for VolkerWessels' customers and encompasses two aspects: quality and efficiency. VolkerWessels considers that effective, efficient and disciplined management of projects, costs and risks to be crucial and VolkerWessels strives to ensure that its operational excellence programmes are a shared vision for each of its operating companies as a key part of limiting failure costs.

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 its margins. These efficiency initiatives are centred around (i) the further optimisation of procurement, such as the clarification and standardisation of processes, definitions, numbers, lead times, plans and service level agreements and the central coordination of procurement; (ii) the reduction of selling, general and administration (SG&A) expenses in proportion to VolkerWessels' projects and project size; and (iii) the use of innovative technologies and concepts by VolkerWessels' operating companies as part of its focus on risk management, process improvement and project efficiency, such as the acceleration of its Building Information Modelling (BIM), which enables the integrated information collection and analysis of all stakeholders in a project.

From the tendering phase to the delivery and operation of a project, sound risk and project management are crucial in order to avoid project delays and cost overruns. VolkerWessels therefore invests continually and intensively in expertise as well as tools for improving the monitoring and analysis of margins, costs and profitability and improving the professionalism of its people through training programmes and sharing knowledge through various platforms.

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 they should be a good fit with the VolkerWessels philosophy and corporate culture, strengthen its local and regional capabilities and contribute towards its strategic priorities. To meet these principles, potential acquisitions must have a substantial local market share, growth opportunities, and a broad position in the value chain. Whilst business acquisitions are not a specific

medium-term objective, VolkerWessels believes that its capital position gives the Company the ability to engage in selected bolt-on acquisitions, under suitable market conditions, in order to realise additional growth.

When VolkerWessels reviews acquisition targets, VolkerWessels is conscious of the effect each acquisition may have on expanding its current client base and enhancing its offering to existing clients. VolkerWessels favours acquisitions that allow it to (i) strengthen VolkerWessels' current local and regional capabilities, enhancing the range of services that VolkerWessels provides to existing clients, and (ii) broaden the VolkerWessels' portfolio and capabilities with niche players and specialist services in its current market segments. VolkerWessels' model for acquisitions is generally to leave existing managers in place, align the finance function with the VolkerWessels operating model and incentivise them for future success through appropriate incentive schemes and/or earn-out arrangements. By focusing on acquiring local leaders in the markets in which VolkerWessels operates and adding to its existing capabilities, VolkerWessels' aim is to support long-term strategic positions.

VolkerWessels' results for 2016

General

VolkerWessels once again realised strong results in 2016. Most of our segments benefited from higher volumes and improved market conditions, leading to an increase in both revenue and EBITDA in 2016, whereby our overall EBITDA margin increased by 0.2% to 4.4%[6]. The 2016 net result from continuing operations amounted to €103 million, which represents a 21% increase as compared to the adjusted 2015 figure of €85 million. This excludes a positive impact of €12 million in 2015, relating to the fair value adjustment as a result of the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV.

Our solid 2016 financial results are based on a very good mix of smaller and local projects, larger and more complex projects and selective multi-disciplinary projects. Results were positive in all our segments, despite the impact of an unfavourable exchange rate development with respect to our UK activities and delays in the execution of projects as a result of the wildfires in Fort McMurray (Alberta, Canada). The good performance in 2016 was the result of operational and financial discipline, with a strong focus on margins and cost control.

In the Construction & Real Estate Development segment we are seeing market recovery. This positive development has led to an increase in volumes and returns in this segment. In the infrastructure market in the Netherlands market conditions for larger scale projects remained challenging as a result of intense competition. Despite these challenging market conditions, we realised a good improvement in results due to focus on smaller scale projects sourced through our decentralised operating model. Volume in the energy and telecoms infrastructure market increased in 2016 compared with 2015. The margin shrank slightly due to a higher

HIGHLIGHTED

GREEN ENERGY FROM VOLKERWIND

When it comes to truly renewable energy, you can't beat wind turbines. On top of which VolkerWind is unsurpassed when it comes to installing onshore turbines. It does so in close cooperation with the client, as was the case with the Nijmegen-Betuwe wind farm, which was realised alongside the A15 motorway in 2016. The initiative saw 1,013 residents joining forces with the Wiek-II foundation. The wind for registration proved favourable, with all the shares in the wind farm selling out in a short space of time. VolkerWind designed and realised the Balance of Plant, i.e. all the groundwork for the turbines, such as access roads, foundation, cabling and connection to the grid. It goes without saying that we ran a sustainable construction site: we used sustainable and low-energy materials, hybrid power generators running on solar cells rather than a diesel generator, and recycled concrete. Wind turbines weigh around 380 tonnes, so they need to have strong foundations: prior to installation 28 piles had to be driven into the ground to secure each of the turbines, which were supplied by Lagerwey. On 9 December the four turbines, which will supply clean energy to 7,000 households, were handed over to the WindPower Nijmegen cooperative in a festive ceremony. The Nijmegen-Betuwe wind farm demonstrates the power of cooperation and what the possibilities are when all the expertise from the various disciplines is provided under one roof: VolkerWind.

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

proportion of lower margin contracts. Volume and revenue in local currency increased further in our UK segment, primarily through a growth in the rail and water markets.
In Alberta, market conditions are challenging due to low oil and gas prices. Through shifting its client mix towards a greater proportion of public sector clients and maintaining operational discipline, VolkerWessels sustained margins in line with historic levels, although unusual project delays occurred due to extensive wild fires in Fort McMurray. In the US, we benefited from the growth in the Seattle region.

Revenue in 2016 increased by 3%, or €172 million, to €5,490 million as compared to €5,318 million in the prior year, principally driven by increased revenue in the Netherlands – Construction & Real Estate Development segment, as well as higher volumes in the Netherlands – Energy & Telecom Infrastructure segment. Revenue in the Netherlands – Construction & Real Estate Development segment increased as a result of higher volumes due to improved market conditions and a €79 million impact as a result of an increased participation interest in the North-South subway line project in Amsterdam. The revenue increase in 2016 was partially offset by decreased revenue from the UK segment due to a negative GBP:EUR exchange rate impact.

The order book for VolkerWessels as of year-end 2016 amounted to €8,157 million, which was an increase of approximately 5.8% from the order book level as of year-end 2015 (year-end 2015: €7,712 million). The solid growth of the order book was a result of a number of factors including a better pipeline of work in the Netherlands – Construction & Real Estate Development segment, new rail contracts in the Netherlands – Infrastructure segment and new orders of KWH in 2016.
We take a cautious approach to accounting our order book by only including signed contracts and, for framework contracts, only including work packages agreed with our clients.

Our expectations for the medium-term are positive. We are continuing to focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and innovation and our solid financial position.

For information on developments in individual segments, please refer to the sector reports.

EBITDA margin
In 2016 the EBITDA margin (€254 million in absolute terms) increased slightly to 4.6% compared with 4.4%[6] for 2015 (€234 million in absolute terms). It remains our aim to further improve our margin over the next few years by continuing to focus on profit rather than volume. We believe that our operational excellence initiatives, including the focus on continually improving and optimising our risk management processes, will enable us to improve our margins further.

Return On Capital Employed (ROCE)
ROCE increased from 13,4%[6] in 2015 to 17,6% in 2016, which was mainly driven by profit growth and a decrease in net working capital.

Solvency and net debt position
VolkerWessels believes that it has a solid capital structure in place, with a solvency ratio of 31,5% at year end 2016 (24,5%[7] at year-end 2015; 21,9%[7] at year-end 2014), which is combined with a strong focus on cash generation.

In December 2016, all remaining shareholder loans were converted into equity.
The proposal to the General Meeting of Shareholders is that a total dividend of €83 million will be paid in 2017 in relation to the financial year 2016. This is equal to €1,04[8] profit per share and 60% of the net profit per share in 2016.

Investments in our continuing activities in the past year were slightly higher than in 2015 (2016: €70 million, compared with €65 million in 2015). Investments in 2016 related predominantly to equipment and facility investments in owned construction supply manufacturers in the Netherlands – Construction & Real Estate Development segment and capacity expansion investments in the North America segment.

On 21 March 2016, VolkerWessels acquired Lakes District Maintenance Ltd, headquartered in British Columbia, Canada. Lakes District Maintenance Ltd is a specialist construction and highways maintenance company that has been in operation for the past 27 years. The acquisition allows the North America business to further develop its roads infrastructure activities in Western Canada by adding a successful local company that holds several road maintenance contracts with the Province of British Columbia.

We ensure that there is always ample liquidity present to meet our payment obligations and satisfy bank covenants. In December 2016, we entered into a €600 million revolving credit facility which can be used for general corporate and working capital purposes. Over the last few years, our focus on cash flow and working capital has enabled us to realise a strong improvement in liquidity. Our net debt position improved by €251 million resulting in a net cash position of €189 million as of year-end 2016. This improvement is the result of the cash flow generated by our operations, the sale of our offshore activities in July 2016 and a decrease in net working capital positions and increasing net result.

The covenants in respect of our bank overdraft facilities were comfortably met as at 31 December 2016.

6 2015 EBITDA and ROCE excludes the positive impact of €12 million in connection with the fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV; this is also excluded in the calculation of the 2015 EBITDA margin.

7 Solvency calculated based on equity including subordinated shareholders loans at year-end 2015 and 2014.

8 In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding during the year which amounts to 4,941,713 shares. As a result of the share issuance as at 21 December 2016, the total number of shares outstanding increased to 80,000,000 as at 31 December 2016. Because the additional shares issued are only included in the weighted average number of shares for a limited period, the amounts of the earnings per share for 2016 do not have a predictive value for next year.

The best people
Our people are the foundation upon which our business and our strategy rest. The quality of our employees lies at the very heart of our success. They make the difference and we strive to recruit, train and retain the best people.

The success of VolkerWessels' business is based on attracting and retaining personnel, including engineers, project management, employees with relevant technical skills and corporate management professionals in VolkerWessels' chosen markets, who have the necessary and required experience and expertise.

Our companies operate with a relatively high degree of autonomy in order to foster an entrepreneurial culture and local ownership involvement. We believe that VolkerWessels' employees have a strong connection with the company they work for and with local stakeholders and clients.
VolkerWessels considers that the local presence means that the managers and employees of its subsidiaries have a strong sense of responsibility for their financial performance and also stimulates (technological) innovation and fresh approaches to the market and society.

VolkerWessels places great emphasis on deep client and project involvement of its regional and divisional management teams, concentrated around experienced local management of operating companies.
Through our activities, we make a positive contribution to our employees, the market, the environment and society at large. This requires that our professionals possess not only specialist knowledge, but also entrepreneurship, a broad view of society and the ability to work with partners in the value chain. Boasting the best people, we are able to make the difference, particularly in fast-changing markets.
If we are succesfull to understand our customers' requirements, we can perform better in the market. This calls for a different mindset than that of a conventional builder, because it is becoming increasingly important to display superior knowledge. We must therefore understand how to inspire and retain talent in our organisation. It remains a challenge to find and win the loyalty of good (professional) people. Therefore investing in our own staff therefore has high priority. Career planning ranks high on our agenda, reflecting our firm belief that good (local) management is a key success factor in the market. To that end we have drawn up a leadership profile, in which one of the key factors is a well-developed sense of entrepreneurship. With regard to developing their leadership, we also expect our current and future managers to have a firm grasp of our Building Smarter Together approach, in which we strive for continuous process improvement, fed by ideas put forward by people throughout the organisation. In our training programmes, a great deal of attention is devoted to these working methods, in order to increase knowledge.

In order to continue to retain our directors, members of the Management Board and other key employees at VolkerWessels, a management participation plan is in place, under which a total of around 150 VolkerWessels employees have the opportunity to invest in a profit-sharing loan. The related scheme stimulates long-term profit growth.

Privacy policy
In 2016 VolkerWessels continued to work internally on identifying and making the changes that are necessary in connection with current and future European and national privacy legislation. An (external) privacy consultant has been appointed as subject matter expert and programme manager to support this process. The policy and implementation measures are being prepared by a number of working groups composed of staff from various operating companies and disciplines within the group. The broad composition of the working groups will contribute towards building and cementing support for and acceptance of the privacy structure within the various clusters and operating companies.

In 2017 we will further enhance awareness among staff and prepare the organisation.
A communications programme will ensure that from the end of 2017 all employees and all other parties involved will be informed in detail about privacy legislation and the measures and processes implemented and to be implemented at VolkerWessels. The aim is to be working and be able to work in accordance with the requirements of the European General Data Protection Regulation from April 2018. In anticipation of this, the company's Data Leaks hotline became operational on 1 March 2016 and all staff was informed about the existence of the hotline and how it works.

Volker Stevin Canada has begun construction on Calgary's newest office building: TELUS Sky.

Operating companies and associates involved:
Volker Stevin Contracting Ltd.

Central Works Council / European Works council
We continued to hold constructive talks with the Central Works Council (COR) and the European Works Council (EOR) in 2016. Besides the usual subjects, the topics discussed in 2016 with the COR included the introduction of the new employee pension scheme, the intra-group corporate re-allocation of the international activities, dismantling extra free days for older employees, the car lease agreement, social plan, the Offshore strategy and the disposal of the offshore activities to Boskalis, the financing policy of the group and of its new 5 year standby revolving credit facility and its new committed guarantee facility in particular, and the impact of the new privacy legislation. Besides the topics on the standard agenda, such as the developments in the European businesses, discussions with the EOR included the revision of the code of conduct, new legislation regarding data leaks, the policy aimed at improving the safety of employees and co-determination / participation in Belgium.

Average number of employees

	2016	2015
Construction & Real Estate Development	3,627	3,478
Infrastructure	4,900	4,890
Energy & Telecom Infrastructure	2,819	2,955
United Kingdom	2,590	2,440
North America	1,223	1,082
Germany	334	333
Other	292	309
Total	15,785	15,487

We expect no major changes in our total average number of employees in 2017.

Health management
The Board of Management and the senior management of VolkerWessels' segments is committed to reviewing and improving the overall health and safety performance of the operating companies in each of the countries and regions in which VolkerWessels' companies are active.

In 2016, we continued our efforts to reduce long-term sickness absence and thereby limit the intake of employees for benefits under the Resumption of Work (Partially Disabled Persons) Regulations (WGA). This health management approach entails more intensive support for employees on sick leave, including long-term sick leave, focusing on what the employee concerned is capable of doing rather than on his or her limitations.
In addition, our 'Be Alert! Safety First!' or (in Dutch) 'Wees Alert! Veiligheid Eerst!' (WAVE) safety campaign seeks to limit long-term sickness absence. The general rate of sickness absence in the Netherlands is stable at 3,9% (2015: 3,9%).

ZuiverWonen is a housing concept based on bio-based materials, energy surpluses and healthy living. Thanks to their 87%-circular construction these energy-positive homes generate more electricity than they consume. With the introduction of ZuiverWonen VolkerWessels is setting a new standard in quality of life.

Operating companies and associates involved: VolkerWessels Vastgoed, IBB Kondor.

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, in the boardroom or by the concrete mixer. They are our licence to operate.

Safety

Creating and safeguarding a culture in which working safely is taken for granted is an ongoing process. We have set objectives that we want to meet by 2020. We see safety as one of our core values that is reflected in the way our employees act and feel. That feeling is key because a safety culture means that all employees should not only be aware of their own need to work safely, but also feel comfortable raising the issue with others. That way everyone is responsible for their own and each other's safety, alert to danger and works methodically to prevent incidents. This shared responsibility is steadily permeating every level at all VolkerWessels companies.

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. The 2016 Safety Day was dedicated to traffic safety. We were proud to see that almost every building site, workshop and office was actively involved, with useful suggestions for improvement made. Three suggestions have already been turned into focus points for the entire VolkerWessels organisation: building sites and office locations will be organised with traffic safety in mind; good traffic behaviour should be rewarded and damage and fines must be discussed with line managers; and using a mobile phone behind the wheel is completely unacceptable.

The fact that accidents with serious injury and a fatal accident occurred in 2016 prove that we still have room for improvement.
We profoundly regret these accidents and intend to learn from them. Trained research specialists are helping to investigate the causes of these serious accidents and we have already taken specific measures. Changes have been made to the way we transport and store concrete elements, there must be full 360-degree vision around machinery, and radio ear protectors have been banned.

The central registration of accidents enhances insights and contributes to safety at work. The revamped WAVE app is being launched across VolkerWessels to enable staff to report accidents, near misses and unsafe situations. This will make monitoring easier. At the same time we will assess the impact of our measures and alerts as that is the only way to constantly improve our safety culture and move up our Safety Ladder. All sectors have now piloted the Safety Ladder, with five companies reaching level 3 and one company already at level 4.

Because we believe safety in the workplace is relevant to the entire chain we also get our subcontractors and suppliers involved.
We expect the same commitment to safety from them as we do from our own people. This is not always straightforward and requires attention. Needless to say, we attach increasing importance to this value when entering into contracts.

Integrity

Integrity is a prerequisite for doing business and this core value is therefore just as important to VolkerWessels as safety and sustainability. We expect everyone at all group levels and every company to show integrity and professionalism in the workplace. This requires constant attention so we updated our Code of Conduct in 2016, mainly to make it more personal and accessible.

Working with integrity also means being able to report misconduct by employees, such as instances of discrimination or unethical behaviour. Clients, suppliers and subcontractors can report possible incidents of misconduct to the Company's Confidential Line or to compliance officers. There were 39 reported incidents in 2016 which resulted in 11 dismissals and 11 warnings. Most cases involved genuine questions of integrity. Even though the incident rate at VolkerWessels is lower than at many companies in our sector in other countries, we realise that we must stay alert to this issue at all times.

We seek to make this alertness tangible, for example through an e-learning course on what acting with integrity means in practice and information on the subject provided by managers. This applies to both new and existing employees at VolkerWessels.

We also expect our chain partners to act with integrity. Subcontractors are required to sign our Code of Conduct and the Guiding Principles for Commissioning Construction Companies, which we drew up in collaboration with six other major Dutch construction companies. In order to get a tighter grip on integrity in a broader context and to enhance our understanding of integrity both in the chain and at our own companies, we have signed up to the United Nations Global Compact and the Global Compact Network Netherlands.

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 the quality of life.

We aim to take another step towards the 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. Good examples of this include the ZuiverWonen concept, in which house design is based on recycling and green living, and the Finch Buildings living module with its use of natural and cradle-to-cradle materials. The starting point is a demountable design that facilitates the reuse of materials. We also encourage suppliers to take back surplus materials wherever possible. All these paths lead to the circular way of building.
To approach this in the broadest possible way in early 2017 we joined the Dutch federal government and other companies in signing the National Raw Materials Agreement, which enshrines commitments regarding the use of

HIGHLIGHTED

THE BOUWHUB

Trucks on their way to a construction site are often less than half full. There's got to be a better way, thought VolkerWessels. And so for the Trip project in Utrecht city centre we set up the BouwHub, four kilometres away. Every day fully loaded trucks took the materials needed that day to the Trip, and the same trucks brought any materials that were not needed for a while along with any waste back with them to the BouwHub. This drastically reduced carbon and nitrogen emissions as well as the number of kilometres driven in town by HGVs, thus also reducing the impact on traffic flow and air quality. Prefabrication could also be done at the Hub. Employees parked their cars there and took shuttle buses to the building site. Research was conducted into the average load factor of the trucks, the number of kilometres driven, the number of waiting hours and labour productivity. The data have been analysed by technical research institute TNO and the results are promising. The considerate constructors organisation Bewuste Bouwers was also impressed by the BouwHub, which it awarded a Best Practice designation.

Operating companies and associates involved: Primum, Boele & Van Eesteren, VolkerWessels Bouwmaterieel.

renewable raw materials. Construction is one of the most important sectors in the agreement.

At group level we have set targets for our four main raw materials: wood, concrete, steel and asphalt. We take part in the Dutch Green Deal on Concrete and are involved in negotiations regarding a national concrete agreement. Our new production techniques have increased the percentage of recycled asphalt used, which totalled 41.4% for the group as a whole in 2016. Furthermore, we use fewer building materials that burden the environment (such as cement, steel, aluminium and plastic) and are increasingly using wood (where possible FSC or PEFC wood). The fact that we already use large amounts of sustainable wood is reflected in our third place in the Dutch 2016 Forest 50 ranking for the use of sustainable wood and communications in this area.

Where we need to improve is in a central drive towards better sustainability of the four main raw materials and sharing knowledge on development processes for sustainable housing and infra projects. To give this more impetus we commissioned KPMG to conduct an Assurance Readiness Assessment, which revealed various areas of improvement.

Waste management is one such area. The proportion of waste separated fell in 2016. The complexity of our projects means that this is a difficult area to target, which is why we have engaged SUEZ as an adviser. We can also learn from in-house experience, for example from our BouwHub in Nieuwegein. This logistics concept significantly reduced the amount of packaging material (and number of kilometres driven) on a project in Utrecht city centre.

CO_2 emissions are another policy spearhead for us. We focus on cutting emissions during the extraction and production of raw materials as well as during the usage phase when building. Progress can only be made in collaboration with suppliers, construction companies and clients, and that is what we advocate.

The most promising area in the usage phase is the energy factor. Fortunately, our clients are increasingly setting requirements in this area and many want a BREEAM-certified building.

The digital building process is a great help to us. Using software instead of drawings enables us to see quicker and better where in the design we can save on raw materials and energy. We aim to provide internal training to enable our staff to use this process on all construction and real estate projects from 2018.

While the chain accounts for the majority of emissions, we do not ignore our own responsibilities. There is still plenty of room for reductions within our business operations, but we are on the right track, having achieved a big drop in emissions by our lease cars and equipment. Het Nieuwe Draaien, a fuel-efficient way of operating equipment instigated by the Dutch independent environmental organisation Natuur & Milieu, is proving very lucrative. While it requires a certain degree of adaptability from our staff, it is clearly paying off. We also take fuel consumption into consideration when purchasing vehicles and equipment. Increased monitoring is providing us with an ever-better picture of where gains and improvements can be made.

The third spearhead of our sustainability policy is employment. Finding and retaining the best staff is no easy matter in this rapidly changing world in which technology is becoming increasingly important. Demand for good technical staff continues to rise. We are large enough to enable our employees to pursue their own personal development, for example through the VolkerWessels Academy and the wide range of training and courses we offer, and there are good career development opportunities. Because many employees are still not aware of this, we are going to highlight it better.

We also take on people who are at more of a disadvantage in the labour market, for example creating jobs for this target group at the BouwHub and at the regional caretaker initiative De Regionale Huismeester. A number of our companies have introduced the Inclusive Employment Performance Ladder (PSO) designed by Dutch research institute TNO. This tool indicates the degree of inclusive employment at an organisation and is used as a nationwide benchmark. One of our Construction & Real Estate companies achieved the third and highest level on the Ladder in 2016. As we would like to see this becoming a major feature at all our companies, we opened the Social Return Counter in 2016. This will enable us to better support and follow up on initiatives. As with anything you want to steer towards, we are also investing in monitoring these initiatives.

Research & Development

VolkerWessels believes that innovation is critical to remain a frontrunner in our industry and our operating companies are working on more than 250 innovations. These innovations are in different stages of the development process and recently two innovation managers have been appointed to support this development.

As part of VolkerWessels' investment in promising technologies and investments, the innovative MorgenWonen concept, involving far-reaching industrialisation of housing construction, has proven to be a driver for innovative developments. The concept involves the construction of a residential house in one day, so that it is habitable the next day. The project achieves to reduce realisation times through pre-fabrication of housing, continued development of sustainable and energy neutral housing and lower on-site dependency on construction workers. As of 2016, VolkerWessels is expanding this innovative concept to include a smaller version, developed especially for corporations wishing to replace old rented properties with affordable and sustainable new buildings to reduce energy costs.

In the Netherlands – Infrastructure segment, VolkerWessels' local group companies include the development of road materials for the roads constructed of 100% recycled material as an ideal sustainable alternative to conventional road structures.

Outlook

Based on external sources, the outlook for the construction sector is generally improving, with market volumes growing in various sectors and even late-cyclical sectors showing recovery. The recent and upcoming elections in Europe and the United States may have impact on sentiment, the market picture and future budgets.

VolkerWessels considers a cyclical recovery to be the most realistic scenario. The economy of the European Union has developed positively over recent years, primarily due to a strengthening of domestic demand.
In addition, there has been a steady recovery of the economies of Canada and the United States following a protracted decline during the global financial crisis. Construction output growth rates substantially varied per region in 2016, with the Netherlands outperforming the other regions in which VolkerWessels is active. The United Kingdom as a whole underperformed as compared to the other regions, partly due to the uncertainty surrounding the United Kingdom's decision in June 2016 to withdraw from the European Union. However, the main areas for growth in infrastructure construction volume in the United Kingdom are expected to be energy, road (maintenance), water projects and airports, underpinned by the National Infrastructure and Construction Pipeline.

The pace of growth varies strongly depending on segment and region. We will have to maintain excellent control of our projects, processes and costs to achieve our target margins. Given the increasing complexity of multidisciplinary and integrated projects, a constant focus on operational excellence through working methods such as BIM (Building Information Modelling) and our Building Smarter Together group programme is key to ensuring a healthy future for our Company.

We expect several key trends within the construction industry may have a significant impact on the industry at large, as well as on the company's position within the construction industry. These include the trend towards sustainability and industrialisation in the sector, which we consider will accelerate in the coming years. VolkerWessels wants to (continue to) play a key role in these transitions through ongoing sustainable investment and innovation.

On 13 December 2016, the Company and Volker Wessels Stevin Financial Services BV, as borrowers, entered into a €600 million revolving credit facility, with a maximum of €200 million in optional currency, for a duration of five year term. The revolving credit facility is provided by a syndicate of seven Dutch and non-Dutch lenders, being ABN AMRO Bank NV, BNP Paribas, the Netherlands Branch, Coöperatieve Rabobank U.A., Credit Agricole Corporate and Investment Bank, Belgium Branch, HSBC Bank Plc, ING Bank NV and MUFG Bank (Europe) NV.

A solid financial position and the innovative concepts and high-quality knowledge that we already have in-house support this ambition and make us optimistic about the future of our company.

Risk management

Risk management

Risk management philosophy

VolkerWessels is characterised by a decentralised operating model where entrepreneurship, personal involvement and responsibility are key principles, which are at the core of VolkerWessels' management and control objectives. These objectives are: the provision of reliable and timely information, efficiency and effectiveness of the operating activities, compliance with internal procedures, laws and regulations and the safeguarding of assets and information.

VolkerWessels' risk management and internal control process is essential for its operating model and is implemented at four levels throughout the organisation: (i) the management of results and risk at project level, (ii) the management of the portfolio of projects and selling, general and administrative expenses at operating company level, (iii) the management of the portfolio of operating companies at segment level, and (iv) the management of the segments and corporate risks at holding level.

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

Control framework and risk analysis

Control framework

Responsibility and employee engagement with the business are key elements of VolkerWessels' culture. The culture of VolkerWessels, but also the culture of the individual operating companies, are fostered through general standards of conducting business, the mission and strategy of VolkerWessels, its core values, the code of conduct and its whistle blowing scheme, and are applicable 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 describes the position of those management boards within VolkerWessels.

Risk analysis and appetite

VolkerWessels has identified certain general risks for its business, ranging from market risks to liability and fraud risks. The relevant strategic and market risks, operational risks and financial risks are identified every year both from a management perspective as well as from a projects perspective. Through this process general risks are identified, which include 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 at the construction and real estate market, contract risks, liability risks, financial risks related to liquidity, interest rates and foreign exchange rates and fraud risks. More details on the specific risks are included in the tables on page ••.

VolkerWessels performs an annual fraud risk analysis at corporate level. The main risks which are reflected in this analysis are related to unfair competition, bribery and corruption, theft of company properties, conflicts of interest and reporting fraud. Also, VolkerWessels pays special attention to the specific risks that are connected with contract risks, including tendering, contracting, procurement, monitoring and controlling of projects.

Rather than only relying on mechanical and standardised processes, VolkerWessels is also focused on personal involvement of the Managing Directors and statutory directors of the operating companies, to best utilise the available knowledge and experience as circumstances and conditions in a project can be unpredictable and subject to fast changes.

Formal control framework

VolkerWessels has proceedings and regulations in place, as part of its control framework, which aim to maintain its core values, being safety, integrity and sustainability. In 2015, VolkerWessels' risk management processes were further embedded in the regular planning and control cycle that is applied by all of its operating companies, with the local and divisional management teams devoting extra attention to these processes and to risk awareness. The risk management system provides a platform in which best practices, knowledge and skills are shared between the operating companies in a structured manner.

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 commission and a corporate social responsibility platform.

Management reporting cycle and financial management

The progress and development of the operating results, the liquidity and the 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 the Management Board level during the quarterly meetings with the management boards of the operating companies and/or the management boards of the divisions and regions for the VolkerWessels segments. All reporting is based on the VolkerWessels accounting manual, which sets out the format and standards for the provision and consolidation of information.

In addition, VolkerWessels' treasury management system provides weekly updates on the liquidity position (on operating company as well as segment level) and quarterly working capital reports to the Management Board.

The cash management department controls funds requests and monitors the internal limits for the operating companies. It reports on liquidity on a company and divisional level every week to the Management Board. All financial (bank or parent company) guarantees are prepared by the guarantee department and are based on a standard format, with a maximum amount and a termination date.

In control statements
The local management boards and the financial controller account to the Management Board each year via an "in control statement" for 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" provides insight in the management of the business operations, facilitates the exchange of know-how and best practices, creates awareness in respect of operational risks, and allows the management teams at each level (operating, divisional, segment and the Company) to analyse current and future risks in order to be able to mitigate these risks, and to improve informed decision-making and reduce failure costs.

Authorisation schedule
As part of the risk management for the projects and activities that VolkerWessels undertakes, VolkerWessels has an authorisation schedule in place that sets out the internal approvals required for VolkerWessels 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 who is responsible for the specific matter, either alone or (if required by the schedule) acting jointly with the chairman or the chief financial officer of the Management Board. For certain commitments of major importance, approvals are required from the entire Management Board and the Supervisory Board.

Monitoring and audits
Compliance with VolkerWessels' control framework is monitored by self-assessments, management information and reporting and other monitoring activities, such as company visits, project visits and financial reviews. In addition to the internal monitoring and audit processes of VolkerWessels, Deloitte undertakes an external audit in relation to VolkerWessels, except for the US activities of VolkerWessels North America, where the companies are externally audited by a regional audit firm, with involvement of Deloitte.

Informal control through a culture of engagement and ownership

VolkerWessels believes that the informal element of its control framework is a key differentiator. The soft control through the actions of VolkerWessels employees and management teams ensures that its core values, being 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' decentralised organisation model and are based on entrepreneurship, personal involvement and responsibility. VolkerWessels supports an open culture of transparency and trust and through its decentralised organisational structure it fosters a sense of pride and ownership for its operating companies, which ultimately drives a performance focused leadership at the local level. Key elements of how the VolkerWessels culture impacts the way it operates its business are set out below.

Code of conduct and employee development
The VolkerWessels code of conduct provides practical guidelines that clarify the importance of acting with integrity. These guidelines consider, among other things, the contact between employees in VolkerWessels, dealings with subcontractors and suppliers and other contractors, bribery and corruption, fraud and theft, conflicts of interest and fostering fair competition. It was recently updated to include a social media policy. Sanctions can be imposed if the code of conduct is breached.

The professional development of VolkerWessels employees is also a key element to risk management. Through the VolkerWessels Academy and other development processes the management teams of the operating companies are able to provide training programmes for employees with a strong focus on project management and general management aspects and skills. VolkerWessels aims to ensure that its employees are prepared for increasingly complex and knowledge-intensive projects and that the key risk management processes of VolkerWessels become shared knowledge.

Management involvement
Within VolkerWessels, the informal side of risk management is primarily driven by the direct involvement of the Management Board and the management boards of the operating companies. VolkerWessels believes that this is crucial, because circumstances that apply to projects can be unpredictable, and relying only on formalised procedures can be insufficient. Therefore, VolkerWessels believes that it is important to involve individuals with sufficient knowledge and experience. As such, project and tender managers regularly discuss projects and processes with the management boards of VolkerWessels' operating companies, also outside of the formal reporting framework.

Finance function
As part of the control framework, VolkerWessels has adopted a controller's instruction which aims at safeguarding 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 the periodic formal reporting to the management board of the relevant operating company.

HIGHLIGHTED

CEDELIA – DIVERSE ARCHITECTURE FOR EVERY PHASE OF LIFE

About 280 apartments in 17 buildings were built on a nearly 32,000 m² large park-like parcel in Zehlendorf. Half are condominiums between 70 and 190 m². The natural living concept with numerous greenspaces was designed for singles and couples of any age, as well as for large and small families. The project is a joint venture with Hochtief.
Cedelia represents a concept uniting many details into a particularly impressive whole: beautifully formed gardens and paths surround the individual buildings like a green belt of adventure. The 17 buildings offer a number of different living concepts, from the classic apartment, some with private garden, to the exclusive penthouse with surrounding roof terrace.
Multi-faceted design: a total of four different design lines are available to choose from. Two Berlin-based architecture firms provide a multi-faceted building style: Hilmer & Sattler and Albrecht as well as nps tchoban voss. The project was completed in 2016.

Operating companies and associates involved: KondorWessels Germany GmbH.

Strategic and market risks

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
The cyclical nature of the construction industry, which is exacerbated during economic down-turns.	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 expenditures, 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 2016, our order book once again grew, to a record level of €8,157 million. Our order book was also expanded by a number of notable orders, as explained in our preface and the sector reports. In 2016 we saw a clear recovery of the housing market for private individuals leading to rising volumes. In non-residential construction market, there has been a modest recovery. The competition in this market, especially for larger scale projects, is fierce and we believe that price pressure will persist for the time being. Due to its decentralised operating model and focus on smaller and medium sized projects, VolkerWessels is less impacted by challenging market conditions.	VolkerWessels responds to the changing circumstances in the housing market with the following measures: ■ smaller-scale residential construction projects; ■ development of cheaper houses; ■ reduced realisation times through prefabrication of housing (the MorgenWonen (Future Living) concept); ■ development of customer-oriented housing concepts. Projects go ahead only if the object to be built is sold (with a minimum rent guarantee) or largely let in advance. In addition, we focus on long-term maintenance contracts with more predictable cash flow, creating more continuity in the order book. Through investments in integrated project forms, such as public-private partnerships in building infrastructure, VolkerWessels aims to create additional building volume for the operating companies. These altered contract forms require extra attention in relation to contract management. A spread of activities over sectors and geographical areas aims to reduce the Company's sensitivity to changing market and economic conditions.

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
The realisable value of our real estate position including our land bank may be lower than the book value	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.	Impairments 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. On the basis of this update, no adjustments in the book value of our real estate positions were made in 2016. Based on an independent third party property valuation on 1 February 2017, the fair value of the land bank as at 1 February 2017 is higher than book value. As such, no adjustments have been made in the book value as at 31 December 2016.	Rental contracts were concluded for a large number of the properties intended for sale. In addition, the following measures are in effect in order to prevent and manage these risks: ■ housing construction projects in the Netherlands typically commence only if 70% of the homes for sale are sold and the buyers have secured the financing of these; ■ investments in land positions require the prior approval of the Board of Management.

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

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
Reputational damage and compliance risk on laws and regulations	Questions relating to reputation often bear a direct relationship with other areas of risk, including 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 anti-corruption, anti-money laundering, anti-bribery and competition laws. Potential risks include the risk of non-compliance with such laws and regulations and risks relating to failure to follow changes in legislation.	In the event of non-compliance with applicable laws and regulations, VolkerWessels could face unwanted (legal) consequences and financial and/or reputational damage. The failure by a partner to comply with applicable laws, regulations or client requirements could also negatively impact VolkerWessels' reputation and, for government clients, could result in fines, penalties or suspension being imposed on VolkerWessels. If the relationship between VolkerWessels and its clients deteriorates as a result of, for instance, inadequate customer service or transparency, this can lead to a loss of market share. A conviction based on a violation of the competition laws may lead to exclusion of government tenders.	Various measures are in place to avoid compliance risks. These include the VolkerWessels Code of Conduct, regulations for the statutory directors of the operating companies, the Integrity e-learning course and the Confidential Line and an annual fraud risk analysis at corporate level. See description of risk management at page 23 to 25. In order to manage the 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 optimise relations with our clients. Our management teams are regularly kept informed on developments in relevant regulations.
VolkerWessels' success depends upon its ability to hire and retain qualified employees and match VolkerWessels' workforce with business demands	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.	If VolkerWessels is unable to attract and retain skilled employees, its future performance and growth may be adversely affected.	VolkerWessels is active in the labour market through labour market communications, traineeships and partnerships with educational institutions. VolkerWessels has implemented the VolkerWessels academy and e-learning program to satisfy the need for the development of its staff. VolkerWessels has implemented a young potential program to foster the development and retention of young employees with a range of different competencies.

Operational risks

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
The complexity and long-term nature of construction projects expose VolkerWessels to contracting risks, which may result in financial liabilities	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 more model contract terms that increase the risk exposure for VolkerWessels become prevalent in VolkerWessels' primary markets, VolkerWessels' ability to enter into profitable contracts may be adversely affected.	Any failure to manage contracting risks and costs may result in lower than anticipated profits or the incurrence of contract losses. Cost overruns can be due to inefficiency, delays by VolkerWessels, subcontractors or suppliers, poor design or errors in designs or calculations, failure to properly hedge contractual risks, and liabilities or claims. Furthermore, long-term fixed-price contracts expose VolkerWessels to margin compression or contract losses as a result of variable input costs, which may rise over time. A significant number of contracts are based in part on cost calculations that are subject to a number of assumptions. If the estimate of the overall risks or calculations of the revenues or costs of one or more contracts prove inaccurate or circumstances change, lower profits may be achieved from, or greater losses may be incurred on, such contracts than had been anticipated.	VolkerWessels' operating companies operate within clear legal and financial frameworks that provide well-established risk management measures (decision authorities, contracting discipline, etc.), which are applied to all parts of VolkerWessels' business. See description of risk management at page 23 to 25. VolkerWessels adopts a tailored process to contracting depending on the size and complexity of the project and has an extensive tender procedure to ensure proper decisions are taken on selecting projects and risk management. Projects that are awarded through a tender procedure and which have a total value of over €10 million or which involve increased risk projects are subject to VolkerWessels' "Tender Information Sheet" ("TIS") procedure. For each such project a standardised information and risk assessment form is completed, which describes the details of the project, tender costs, design features, contract price and other terms. If the relevant management team decides to proceed with the tender, additional details are recorded in the TIS 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 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.

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED 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.	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 incurrence 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 Board of Management 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 quality, timely delivery, cost efficiency and reduction of failure costs.

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
Exposure to significant counterparty credit risk, which may result in additional liabilities	VolkerWessels contracts with a large number of parties in its business, including clients, suppliers, subcontractors and joint venture partners.	VolkerWessels is exposed to the risk of default by, or the insolvency of, such counterparties, which may result in significant liability for VolkerWessels. For example, as a result of the insolvency of its consortium partner Royal Imtech NV in 2015, VolkerWessels was required to increase its contractual commitments to the construction consortium for the construction and development of the North-South subway line in Amsterdam, as a result of which it may face project losses or lower profits from that project than the expected profits it had originally projected and reflected in its order book.	VolkerWessels seeks to have a standardised process through its central risk management approach, which aims to cover the preparation phases for selection of key partners, subcontractors and suppliers in the supply chain as well as the tender process and contract management. With an increased risk, the consortium partner will be required to provide additional surety, for example in the form of a bank guarantee. The Legal and Tax Departments are also closely involved in the design and assessment of partnership arrangements in the tender phase. VolkerWessels maintains long term strategic collaborations with qualified subcontractors, which enables it to maintain subcontractor capacity when needed at reasonable prices. Additionally, VolkerWessels' ownership of own production and supply resources helps it mitigate certain subcontractor related risks, including providing capacity during times of shortages, as well as assisting VolkerWessels with identifying subcontractor market prices.
Fluctuations in commodity prices	The market price and availability of commodities which VolkerWessels utilises for its operations, such as lumber, steel, cement, bitumen and stone, can fluctuate. Additionally, commodity price fluctuations may adversely affect the economies or industries in which VolkerWessels' clients operate which may in turn reduce demand for VolkerWessels' services.	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 in Canada.	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.

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
Construction and maintenance sites are inherently dangerous workplaces	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 record 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 a safety policy (WAVE). With its health and safety programmes in place, VolkerWessels aims for zero cases of physical injury. VolkerWessels maintains insurance policies to cover these sorts of events.
Information technology failures and data security breaches could harm VolkerWessels' business	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 as a result of 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.	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.

Financial risks

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED 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.	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 liability undertaking and the issue of group guarantees at the VolkerWessels level is not automatic.

RISK	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
The complex nature of the construction business exposes VolkerWessels to litigation risk	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	DESCRIPTION OF THE RISK	POTENTIAL CONSEQUENCE/EXPECTED IMPACT	RISK LIMITATION MEASURES
Failure to comply with the covenants and conditions under VolkerWessels' debt and credit agreements	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.	Procedures to check continuously whether we comply with the covenant conditions that are in place. As at 31 December 2016, VolkerWessels was in ample compliance with the Leverage and Interest Cover covenants.

VolkerWessels also anticipates other financial risks. These risks and the management measures are explained in detail in the financial statements on page 135.

Financial results

Financial results

Revenue and order book
Revenue in 2016 grew by 3%, or €172 million, to €5,490 million compared to €5,318 million in 2015. The order book increased by €445 million (+6%), to a record level of €8,157 million at year-end 2016, whereby nearly all segments contributed to this increase.
The order book is equivalent to 1.5 times annual revenue.

EBITDA
EBITDA in 2016 amounted to €254 million, an increase of €20 million (+9%) compared to the adjusted 2015 figure of €234 million. This excludes a positive impact of €12 million in 2015, relating to the fair value adjustment as a result of the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV. The EBITDA margin increased from 4,4% in 2015 to 4,6% in 2016.

Net result from continuing operations
The 2016 net result from continuing operations amounted to €103 million, which represents a 21% increase as compared to the adjusted 2015 figure of €85 million. This excludes €12 million relating to the fair value adjustment as mentioned under EBITDA above.

Net result from discontinued operations
The 2016 net result from discontinued operations amounted to €38 million as a result of the book profit on the divestment of our offshore activities. The corresponding amount in 2015 was €16 million and mainly related to the operational results of the offshore activities.

Financial position
VolkerWessels has a solid capital structure in place, with a solvency ratio of 31,5% at year-end 2016 (24.5% at year-end 2015).
No dividend payments took place in 2016 and 2015. The proposal to the General Meeting of Shareholders is that a total dividend of €83 million will be paid in 2017 in relation to the financial year 2016. The impact of this proposed dividend payment on the solvency ratio is limited.

Development of net debt
Net debt improved by €251 million to a net cash position of €189 million as at year-end 2016, compared to a net debt position of €62 million as at year-end 2015. This improvement is the result of the cash flow generated by our operations, the sale of our offshore activities and a decrease in net working capital positions and increasing net result.

Investments in tangible fixed assets
Capital expenditures for continuing activities amounted to €70 million in 2016 (€65 million in 2015). Throughout these periods, approximately two thirds of VolkerWessels' total capital expenditures related to maintenance of equipment and buildings, with the remainder spent on investments in new projects, equipment and buildings.
The company expects its capital expenditures in 2017 to remain largely in line with the capital expenditure levels during the periods under review.

Financing
On 13 December 2016, VolkerWessels entered into a €600 million revolving credit facility ("RCF") with duration of 5 years, provided by a syndicate of seven international banks.
The RCF can be used by VolkerWessels for general corporate and working capital purposes including acquisitions, capital expenditures, dividends, distributions and interest expenses.

As at 31 December 2016, VolkerWessels was in ample compliance with the Leverage and Interest Cover covenants.

Other financing
Furthermore loans were drawn to finance land for property development and property development projects in progress and, where possible, were obtained on a stand-alone basis with several banks. The interest on these loans is mostly variable and based on Euribor plus a margin.

The VolkerWessels group has three overdraft facilities in the Netherlands to support its cash management: an uncommitted overdraft facility of €30 million (with ABN Amro Bank NV), an uncommitted overdraft facility of €20 million (with ING Bank NV) and an uncommitted overdraft facility of €10 million (with Coöperatieve Rabobank UA). VolkerWessels has access in the UK to a current account facility of GBP 10 million and an uncommitted credit facility worth a total of CAD 23 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.

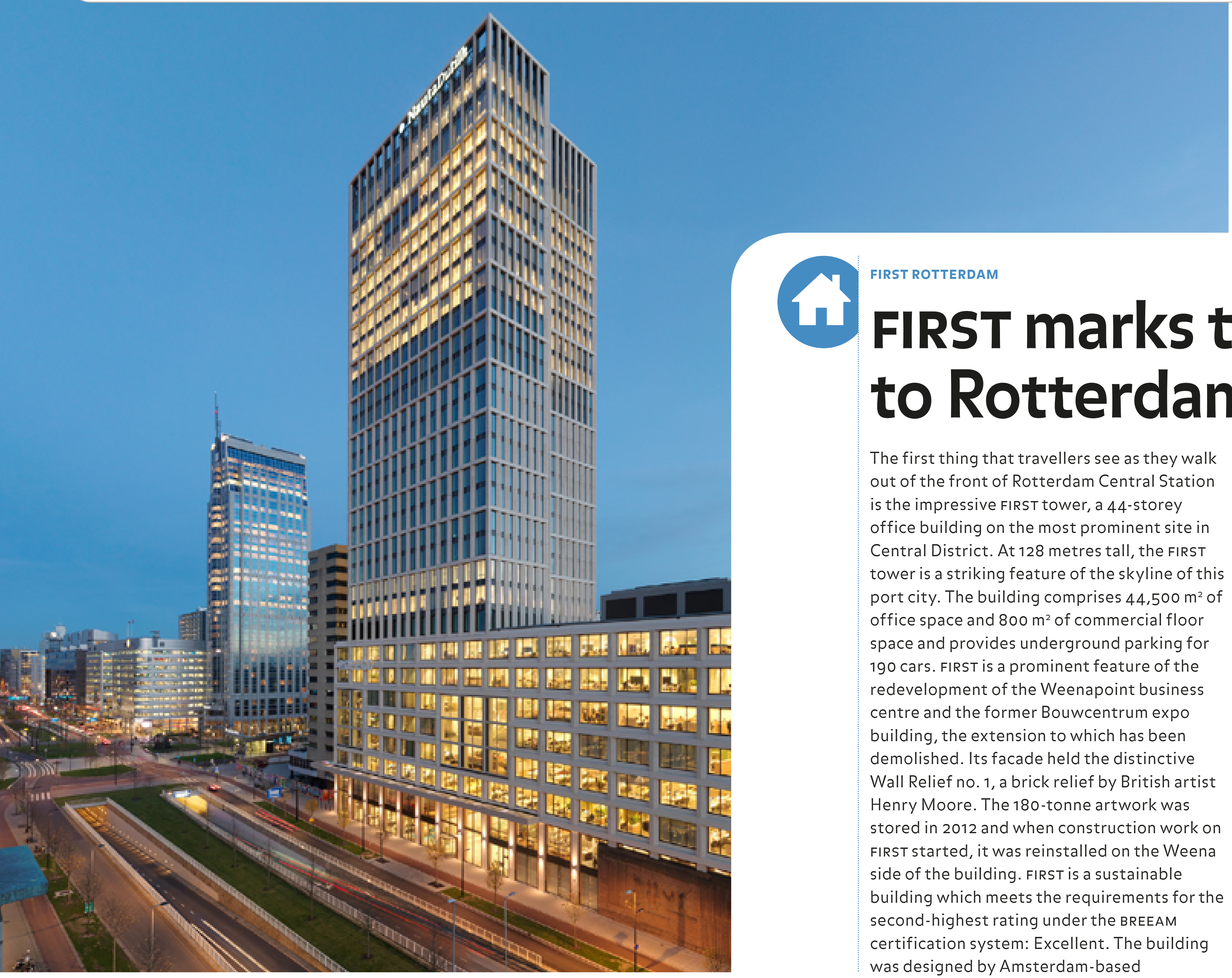
Changes in reporting
The financial information as presented is not comparable to the financial information previously published by VolkerWessels for any period whatsoever, as a result of the following:
- A conversion of the financial information on the basis of Dutch GAAP to IFRS;
- In July 2016 VolkerWessels completed a transaction and sold its offshore activities to Boskalis. The book profit of €38 million in 2016 and operating results in 2015 (and 2014) which associated with the offshore activities are reported under discontinued operations;
- In December 2016 VolkerWessels aquired 94,88% of the outstanding shares in KondorWessels Holding GmbH (KWH), a company focused on the construction and development of residential real estate in major German cities. The acquisition was accounted for as an acquisition under 'common control' and the results of KWH are therefore consolidated retroactively from January 1, 2014;
- Changes in the legal structure and incorporation of the Matex real estate portfolio.

The comparative figures have been restated for 2015 and 2014.

Report by sector

The Netherlands

Construction & Real Estate Development



FIRST ROTTERDAM

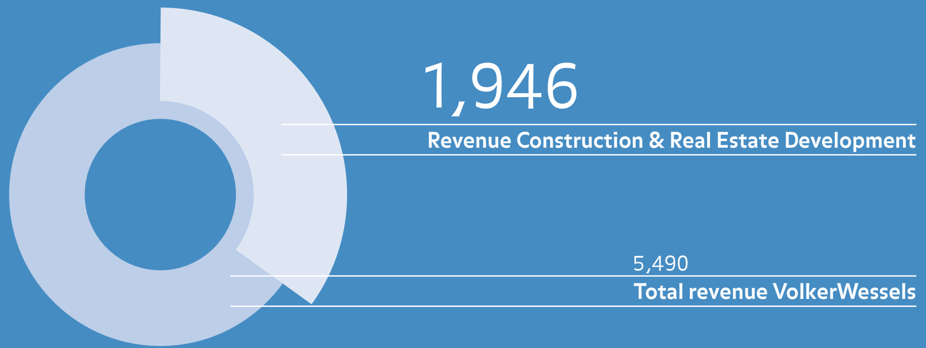
FIRST marks the gateway to Rotterdam city centre

The first thing that travellers see as they walk out of the front of Rotterdam Central Station is the impressive FIRST tower, a 44-storey office building on the most prominent site in Central District. At 128 metres tall, the FIRST tower is a striking feature of the skyline of this port city. The building comprises 44,500 m² of office space and 800 m² of commercial floor space and provides underground parking for 190 cars. FIRST is a prominent feature of the redevelopment of the Weenapoint business centre and the former Bouwcentrum expo building, the extension to which has been demolished. Its facade held the distinctive Wall Relief no. 1, a brick relief by British artist Henry Moore. The 180-tonne artwork was stored in 2012 and when construction work on FIRST started, it was reinstalled on the Weena side of the building. FIRST is a sustainable building which meets the requirements for the second-highest rating under the BREEAM certification system: Excellent. The building was designed by Amsterdam-based architectural firm De Architecten Cie and its construction was carried out by a consortium of Boele & Van Eesteren and VolkerWessels operating company Wessels Zeist. Shortly after the first tenants moved in in February the consortium installed yet another eye-catcher: a glass atrium connecting FIRST to the adjacent buildings.

Operating companies and associates involved: Boele & van Eesteren, Wessels Zeist.

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

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**1,946**	1,747
Orderbook	**2,737**	2,514
EBITDA	**79**	53[9]
EBITDA as % of revenue	**4.1%**	3.0%[9]
Average number of employees	**3,627**	3,478

[9] EBITDA 2015 is excluded the positive impact of €12 million fair value adjustment related to the acquisition of the (remaining) interests in Biesterbos BV, G&S Vastgoed BV and PGB Holding BV. Including this adjustment, EBITDA in 2015 is €65 million (3,7% EBITDA margin).

Revenue of our Netherlands – Construction & Real Estate Development segment increased by 11%, or €199 million, to €1,946 million in 2016, which was mainly the result of higher volumes of projects due to improved market conditions and a €79 million increase in revenue as a result of an increased participation interest in the North-South subway line project in Amsterdam. EBITDA for this segment increased by 49%, or €26 million. Through our decentralised operating model and the focus on cost control, VolkerWessels managed to capitalise on these improving market conditions, reflected by an EBITDA margin for the segment of 4.1% in 2016, up from 3.0% in 2015.

Market developments in 2016

The construction and real estate sector had another positive year in 2016. A notable feature is the clear differences in the (pace of) growth in the various regions and sectors. In the residential market the recovery is continuing apace under the influence of low interest rates, the upturn in the economy and growing consumer confidence. In addition there is interest in (rental) properties among private and other investors. In 2016 in the Netherlands we completed a total of 2,669 newly built homes (2015: 2,436). Of the homes developed for own account 2,448 were sold during the year under review (2015: 2,373).

In the four major cities – Amsterdam, Rotterdam, Utrecht and The Hague – the housing market experienced strong growth. In Amsterdam there was a veritable boom, including development of the northern part of the city across the River IJ. In addition, market conditions were also favourable in various other large cities and city centres. Out towards the periphery, market developments were less buoyant. This tendency is much stronger in the non-residential market, which still faced high vacancy rates. Location is even more crucial for commercial real estate than for the residential market. Once again Amsterdam tops the list.

Shortages are starting to emerge in the Amsterdam Zuidas business district with available square metres dwindling rapidly, in turn creating opportunities for areas such as Amsterdam Zuid-Oost. Office-to-residential transition projects also offer interesting opportunities in the large cities.

"The pace of growth differs strongly depending on region and discipline"

The shortage of square metres of (office) space arising in Amsterdam's Zuidas district is creating a market for the transition of buildings and sustainable conversions.

VolkerWessels closely monitors movements in the market. Where we see opportunities for new project, area and real estate development we respond quickly and dare to invest. At the same time, we strive to be economical with our (working) capital and strict in terms of our selection criteria. This benefits our developers' results.

Highlights 2016
As the housing market recovered, we differentiated ourselves apart with innovative and sustainable housing concepts. An example in the year under review was the introduction of ZuiverWonen. This concept features healthy and 87%-circular houses based on bio-based materials, energy surpluses and healthy living. We are also helping to create a new circular and modular building system in timber construction. Our industrial and zero-energy concept MorgenWonen now features two production lines, with our 5.40-meter version catering to the strong demand for housing corporation and investment properties for the rental sector.

"VolkerWessels is involved with many other high-profile projects"

VolkerWessels is involved with many other high-profile projects. Projects in Amsterdam we have worked and are still working on include office complexes at three locations in the Zuidas, the Amstelkwartier 4G apartment block, the final phase of the Noord/Zuidlijn metro line, the VU university building, the AMC academic medical centre, Hotel2Stay (completed in 2016) and the development of the Amsterdam-Noord area, where we are realising various projects. Elsewhere in the country we are also intensively engaged in urban redevelopment, including inner-city projects such as the Strijp-S cultural and creative centre in Eindhoven. The year under review saw His Majesty King Willem-Alexander open the Wildlands Adventure Zoo in Emmen. The new residential village of Op Buuren along the River Vecht was also completed.

Other high-profile projects in our order book include the Jaarbeursplein square and the Princess Máxima centre for paediatric oncology in Utrecht, the courthouse in Breda, Pakhuis Meesteren and the FIRST office building in Rotterdam, the Gelders Huis provincial government offices, historic shipyard Stadsblokkenwerf in Arnhem, the GPTC proton therapy centre of the UMC academic hospital in Groningen, Westland town hall, Fokker Logistics Park at Schiphol, the Valley circular hotspot, the OCC educational and cultural complex in The Hague, the Pier and Vuurtorenweg in Scheveningen, Brainport Industry Campus and Groene Toren in Eindhoven.

HIGHLIGHTED

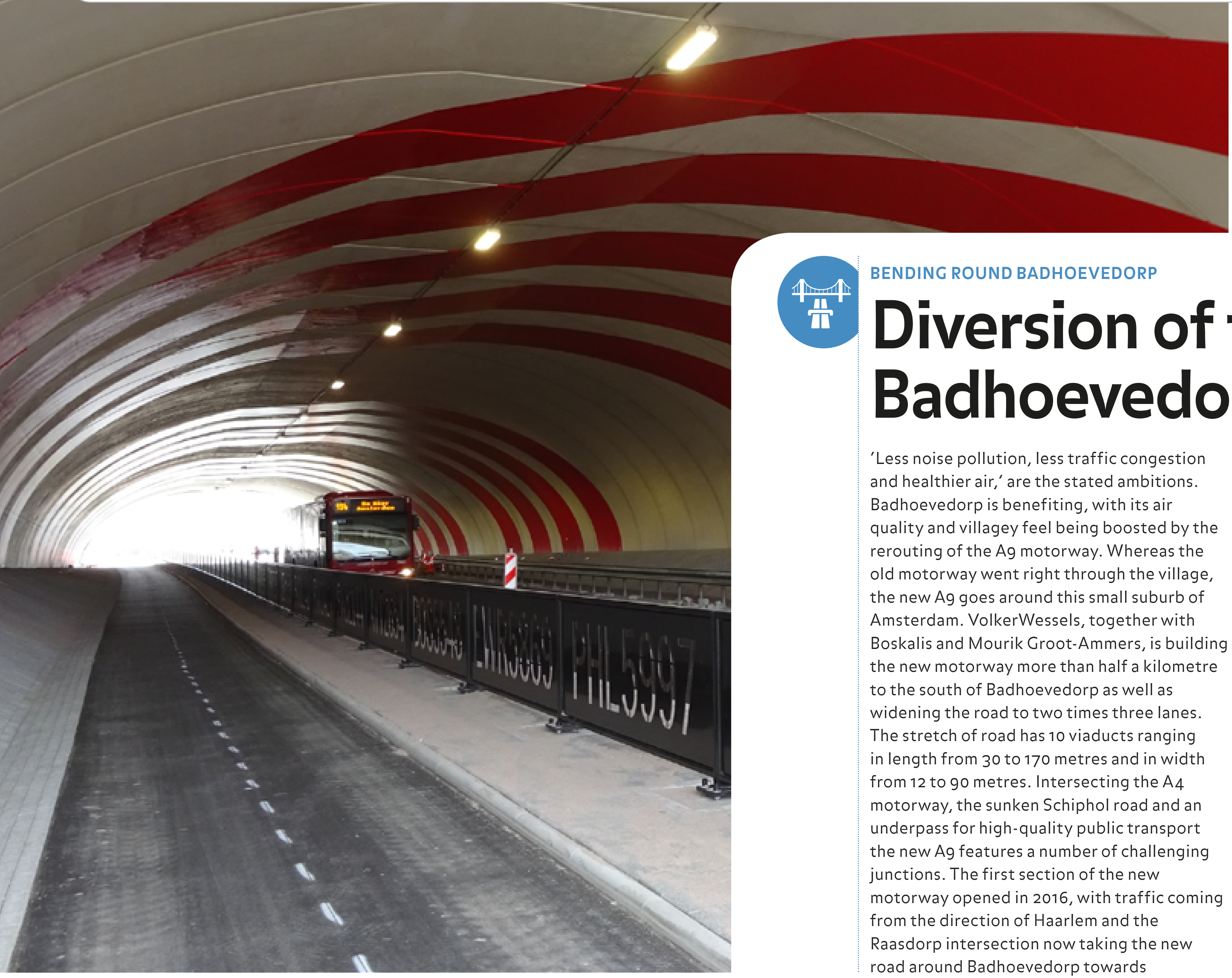
STRIJP-S EINDHOVEN

At one time this area was the heart and soul of Philips. Now this industrial heritage in the northwestern part of Eindhoven, Brabant's 'city of light', is in the midst of being developed as Strijp-S, a vibrant district to live, work and shop with a creative and cultural feel. It will be the beating heart of Brainport Eindhoven, an area renowned since 2005 for the innovations launched here. It acts as a magnet for enterprising residents as well as attracting over a million visitors a year. VolkerWessels and the City of Eindhoven have established the Park Strijp Beheer public-private partnership to manage the transformation of the 27-hectare area. Various parties, for example housing corporations, have joined the partnership. And in order to challenge innovative SMEs and start-ups to make Strijp-S truly smart, the city authorities together with VolkerWessels and Eindhoven University of Technology have launched the iCity tender. We hope that this will spark some great ideas from the community for sustainable and efficient products and services in the city of tomorrow – which is already here today.

Operating companies and associates involved: Credo, Reinaerdt Deuren, VolkerWessels Telecom, VolkerWessels iCity, Stam + De Koning, Aveco de Bondt, KWS, Van Kessel Sport en Cultuurtechniek, SDK Vastgoed, WSP InfraOntwikkeling.

The Netherlands

Infrastructure



BENDING ROUND BADHOEVEDORP

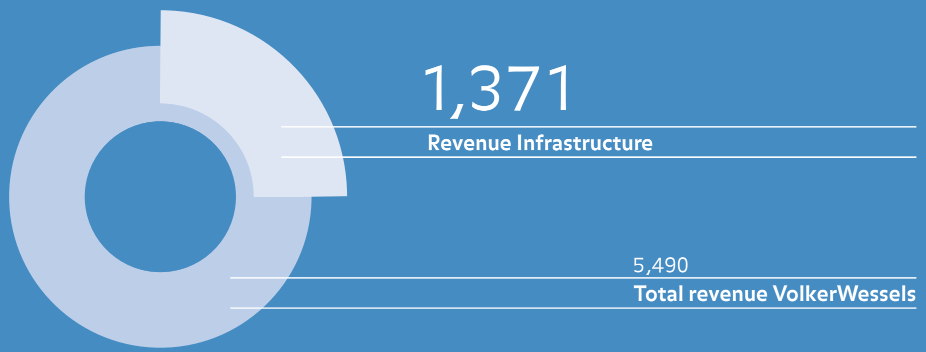
Diversion of the A9 at Badhoevedorp

'Less noise pollution, less traffic congestion and healthier air,' are the stated ambitions. Badhoevedorp is benefiting, with its air quality and villagey feel being boosted by the rerouting of the A9 motorway. Whereas the old motorway went right through the village, the new A9 goes around this small suburb of Amsterdam. VolkerWessels, together with Boskalis and Mourik Groot-Ammers, is building the new motorway more than half a kilometre to the south of Badhoevedorp as well as widening the road to two times three lanes. The stretch of road has 10 viaducts ranging in length from 30 to 170 metres and in width from 12 to 90 metres. Intersecting the A4 motorway, the sunken Schiphol road and an underpass for high-quality public transport the new A9 features a number of challenging junctions. The first section of the new motorway opened in 2016, with traffic coming from the direction of Haarlem and the Raasdorp intersection now taking the new road around Badhoevedorp towards Amsterdam. The main road in the opposite direction, from Amstelveen towards Haarlem, will follow in 2017. Once the old A9 has been demolished and the embankment has been removed the municipality of Haarlemmermeer will start work on redeveloping the town centre of Badhoevedorp from 2018.

Operating companies and associates involved: Van Hattum en Blankevoort, Vialis, KWS, VolkerInfra, Holland Scherm, Visser & Smit Hanab, Volker Staal en Funderingen.

In the sector Infrastructure VolkerWessels is active in road construction, concrete construction and hydraulic engineering, rail infrastructure, traffic technology and traffic management. From the design, realisation and management and maintenance of small-scale local government projects and projects at a local level to major integrated and multidisciplinary projects. Our businesses span the entire value chain.

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**1,371**	1,378
Orderbook	**1,562**	1,451
EBITDA	**73**	70
EBITDA as % of revenue	**5.3%**	5.1%
Average number of employees	**4,900**	4,890

Although revenue of our Netherlands – Infrastructure segment was relatively stable at €1,371 million in 2016, EBITDA increased by 4.3%, or €3 million, to €73 million, principally driven by higher margin projects. As such, EBITDA margins for the segment increased from 5.1% to 5.3% in 2016.

Market developments in 2016
Infrastructure construction output in the Netherlands has increased modestly as a result of a continued economic recovery, improved public sector investment, investments in railway capacity enhancements, an increase in other transport infrastructure investments and a strong rise of the residential housing market and related road investments. However, market conditions for larger scale projects remained challenging as a result of intense competition.

Volume is not an objective in itself for VolkerWessels. We focus on margins over volume, constructive cooperation with our partners and clients and the quality of our order book.

VolkerWessels closely monitors new and changing contracts. For example in rail infrastructure we are seeing a clear shift towards performance-based contracts. In concrete and road construction, where we have been familiar with these (management and maintenance) contracts for some time, we are seeing cautious improvement in the national projects market. However, stiff competition and the associated pressure on prices and margins are still major challenges on the local markets. We have strong representation and positioning in the hydraulic engineering market, where VolkerWessels designs, realises, renovates and manages a growing number of dykes, locks, waterways and (other) water defence works.

Highlights 2016
In 2016, on top of its majority of locally sourced, small scale, low complexity and repetitive projects, VolkerWessels once again worked both independently and with external partners on a large number of high-profile projects. In IJmuiden Melanie Schultz van Haegen, minister of Infrastructure and the Environment, officially started the construction of the world's biggest sea lock. On the SAAone motorway construction project we realised the positioning of the new rail bridge at Muiderberg. Other eye-catching projects in our portfolio include the diversion of the A9 motorway at Badhoevedorp, the repair of the bridge over the Merwede river, the IJsseldelta and Veessen-Wapenveld flood channel Room for the River projects, and the upgrade of the N18 provincial road between Varsseveld and Enschede in the east of the country, where we are improving the safety and quality of life on and along this 'new Twente Route'.

> "Focusing on margins over volume, cooperation and the quality of our order book"

In Hoofddorp we were involved in a pilot with a driverless bus. In addition, our traffic management and traffic technology discipline secured a contract for smart traffic control systems. On the maintenance market our innovative concept for multi-year performance-based management and maintenance of the entire public space resulted in a contract for the municipality of Loon op Zand. The contract is characterised by a major role for civic participation and an innovative reward mechanism, in which the appreciation by local residents and companies plays a prominent part. In addition, VolkerWessels holds various long-term contracts for the management and maintenance of roads and waterways, tunnels and other engineering structures and assets.

In rail infrastructure we acquired two new 10-year maintenance contracts in 2016. These concern the (performance-based) maintenance of the track around Rotterdam and in the north of the province of Noord-Holland. Other highlights include the contract for de Hoekse Lijn metro line linking Rotterdam and Hook of Holland, and OV SAAL, where our colleagues completed work on doubling the track between Schiphol airport and Duivendrecht.

HIGHLIGHTED

PILLARS IN THE SIDE CHANNEL OF THE WAAL AT NIJMEGEN

The Dutch department of public works commissioned the consortium Bouwteam iLent to construct a side channel for the River Waal at Nijmegen. The project, known as Room for the Waal, is part of the national Room for the River programme. As part of the project VolkerInfra built the side channel under the existing rail bridge over the Waal.

Operating companies and associates involved: VolkerInfra, VolkerRail, Van Hattum en Blankevoort, Vialis and KWS.

The Netherlands

Energy & Telecom Infrastructure

TENNET

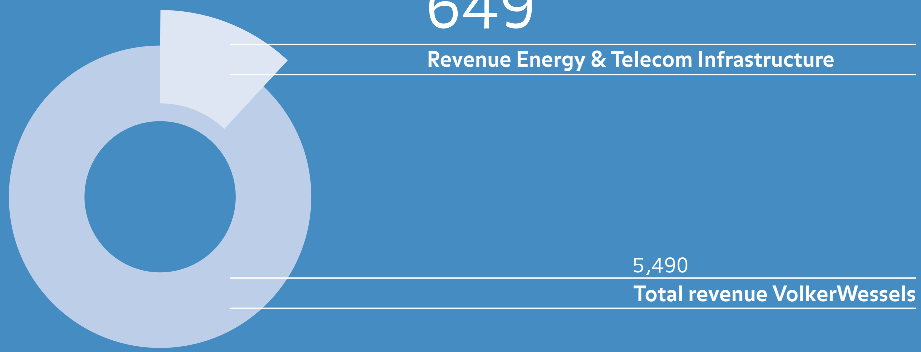
Biggest electricity highway in the Randstad conurbation

The western Netherlands is a major producer and importer of electricity and is also where the electricity generated by the offshore wind farms is brought onshore. This requires a reliable, high-capacity power connection: the Randstad 380kV electricity highway.
One section of this is the North Ring, a 60-kilometre high-voltage connection between the towns of Bleiswijk and Beverwijk. VolkerWessels Telecom was commissioned by grid operator TenneT to install 301 Wintrack pylons to support the power cables for the overground section of the connection. What makes Wintrack pylons special is that their magnetic field zone is over 60 per cent smaller compared to conventional pylons. Thanks to their slender design and colour they are less obtrusive in the landscape. The pylons, designed especially for TenneT, were made by VDL Network Supplies. The North Ring will also involve laying 9.3 kilometres of high-voltage cable underground. To achieve this VolkerWessels sister company Visser & Smit Hanab BV is drilling a 900-metre tunnel under the North Sea Canal.
VolkerInfra is realising part of the foundations and the underground cables for the North Ring as well as constructing the access roads and building sites. This concerns the section from Vijfhuizen to the southerly Ringvaart canal of the Haarlemmermeer polder.

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

VolkerWessels designs, builds and maintains onshore distribution, transport, energy and telecom networks. We take on projects in the areas of horizontal directional drilling, export cable landfalls and building and overhauling infrastructure above and below ground.

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**649**	590
Orderbook	**1,151**	1,378
EBITDA	**31**	34
EBITDA as % of revenue	**4.8%**	5.8%
Average number of employees	**2,819**	2,955

Mainly due to favourable market conditions in the energy onshore market, revenue of our Netherlands – Energy & Telecom Infrastructure segment increased by 10%, or €59 million, to €649 million. EBITDA decreased by 9%, or €3 million, to €31 million in 2016 compared to 2015, principally due to a higher proportion of lower margin contracts. As a result, EBITDA margin for the segment was 4.8% in 2016 compared to 5.8% in 2015. The order book decreased due to the 2016 production volume realised on a contract that was extended, and included in our order book, in December 2015.

Energy

Market developments in 2016
Following the sale of our maritime and offshore wind activities (VBMS, Stemat and Volker Stevin International) to Boskalis, our activities are mainly focused on the onshore energy market, a sector that has been struggling with challenging market conditions. Demand is affected by oil and gas prices, which impacts the level of investments in infrastructure by oil and gas companies. This means that we have to create even more added value for our clients with a healthy focus on quality, result and safety. Margin takes precedence over revenue and volume.

Demand in the energy infrastructure sector in the Netherlands increased as a result of legislative developments to limit hydrocarbon emissions causing industrial clients to seek to upgrade their infrastructure in order to reduce CO_2 emissions in the period from 2014 to 2016. Demand was also positively impacted by additional demand for infrastructure supporting the generation of sustainable sources of energy, such as wind and solar farms, and the infrastructure to transport such energy.

The strengthening residential construction market is prompting a slight recovery and modest growth in volume and revenue.

Our order book developed positively. There were notable shifts from gas to electricity and from a limited number of large contracts to various smaller projects. Sustainable projects account for an increasing proportion of the total. It would appear that the energy transition encouraged by the Dutch government is slowing but surely getting underway.

> "The energy transition is slowly but surely getting underway"

In parallel to this positive transition we are seeing growing demand in the heat, energy and electricity markets. VolkerWessels is excellently positioned to meet this demand.

Highlights 2016
Our horizontal directional drilling (HDD) specialism in particular secured a number of high-profile projects. One unusual case involved drilling at a depth of 80 metres and

HIGHLIGHTED

SCANNERS BEEP FOR FIBRE-OPTIC CABLE

There is somewhere where the war is still not quite over yet: under the ground. That's quite a challenge when you want to connect homes to the fibre-optic network in an area where there may still be old explosives. They are harmless as long as no big diggers are brought into action, but that was precisely what was needed for this job in Oosterbeek, near the city of Arnhem. And so the people of VolkerWessels Telecom unit Fiber to the Home kept a regular eye on the risk map. Every suspect square metre was marked in red on the map. With the exception of the public highways and a few newbuild projects everything was suspect and hence red, because the ground around here had never been inspected before. Employees from explosives-detection company Armaex started off by scanning the ground, inspecting everything they came across. In most cases it was a false alarm: the scanner will also start beeping for a tent peg. As soon as the all-clear was given the digging or rocket team could get to work. Rocket drilling was used to connect the homes to the fibre-optic network in early 2016.

Operating companies and associates involved: VolkerWessels Telecom.

an angle of 45 degrees for a cable route under a refinery in the Botlek area as a cheaper and safer alternative to installation above ground. International highlights included several drillings in the UK, eight drillings and drawing from Georgia right across Turkey to Greece and a drilling through the granite of a Norwegian fjord. In addition, we drilled continuously for months to lay conduits for the Randstad 380 kV electricity grid.
Our good performance in terms of engineering and executing four drillings for water, electricity and data on the project to build the new sea locks at IJmuiden landed us an additional contract for a 1,000-meter drilling.

> "Even smarter tomorrow than today"

During the year under review we also succeeded in signing new multi-year framework contracts with various partners, for example for the newly built, diversion, renovation, modification and dismantling of gas transport pipelines and associated infrastructure. We also signed a cooperation deal with our former colleagues at VBMS based on the strength of our performance on projects over the past year, for example connecting the final cables for the Sandbank and Dudgeon offshore wind farms. The year under review saw the establishment of VolkerWind for the realisation of foundations, access roads and cables for onshore wind farms. The first project – four turbines for the Nijmegen Betuwe wind farm – has already been secured. Another sustainable development is shallow geothermal energy, where we signed an agreement in 2016 for a pilot project at a number of horticultural firms in 2017.

Telecom

Market developments in 2016
By leveraging our unique position in the Dutch telecom infrastructure market we aim to retain scale and profitability.

Despite declining volumes in our traditional markets we managed to stabilise our revenue and results through efficiency, increased production and a bigger share of the market thanks to new contracts and a broader client base. The order book is full thanks to new and existing multi-year framework agreements. Whilst old markets declined, opportunities emerged in new disciplines. For example, we are seeing shifts from the vitrification of cities and villages to growth markets such as newbuild and rural areas, from corrective to preventative maintenance and from macrocells to small cells due to the focus on network densification.

Highlights 2016
In 2016 VolkerWessels brought fast (broadband) internet access to 8 per cent of Dutch households. The order book was boosted by various new framework agreements and master contracts. Multi-year

contracts acquired in late 2015 and early 2016 will provide a solid foundation for our order book in the next few years. In addition to regular work the multi-year agreements provide for broader work packages and new services for both existing and new clients. Take for example Beheer Mobiel and the in-home services we provide for private customers.

Notable highlights in our project portfolio include the C2000 network upgrade, the installation of small cells on the beaches of Walcheren in the province of Zeeland, a special optical fibre network for the Retropop festival in Emmen, the vitrification of rural areas and a contract in the energy sector for underground connectivity. In addition, VolkerWessels is involved in various integrated sustainable and innovative initiatives and solutions such as 2aGood Life, aimed at connecting parties and facilitating innovation for the energy transition in the Netherlands, the EnTranCe centre of excellence for energy education at Groningen's Hanze University of Applied Sciences and the Strijp-S cultural and creative centre in Eindhoven, where we are developing a smart hub and smart area. Other developments on the innovation front include Fiber in the Home and combining technologies such as VDSL and range and digging innovations with MapXact.

The acquisition of Recognize also fits in with our aspirations in terms of innovation. This innovative IT company, specialised in data visualisation software, is helping to streamline the applications of the various VolkerWessels companies. Other organisational changes include the closure of our Sittard branch and consolidating the disciplines of VolkerWessels Telecom Belgium and the Belgian activities of Visser & Smit Hanab, which started operating as a new combined independent entity on 1 January 2017.

HIGHLIGHTED

SMART CITY WITH SMART CELLS

The development of a city district is a great opportunity to apply the very latest technology. Good news for the residents and entrepreneurs of Strijp-S in Eindhoven, where a veritable smart city is taking shape. Lamp posts at this former Philips industrial site have been fitted with invisible small cells which are connected by fibre-optic cable to the fixed infrastructure of Vodafone and Strijp-S. These cells arrange connectivity: telephony, internet, data and sensors. This allows ICT to play a part in solving typical urban problems associated with safety, pollution and mobility. Think for example of smart lighting, air quality meters and CCTV. The project, realised by VolkerWessels is a first for the Netherlands.

Operating companies and associates involved: VolkerWessels Telecom.

United Kingdom

THAMES TIDEWAY

Thames Tideway Tunnel (TTT)

VolkerStevin was appointed by Thames Water to carry out enabling works, in advance construction of the Thames Tideway Tunnel which will tackle pollution in the Thames. VolkerStevin started work on the £23 million project which involves numerous marine construction projects in the city. The work is all part of the larger Thames Tideway Tunnel project which will help the capital cope with growing demands on its sewerage system and improve the water quality of the river using combined sewer overflow interceptor structures.

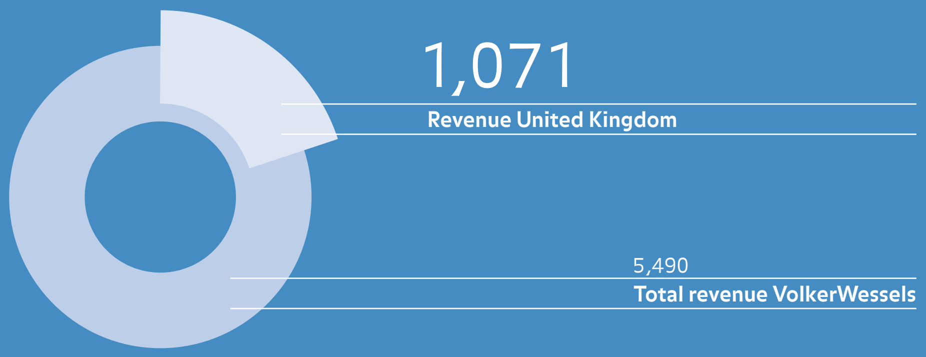
Teams carried out works in Blackfriars to construct a new pier, lift and stairs to replace the Blackfriars Millennium Pier, where movement monitoring was set up for three months on the river walls as well as vibration monitoring as a safety measure.

On the Victoria embankment, new moorings with steps and gangways for the Tattershall Castle restaurant boat were installed. This allows it to be moved upstream to free up a site required for the Tideway project. Key activities on the project are; tubular piling, sheet piling, general works, pier pontoon installations, Blackfriars lift and stairs, dredging and scour protection.

Operating companies and associates involved: VolkerStevin UK.

The main activities of VolkerWessels in the United Kingdom are the delivery of multi-disciplinary civil engineering projects, specialist rail services, specialist marine, water and environmental engineering projects, highways maintenance and renewal projects, and industrial and commercial building.

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**1,071**	1,174
Orderbook	**1,176**	1,222
EBITDA	**34**	35
EBITDA as % of revenue	**3.2%**	3.0%
Average number of employees	**2,590**	2,440

In local currency, revenue of our United Kingdom segment increased in 2016 by £ 25 million or 3% to £ 877 million primarily driven by higher volumes in the rail and water markets. This resulted in an 8% increased EBITDA of £ 2 million to £ 27 million with the EBITDA margin improving by 20 basis points to 3.2%. However, after taking into account the negative impact of the GBP:EUR exchange rate development, revenue decreased in euro terms by 9%, or €103 million, to €1,071 million in 2016 and EBITDA decreased by 3%, or €1 million, to €34 million in 2016. The decrease in the order book was the result of a negative GBP:EUR exchange rate development.
In GBP-terms, the UK order book increased by 11%.

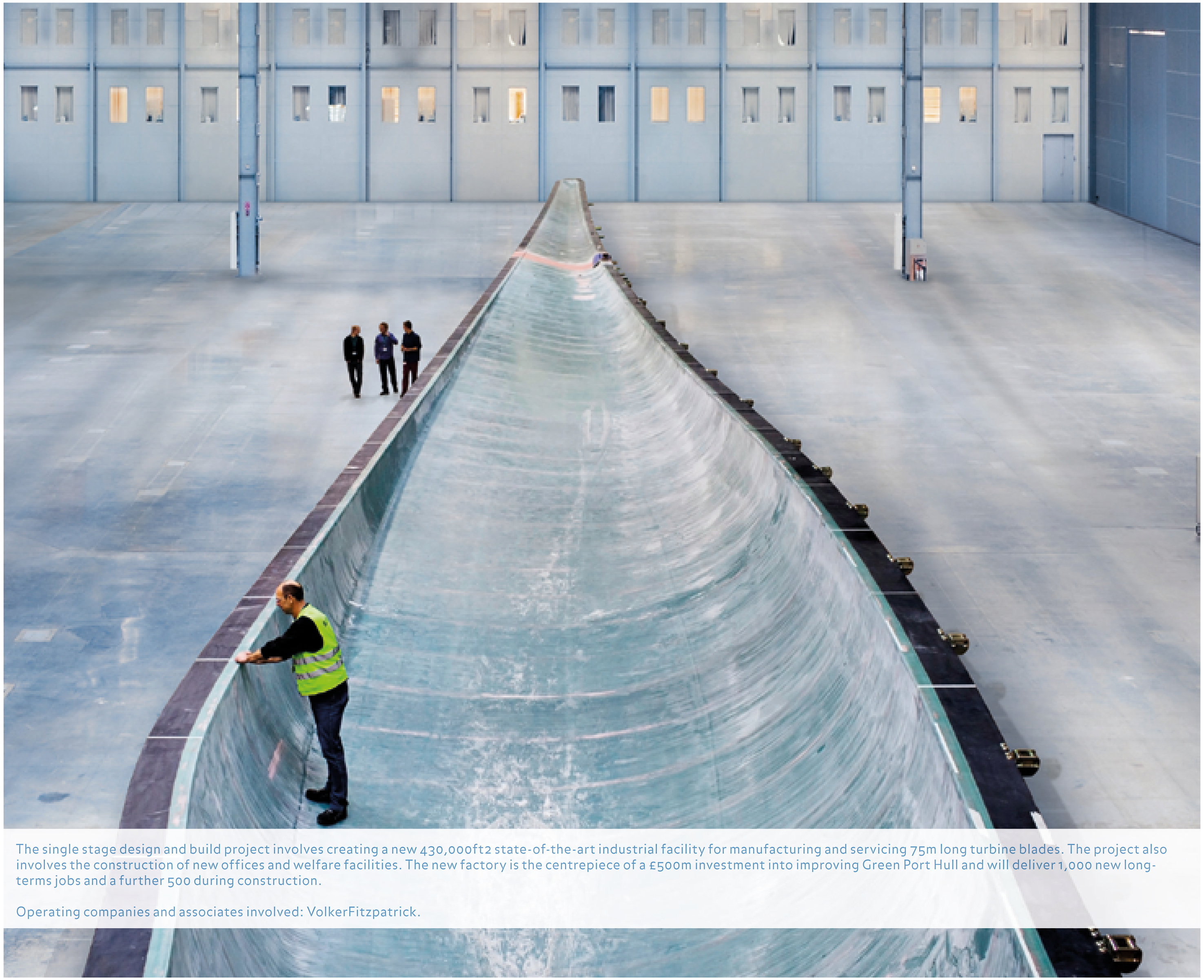
Highlights 2016
The British government is showing an unabated commitment to investments in infrastructure. This offers opportunities to VolkerWessels United Kingdom, which is strongly positioned in markets such as civil engineering, road maintenance, rail infrastructure, energy infrastructure, marine projects and environmental works. At the same time, many of our crucial markets are coming under significant pricing pressure, influenced by entrants from outside the United Kingdom. The result of the Brexit referendum resulted in market uncertainty in the third quarter, which led to delays in a number of public projects and a downturn in the commercial property market. Despite the weak pound, however, the impact of Brexit on our companies appears limited at this stage.

In the face of the challenging market conditions, VolkerWessels United Kingdom is selective in taking on new projects, and the motto remains that margin is more important than volume. Qualitatively high, long-term framework and other contracts provide both sufficient volume as well as with stability in the order book for our companies. This has meant that during the year under review, we succeeded in concluding, extending and renewing a number of long-term contracts. It involves projects such as the maintenance of roads and motorways in West Berkshire, Medway Council, Luton Borough Council and the London borough of Camden. In addition, VolkerWessels UK has obtained a number of design and construction orders from the British Ministry of Defence in the south-west and south-east of the United Kingdom.

"The British government is committed to investments in infrastructure"

Other examples in the order book include the reconstruction and expansions to the facilities for aircraft carriers in Portsmouth harbour, the alliance contract in Stafford for improving the major railway line on the west coast of the United Kingdom, the expansion and substantial renewal of maintenance facilities at the rail rolling stock depot in Ilford, to the east of the Greater London region, and the renewal and improvement of the facilities for the water treatment plant in Oswestry.

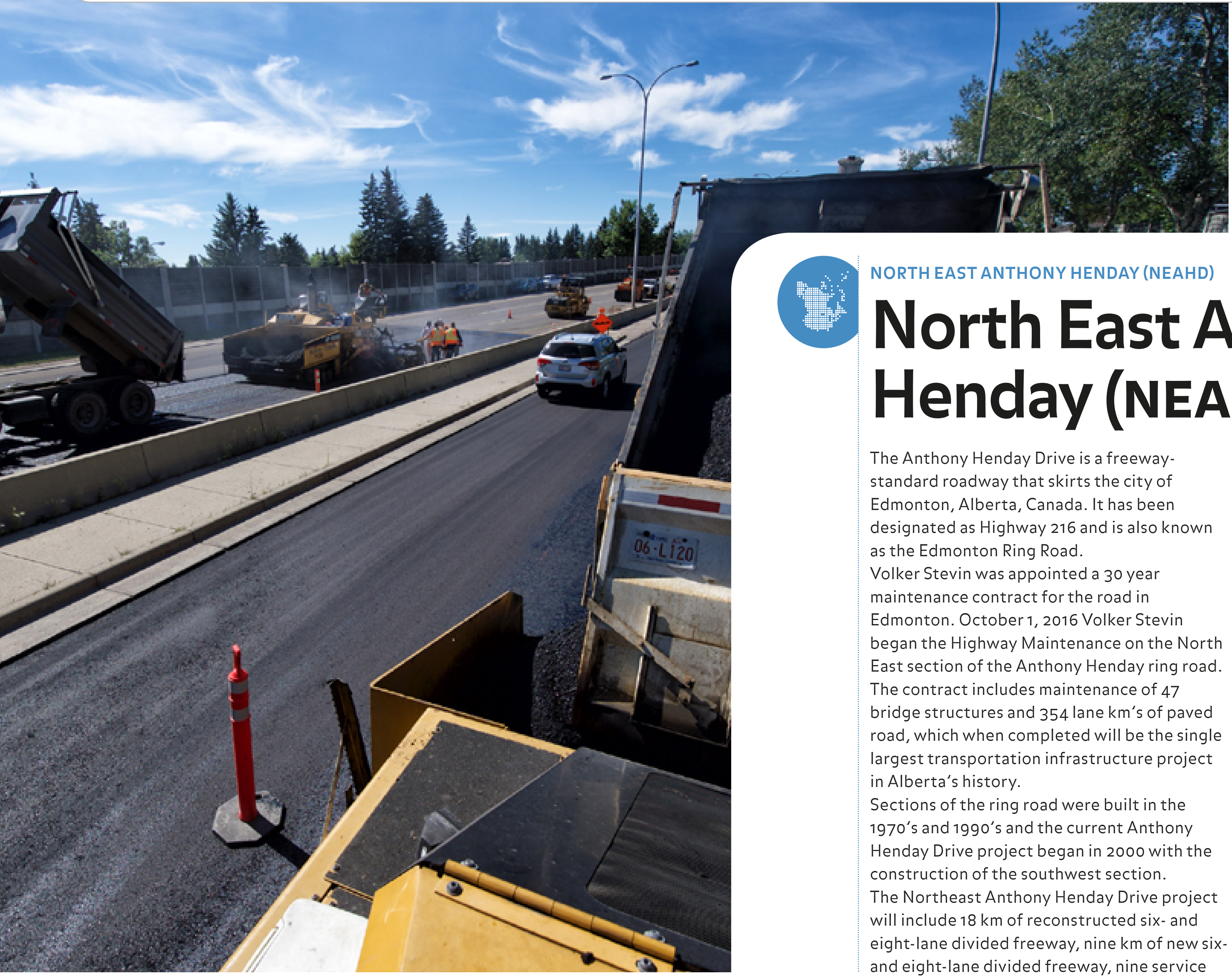
Although we are always alert as to market development in the United Kingdom, we are relying on consistency and a proven strategic course. We are concentrating on our strong position in the infrastructure and related markets. It is not our ambition to be the biggest. Our starting principle is qualitative, not quantitative leadership. We want to achieve this by exceeding the expectations of our clients, stimulating innovation, encouraging entrepreneurship in our organisation and further improving the intensive and constructive cooperation with our customers and partners.



The single stage design and build project involves creating a new 430,000ft2 state-of-the-art industrial facility for manufacturing and servicing 75m long turbine blades. The project also involves the construction of new offices and welfare facilities. The new factory is the centrepiece of a £500m investment into improving Green Port Hull and will deliver 1,000 new long-terms jobs and a further 500 during construction.

Operating companies and associates involved: VolkerFitzpatrick.

North America



NORTH EAST ANTHONY HENDAY (NEAHD)

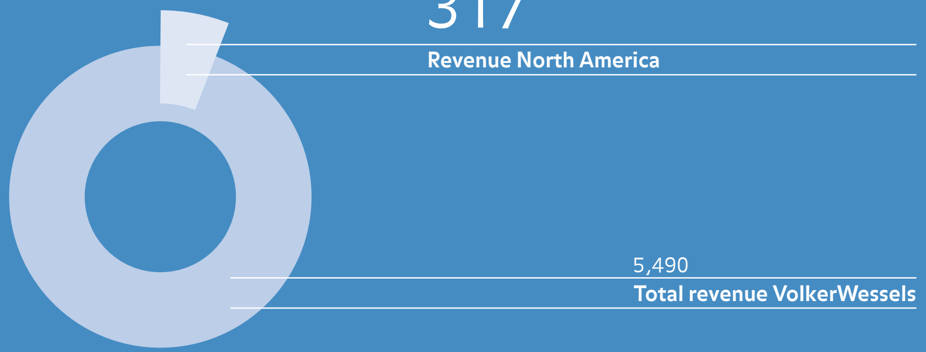
North East Anthony Henday (NEAHD)

The Anthony Henday Drive is a freeway-standard roadway that skirts the city of Edmonton, Alberta, Canada. It has been designated as Highway 216 and is also known as the Edmonton Ring Road.
Volker Stevin was appointed a 30 year maintenance contract for the road in Edmonton. October 1, 2016 Volker Stevin began the Highway Maintenance on the North East section of the Anthony Henday ring road. The contract includes maintenance of 47 bridge structures and 354 lane km's of paved road, which when completed will be the single largest transportation infrastructure project in Alberta's history.
Sections of the ring road were built in the 1970's and 1990's and the current Anthony Henday Drive project began in 2000 with the construction of the southwest section.
The Northeast Anthony Henday Drive project will include 18 km of reconstructed six- and eight-lane divided freeway, nine km of new six- and eight-lane divided freeway, nine service interchanges, seven grade separations and twin river bridge structures. The 27 km northeast leg of the ring road will be free-flow (there will be no traffic lights on the freeway).

Operating companies and associates involved:
Volker Stevin Highway Ltd.

The VolkerWessels North America segment is active in the infrastructure (construction and maintenance) segments in specific markets in the provinces of Alberta and British Columbia in Canada and the greater Seattle area in Washington State in the United States. It focuses on the construction and maintenance of road and highways infrastructure (including its in-house supply of the production of asphalts and aggregates) and the construction and installation of underground (sewage, water, etc.) civil works and utilities.

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**317**	301
Orderbook	**886**	796
EBITDA	**46**	46
EBITDA as % of revenue	**14.5%**	15.3%
Average number of employees	**1,223**	1,082

Revenue from our North America segment increased by 5%, or €16 million, to €317 million in 2016 as a result of improving economic conditions in the United States as well as by a €19 million revenue contribution from the acquisition of LDM in Canada in 2016. These positive contributions were partially offset by a negative CAD:EUR exchange rate impact on revenue as well as by lower volumes in Canada due to project delays as a result of wildfires in the Fort McMurray area in Alberta, Canada. EBITDA for the segment remained the same at €46 million. VolkerWessels managed to sustain strong margins in its North America segment, with an EBITDA margin of 14.5% and 15.3% in 2016 and 2015, respectively.

Highlights 2016

During the global financial crisis, Canada's economy performed relatively well compared to the United States primarily due to a strongly regulated banking sector as well as supportive natural resource prices.
The economy of Alberta has a strong correlation with raw material prices, which continued to be volatile in 2016. The cooling economy in Alberta is affecting private markets such as housing, industry and property, both commercial and otherwise.
The provincial and local governments limited their investments in infrastructure, however, the recent stability in the price of oil is set to stimulate growth in Alberta again.

Long-term contracts for road maintenance in the vast province of Alberta created a solid basis for our order book. An eye-catcher in our order book is the maintenance contract for the north-eastern Anthony Henday ring road in the provincial capital of Edmonton. After several years of preparation, operations started in 2016.

Various disciplines struggled with extreme weather conditions in 2016. In Fort McMurray, in north-east Alberta, raging wildfires reduced around 20% of all homes to ashes.

For our local companies, this meant that the natural disaster and its aftermath resulted in half of the construction season being lost. Grand Prairie in north-west Alberta experienced the wettest year in two decades.The activities in the agricultural region of Lethbridge are less directly dependent on the oil price, although the budgets of municipal clients are ultimately financed by the province of Alberta.

"The British government is committed to investments in infrastructure"

The news was better in our new market of British Columbia. Our acquisition, Lakes District Maintenance (LDM), which is active in road and bridge maintenance, did not have to contend with the same issues as in the neighbouring province of Alberta.
The management and maintenance contracts are subject to a lump sum reimbursement, meaning that weather conditions also influenced the performance here.

In the US, where we are active in the state of Washington in the North-West of the country, close to the Canadian border, market conditions have improved significantly as the U.S. Economy comes out of recession.
The economy's 'rebound' is clear after ten years of recession. In our region of Seattle in particular, this is partly thanks to the presence of various multinationals with a high level of economic activity. For our company, which is active in civil construction, infrastructure and area development, this meant numerous opportunities and a substantial growth in the supply of work. We have been working on the expansion of Boeing's infrastructure here for a number of years.

The ATCO Pipelines Urban Pipeline Replacement (UPR) Program is a proactive solution to improve public safety, modernize the natural gas transmission network and add the capacity needed to meet the growing demand for natural gas in Calgary and Edmonton. The Program will see vintage high-pressure natural gas transmission pipelines in Calgary and Edmonton recommissioned to lower pressure natural gas distribution service or abandoned and new, modern high-pressure natural gas transmission pipelines installed primarily within the Transportation/Utility Corridors (TUCs) that surround the cities.

Operating companies and associates involved: Volker Stevin Contracting Ltd.

Germany

ESSEN LAKESIDE PROMENADE, ESSEN-KETTWIG

Individuality across generations in a breath-taking environment

Apartments, townhouses and semi-detached homes and city villas will be built on the nearly 26,000 m² site. This is currently the largest urban development project in Essen.

76 condominiums and 44 rental apartments will be built in the first phase, with living areas between 60 and 210 m² and energy efficiency of energy class KfW 70.

A total of 22 townhouses and two multi-family homes with 21 condominiums are planned for the second phase of construction. Underground garage and bicycle parking finish off the exceptional living concept.

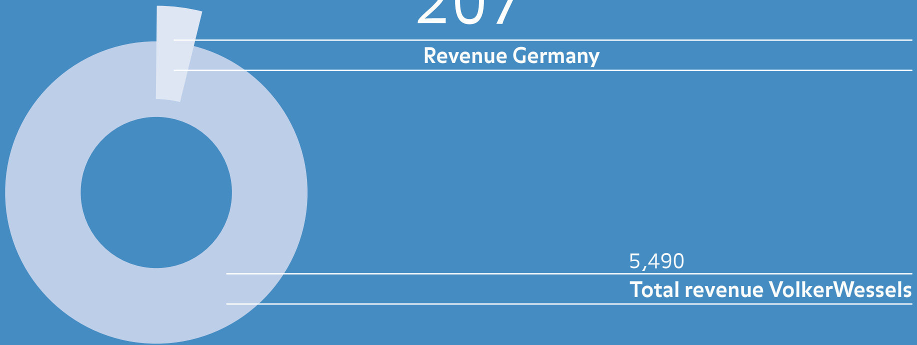
The neighbourhood is mostly car-free due to the access via residential streets. All homes face south or southwest, and have three full floors and a mezzanine.

The growing demand for individuality and flexibility will be taken into account in the construction of the townhouses, making them suitable for sole occupiers and young couples, for families with children and as multi-generational homes alike.

Operating companies and associates involved: KondorWessels Germany (GmbH).

The VolkerWessels Germany segment is focused on the development and construction of high-quality residential property and low cost subsidised housing located in prime cities.

REVENUE 2016
Amounts in millions of euros



	2016	2015
Revenue	**207**	214
Orderbook	**667**	351
EBITDA	**12**	10
EBITDA as % of revenue	**5.8%**	4.7%
Average number of employees	**334**	333

Despite the fact that revenue of our Germany segment decreased by 3.5%, or €7 million, to €207 million, EBITDA increased by 20.0%, or €2 million, to €12 million in 2016. EBITDA margin for the segment was 5.8% and 4.7% in 2016 and 2015, respectively.

Market developments in 2016

The substantial growth in residential construction in Germany's large cities continued during last year. On the one hand this is the result of the urbanisation trend which started six years ago and appears still to be picking up pace. On the other hand, there is also increasing demand for different types of housing. Population ageing in Germany is creating growing demand for adapted housing for senior living, while the increase in single-person households is fuelling demand for smaller homes. These trends are most prevalent in Germany's big cities and VolkerWessels is well-positioned in a number of major German cities to benefit from the developments. Expectations are that demand for housing will continue to outstrip supply going forward.

> "Our focus in Germany is on residential development and construction in a number of major cities"

In 2016 we constructed and delivered a total of 683 houses (2015: 1,813). The number of houses for 2015 was positively influenced by a high number of apartments being constructed and delivered. The number of houses sold from VolkerWessels' own development in Germany in 2016 was 120 (2015: 280).

Highlights 2016

Our focus in Germany is on residential development and construction in a number of major cities and we are well-positioned to benefit in these regions, which have above-average growth. Our construction and development activities in Germany are concentrated in Berlin/Brandenburg, North Rhine-Westphalia, Frankfurt am Main and surroundings and Munich, with a strong focus on the top end of the market – e.g. luxury apartments – and the bottom, with cheaper properties suitable for letting. Growth is principally fuelled by the demand for one-person homes and commercial healthcare property.

Despite the continued growth in the market we remain selective when taking on new projects and again, margins are more important than volume. This focus has enabled VolkerWessels to cautiously grow the order book in recent years while substantially raising the profit margin. Examples of projects in Germany include an apartment complex with 290 luxury apartments in Munich, a new district with 1,000 homes in Berlin and 90 luxury apartments near Frankfurt am Main.

Corporate governance

Corporate governance

In 2016, VolkerWessels was a non-listed Dutch private company with limited liability. As such the Dutch Corporate Governance Code did not apply to VolkerWessels, nor did the provisions in Dutch law that are commonly referred to as the 'large company regime' (structuurregime) apply to VolkerWessels. As part of the contemplated stock exchange listing of VolkerWessels in 2017 (the "Offering") VolkerWessels will convert to a public company with limited liability (naamloze vennootschap). Upon conversion VolkerWessels will voluntarily apply the 'large company regime'. Furthermore, its governance structure shall be amended to further comply with Dutch laws, jurisprudence and the Dutch Corporate Governance Code (hereinafter: the "Code") as outlined below.

Management Structure

VolkerWessels maintains a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board and the Supervisory Board are jointly responsible for the governance structure of VolkerWessels.

Management Board

Powers, Responsibilities and Functioning

The Management Board is the executive body and is entrusted with the management of the Company's group and responsible for the continuity of the Company's group under the supervision of the Supervisory Board.
The Management Board's responsibilities include, among other things, setting the Company's management agenda, developing a view on long-term value creation by the Company, enhancing the performance of the Company, developing a strategy, identifying, analysing and managing the risks associated with the Company's strategy and activities and establishing and implementing internal procedures, which safeguard that all relevant information is known to the Management Board and the Supervisory Board in a timely manner. The Management Board may perform all acts necessary or useful for achieving VolkerWessels' corporate purposes, except for those expressly attributed to the general meeting or the Supervisory Board as a matter of Dutch law or pursuant to the articles of association of VolkerWessels. In fulfilling their responsibilities, the Managing Directors must act in the interest of VolkerWessels and give specific attention to the relevant interests of VolkerWessels' employees, shareholders, lenders, customers, suppliers and other stakeholders of VolkerWessels.
The Management Board Rules furthermore provide that the Management Board focuses on long-term value creation for the Company.

The Management Board shall timely provide the Supervisory Board with the information necessary for the performance of the Supervisory Board's duties. The Management Board is required to keep the Supervisory Board informed and to consult with the Supervisory Board on important matters.
The Management Board shall inform the Supervisory Board, in writing, and at least once a year, of the main outlines of the Company's strategic policy, the general and financial risks, and the management and control systems.

Management Board Rules

Pursuant to the articles of association of VolkerWessels, the Management Board may adopt rules and regulations, allocating duties to one or more Managing Directors and regulating any such subjects as the Management Board deems necessary or appropriate in the Management Board Rules (the "**Management Board Rules**").
The Management Board Rules shall be expected to be published on the Company's website as of the first trading date of the Offering.

Composition, Appointment, Dismissal and Suspension

The number of Managing Directors shall be determined by the Supervisory Board after consultation with the Management Board.
The Supervisory Board appoints one of the Managing Directors as chairman and may appoint a vice-chairman. In addition, the Supervisory Board may appoint one of the Managing Directors as CFO (chief financial officer) to specifically oversee the Company's financial affairs.

The Supervisory Board appoints the Managing Directors. The Supervisory Board must notify the general meeting of an intended appointment of a member of the Management Board. A resolution of the Supervisory Board to appoint a member of the Management Board can be adopted by a majority of the votes cast.

The articles of association of VolkerWessels provide that a member of the Management Board may be suspended or dismissed by the Supervisory Board at any time, provided that such suspension or dismissal does not occur before the Managing Director in question has had an opportunity to be heard by the general meeting with regard to the intended dismissal. A resolution of the Supervisory Board to suspend or dismiss a Managing Director can be adopted by a majority of the votes cast.

Term of Appointment

Any new Managing Director that is appointed is appointed for a maximum period of four years, provided that, unless a Managing Director resigns earlier, his appointment period shall end immediately after the annual general meeting that will be held in the fourth calendar year after the date of his appointment. The current members of the Management Board have been appointed for an indefinite period of time, except for Mr J.A. de Ruiter who has been appointed for a period of four years, ending immediately after the annual general meeting in 2021. A Managing Director may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The Company's diversity policy drawn up in accordance with the Supervisory Board Rules will be considered in the preparation of the appointment or reappointment.

Conflict of Interest

Dutch law provides that a member of the management board of a Dutch public limited liability company may not participate in the deliberation or decision-making of a relevant management board resolution if he or she has a direct or indirect personal interest conflicting with the interests of the relevant company and the business connected with it. Such a conflict of interest exists if in the situation at hand the Managing Director is deemed to be unable to serve the interests of the Company and the business connected with it with the required level of integrity and objectivity.

Pursuant to the articles of association of the Company and the Management Board Rules, each Managing Director shall immediately report any (potential) personal conflict of interest concerning a Managing Director to the chairman of the Supervisory Board and to the other Managing Directors and shall provide all information relevant to the conflict. The Supervisory Board must determine whether a reported (potential) conflict of interest qualifies as a conflict of interest, in which case the Managing Director who has a conflict of interest is not permitted to participate in the decision-making and deliberation process on a subject or transaction in relation to which such member has a conflict of interest. Such transaction must be concluded on terms customary in the sector concerned and must be approved by the Supervisory Board. In addition, if there is a conflict of interest in connection with the Management Board, the Supervisory Board may, whether or not on an ad hoc basis, appoint one or more persons to authorise to represent the Company with respect to matters in which a (potential) conflict of interest occurs.

Related Party Transactions Policy

The Management Board Rules shall provide for a related party transactions policy. According to this policy, no related party transactions shall be undertaken without the approval of the Supervisory Board, which approval includes the affirmative vote of at least one independent Supervisory Director.

Supervisory Board

Powers, Responsibilities and Functioning

The Supervisory Board supervises the policy of the Management Board and the general course of affairs in the Company and the business affiliated with the Company. The Supervisory Board is accountable for these matters to the general meeting. The Supervisory Board also provides advice to the Management Board. In performing their duties, the Supervisory Directors are required to focus on the effectiveness of the VolkerWessels' internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Directors assist the Management Board with advice on general policies related to the activities of VolkerWessels. In the fulfilment of their duty, the Supervisory Directors shall orient themselves according to the interests of the Company and its related business.

Supervisory Board Rules

Pursuant to the articles of association of VolkerWessels, the Supervisory Board may adopt rules and regulations, allocating duties to one or more Supervisory Directors and regulating any such subjects as the Supervisory Board deems necessary or appropriate (the "**Supervisory Board Rules**").

Composition, Appointment, Dismissal and Suspension

The Supervisory Board Rules provide that the Supervisory Board must consist of a minimum of three members. The exact number of Supervisory Directors shall be determined by the Supervisory Board. Only natural persons may be appointed as Supervisory Directors.

According to the articles of association, the Supervisory Board must prepare a profile (profielschets) for its size and composition, taking account of the nature and activities of the business, the desired expertise and background of the Supervisory Directors, the desired mixed composition and the size of the Supervisory Board and the independence of the Supervisory Directors. The Supervisory Board shall discuss the profile at the occasion of each amendment thereof in the general meeting and with the central works council (ondernemingsraad) ("**Works Council**").

The general meeting appoints the Supervisory Directors on the recommendation of the Supervisory Board.

The general meeting and the Works Council may recommend persons to the Supervisory Board to be nominated as Supervisory Director. For one-third of its members, the Supervisory Board shall place a person recommended by the Works Council on the list of nominees unless the Supervisory Board objects to the appointment on the grounds that it expects the person recommended to be unfit to perform the duties of a member of the Supervisory Board, or that the Supervisory Board will not be properly composed if the person recommended is appointed.

Term of Appointment

The Supervisory Directors are appointed for a maximum period of four years, provided that, unless a Supervisory Director resigns earlier, his appointment period shall end immediately after the annual general meeting that will be held in the fourth calendar year after the date of his or her appointment. Supervisory Directors may be reappointed once more for another four-year period and then subsequently be reappointed again for a period of two years, which reappointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the Supervisory Board. In any appointment or reappointment, the profile as prepared by the Supervisory Board should be observed. The Supervisory Board will prepare a retirement schedule for the Supervisory Directors.

Supervisory Board Meetings

The Supervisory Board meets at least four times per year. The schedule for its meetings in the next year will be adopted each year at the latest in the last scheduled meeting of the then current year.

Conflict of Interest

Similar to the rules that apply to the Managing Directors as described above, Dutch law also provides that a supervisory director of a Dutch public limited liability company, such as VolkerWessels (after conversion of the Company), may not participate in deliberating or decision-making within the Supervisory Board if he or she has a direct or indirect personal interest conflicting with the interests of the relevant company and the business connected with it.

Pursuant to the Supervisory Board Rules, a member of the Supervisory Board that has a (potential) conflict of interest with respect to a proposed Supervisory Board resolution should immediately report this to the chairman of the Supervisory Board and provides all relevant information. If the chairman of the Supervisory Board has a (potential) conflict of interest with respect to a proposed Supervisory Board resolution, he should immediately report this to the other Supervisory Directors. The Supervisory Board, without the relevant Supervisory Director being present or represented, determines whether a reported (potential) conflict of interest qualifies as a conflict of interest. A member of the Supervisory Board shall not participate in the deliberation and decision-making process if he has a conflict of interest.

Supervisory Board Committees

If the Supervisory Board consists of more than four members, it shall appoint from among its members three permanent committees: an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committe**e") and a selection and appointment committee (the "**Selection and Appointment Committee**"). The function of these committees is to assist in the decision-making of the Supervisory Board. The rules and the composition of these committees shall be made available on the Company's website.

Audit Committee

According to the charter of the Audit Committee, the Audit Committee undertakes preparatory work for the Supervisory Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems. It focuses on, among others things, (a) monitoring the Management Board with regard to: (i) relations with, and compliance with recommendations and the following up of comments by, the internal and external auditors, (ii) the funding of the Company, (iii) the application of information and communication technology by the Company, including risks relating to cyber-security, and (iv) the Company's tax policy, (b) informing the Management Board or the Supervisory Board of the outcome of the statutory audit, including an explanation of the manner in which the statutory audit has contributed to the integrity of financial reporting and the role of the audit committee in that process, (c) monitoring the financial reporting process and making proposals to ensure the integrity of the process, (d) monitoring the effectiveness of the internal control system, the internal audit system (if any) and the risk management system in relation to the financial reporting of the Company, (e) monitoring the statutory audit of the annual accounts and the consolidated accounts, in particular the performance of the audit, taking into account the assessment of the AFM in accordance with article 26, paragraph 6 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, (f) reviewing and monitoring the independence of the external auditors or the audit firm, in particular the provision of additional services to the Company, and (g) determining the procedure for the selection of the external auditor or the audit form and the nomination of the performed statutory audits.

The Audit Committee consists of Supervisory Directors with a minimum of three. The members of the Audit Committee, its chairman, vice-chairman and secretary shall be appointed by the Supervisory Board. The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee, but in any event at least four times a year. In addition, the Audit Committee must meet at least before the publication of the annual results.

Remuneration Committee

According to the charter of the Remuneration Committee, the Remuneration Committee prepares the Supervisory Board's decision-making regarding the determination of remuneration and reports to the Supervisory Board on its deliberations and findings. The Remuneration Committee submits a clear and understandable proposal to the Supervisory Board concerning the remuneration policy to be pursued with regard to the Management Board. The following aspects will in any event be taken into consideration when formulating the remuneration policy: (a) the requirements set out in Sections 2:383c to 2:383e (inclusive) of the Dutch Civil Code, (b) the objectives for the strategy for the implementation of long-term value creation, (c) the scenario analyses carried out in advance, (d) the pay ratios within the Company and its affiliated enterprise, i.e. the ratio between the remuneration of the Managing Directors and that of a representative reference group determined by the Company, along with whether there have been any changes in these ratios compared to the previous financial year, (e) the development of the market price of the (ordinary) shares in the Company (the "Shares"), (f) an appropriate ratio between the variable and fixed remuneration components, (g) if Shares are being awarded, the terms and conditions governing this, (h) if Share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the Share options can be exercised, and (i) material benefits awarded in exceptional cases.

The members of the Remuneration Committee, its chairman, vice-chairman and secretary shall be appointed by the Supervisory Board. The secretary does not need to be a Supervisory Director. The Remuneration Committee meets whenever one or more of its members have requested such meeting and at least twice a year.

Selection and Appointment Committee

According to the charter of the Selection and Appointment Committee, the Selection and Appointment Committee prepares the Supervisory Board's decision-making on selections and appointments and reports to the Supervisory Board on its deliberations and findings. The Selection and Appointment Committee in any event focuses on: (a) drawing up selection criteria and appointment procedures for Managing Directors and Supervisory Directors, (b) periodically assessing the size and composition of the Management Board and the Supervisory Board, and making a proposal for a profile of the Supervisory Board, (c) periodically assessing the functioning of the individual Managing Directors and Supervisory Directors, and reporting on this to the Supervisory Board, (d) drawing up a plan for the succession of Managing Directors and Supervisory Directors, (e) making proposals for appointments and reappointments, thereby observing the diversity policy and the profile of the Supervisory Board, and (f) supervising the policy of the Management Board regarding the selection criteria and appointment procedures for senior management.

The members of the Selection and Appointment Committee, its chairman, vice-chairman and secretary shall be appointed by the Supervisory Board. The secretary does not need to be a Supervisory Director.
The Selection and Appointment Committee meets whenever one or more of its members have requested such meeting and at least twice a year.

Maximum Number of Supervisory Positions of Managing Directors and Supervisory Directors
Since 1 January 2013, restrictions apply with respect to the overall number of supervisory positions that a managing director or supervisory director of "large Dutch companies" may hold. The term "large Dutch companies" applies to Dutch public limited liability companies, Dutch private limited liability companies and Dutch foundations that meet at least two of the following three criteria: (i) the value of the company's/foundation's assets according to its balance sheet together with explanatory notes on the basis of the purchase price or manufacturing costs exceeds €17.5 million; (ii) its net turnover in the applicable year exceeds €35.0 million; and (iii) its average number of employees in the applicable year is 250 or more.

A person cannot be appointed as a managing or executive director of a "large Dutch company" if he/she already holds a supervisory position at more than two other "large" Dutch public or private companies or "large" Dutch foundations or if he/she is the chairman of the supervisory board or one-tier board of another "large" Dutch public or private company or "large" Dutch foundation. Also, a person cannot be appointed as a supervisory director or non-executive director of a "large Dutch company" if he/she already holds a supervisory position or non-executive position at five or more other "large" Dutch public or private companies or Dutch foundations, whereby the position of chairman of the supervisory board or one-tier board of another "large" Dutch company is counted twice.

Upon conversion of VolkerWessels to a public company with limited liability, VolkerWessels will voluntarily apply the "large Dutch company regime"; all Managing Directors and Supervisory Directors will comply with these rules.

Diversity
Until 1 January 2016, Dutch law required large Dutch companies (see above for the explanation of this term) to pursue a policy of having at least 30% of the seats on both the management board and supervisory board held by men and at least 30% of the seats on the management board and supervisory board held by women, each to the extent these seats are held by natural persons. Under Dutch law, this was referred to as a well-balanced allocation of seats. This allocation of seats needed to be taken into account in connection with: (a) the appointment, or nomination for the appointment, of Managing Directors and Supervisory Directors; (b) drafting the criteria for the size and composition of the Management Board and Supervisory Board, as well as the designation, appointment, recommendation and nomination for appointment of Supervisory Directors; and (c) drafting the criteria for the Supervisory Directors. If a Dutch large company did not comply with the gender diversity rules, it was required to explain in its management report (i) why the seats were not allocated in a well-balanced manner, (ii) how it had attempted to achieve a well-balanced allocation and (iii) how it aimed to achieve a well-balanced allocation in the future.

This rule was a temporary measure and automatically ceased to have effect on 1 January 2016. However, on 7 February 2017, the Dutch Parliament approved a legislative proposal by the responsible Dutch Minister to reinstate this rule and extend its application until 1 January 2020.The Company aims for these gender diversity targets but, unfortunately, has not yet reached the target percentage. When appointing Mr. J.A. de Ruiter to the Management Board on 1 March 2017, no female candidates were identified who were equally suitable for the role. No appointments have been made to the Supervisory Board in 2016. When a new member shall be appointed to the Management Board or the Supervisory Board, in addition to suitability for the role, the statutory requirements will also be borne in mind. If two candidates are equally suitable, preference will be given to the female candidate.

Remuneration Information Management Board
Management Board Remuneration Policy
The remuneration policy applicable to the Management Board was determined by the general meeting of the Company on 24 April 2017, after the Works Council had been granted the opportunity to determine its point of view thereon. Any subsequent amendments to this remuneration policy are subject to adoption by the general meeting of the Company. The remuneration of, and other agreements with, the Managing Directors are required to be determined by the Supervisory Board, with due observance of the remuneration policy.

The Company's remuneration policy aims to attract, motivate and retain qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned with the long-term strategy of the Company and fosters alignment of interests of Managing Directors with shareholders.
The total direct remuneration of the Managing Directors is set around the upper quartile remuneration levels within a peer group of twenty companies consisting of Dutch listed companies, national and European industry peers which are comparable to the Company in terms of size, scope and level of complexity, with a strong emphasis on performance based remuneration.

Based on the remuneration policy, the remuneration of the Managing Directors consists of the following components:

- annual base pay;
- short-term incentive;
- management participation plan; and
- pension and other benefits.

Annual base pay

This represents a fixed cash remuneration consisting of the base salary including holiday allowance that is set based on the level of responsibility of the Managing Directors. The salaries of the Managing Directors are subject to indexation in accordance with the collective bargaining agreement of the construction industry in the Netherlands.

Short-term incentive

A short-term incentive in the form of an annual cash bonus is applicable to the Managing Directors. This incentive is intended to focus them on the delivery of pre-set short-term results in line with the Company's strategy and appropriately reflect both quantitative and qualitative criteria. The target and maximum bonus opportunity and the targets pertaining to the short-term incentive are set annually at the discretion of the Supervisory Board (at the proposal of the Remuneration Committee) in accordance with the remuneration policy. As from 2017, the 'at target' short-term incentive is equal to 80% of annual base pay. The maximum pay-out under the short-term incentive is 100% of annual base pay.

The Supervisory Board will decide upon each short-term incentive award, taking into account the financial, non-financial and individual performance for each individual Managing Director. The award made will be subject to financial and non-financial performance measures based on the Company's strategic objectives and key performance indicators as well as the Managing Director's specific responsibilities and their relative weighting. The metrics will be chosen to provide the closest link between an individual's remuneration and the Company's short-term objectives that are aligned with the Company's strategy.

Management participation plan

The Managing Directors are eligible to participate in the Company's long-term management participation plan. Together with a group of over 150 managers, the Managing Directors may share in the profits of the Company by holding, through a management investment company, a leveraged profit participating loan, which instrument has been issued by the Company. Participation in the management participation plan is subject to a limited investment by, and the continued employment of, the participants with the Company. The management participation plan is intended to drive sustainable performance with due regard of the risk-appetite of the Company 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 the Company 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 the Company 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.

Pension and other benefits

Managing Directors are eligible to participate in the Company pension scheme similar to the other employees of the Company in the Netherlands who are not covered by a collective bargaining agreement or industrial pension fund. This includes an additional compensation payment for the pension entitlement relating to the part of the salary that exceeds the amount as 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 Managing Directors are eligible for other pension related benefits, such as old-age and life insurance, as determined by the Supervisory Board from time to time.

Managing Directors are eligible for a range of other emoluments such as the use of a company car, an expense allowance reflective of the position of the Managing Director and a collective health insurance.

Severance

In line with their current employment agreements, the maximum severance payment applicable to the Managing Directors amounts to one year base pay for the preceding financial year. No severance payment will be awarded if the Managing Director's agreement is terminated early at the initiative of the Managing Director, or in the event of seriously culpable or negligent behaviour on the part of the Managing Director.

Adjustments short term incentive

The Supervisory Board shall use its judgement to assess the outcome of the performance targets to ensure that together they form a fair reflection of the overall performance of the Managing Director over the performance period and whether and to what extent payments of short term incentive appropriately reflect the (individual) performance delivered. Based on this judgement, the Supervisory Board can determine whether or not short term incentive payments should be adjusted (downwards or upwards). In addition, the Supervisory Board will have the authority under Dutch law to recover from a Managing Director any variable remuneration awarded on the basis of incorrect financial or other data (claw back). Pursuant to Dutch law, the Supervisory Board may furthermore adjust the short term incentive to an appropriate level if payment of the variable remuneration is unacceptable according to the requirements of reasonableness and fairness.

Management Board Remuneration over 2016

The total amount of remuneration of the Managing Directors (excluding Mr J.A. de Ruiter) for the financial year ended 31 December 2016 comprised base salary amounting to €1.9 million, short-term incentive benefits amounting to €1.5 million and employer's pension contribution benefits amounting to €0.6 million, in total €4.0 million. The benefits due to the Managing Directors (excluding Mr J.A. de Ruiter) under the management participation plan amounted to €9.3 million for the year 2016, payable in the years 2017–2019. This amount consists of €3.2 million relating to the 2016 performance and the remainder relates to the better than expected performance of the Company over the performance period 2014–2016, including the one-off financial result from the sale of the offshore activities in 2016. The applicable cost of the management participation plan to the Company is €12.4 million, the difference being the corporate tax payable by the management investment company. The Company has not provided any personal loans, advances or guarantees to the Managing Directors.

Share incentive

Subject to the Offering, Reggeborgh Holding BV, the Company's shareholder, will grant a one-off share incentive to Managing Directors and certain key managers to ensure a smooth transition from a privately held company to a publicly held company. The share incentive, whereby the financial cost of these incentive shares - including any taxes - will be born by Reggeborgh Holding BV, is 1.2% of the issued share capital of the company. These shares are granted to Managing Directors and certain key managers under the condition that they stay with the company for a certain period, this period is the service period. The service period varies from 2017 until 2020.

Remuneration Information Supervisory Board

The general meeting of the Company determines the remuneration of the Supervisory Directors. The Supervisory Board periodically submits proposals to the general meeting in respect of the remuneration of the Supervisory Directors. The remuneration of the Supervisory Board may not be made dependent on the Company's results. Supervisory Directors will not receive Shares and/or rights to Shares as remuneration.

Supervisory Board Remuneration over 2016

The total remuneration of the Supervisory Board for the financial year ended 31 December 2016 amounted to €130,000. The Company has not provided any personal loans, advances or guarantees to Supervisory Directors.

Employment Agreements and Service Agreements

The Managing Directors are employed by VolkerWessels. The terms and conditions of employment are governed by Dutch employment law. Mr J.A. de Ruiter entered into an employment agreement effective as of 1 March 2017 and the other Managing Directors are expected to enter into a new employment agreement with the Company effective as of 1 May 2017. The agreements provide for the possibility that the relationship between the parties will be regarded as a services agreement (overeenkomst van opdracht) as of the first trading date of the Offering. The current Managing Directors, except for Mr J.A. de Ruiter who has entered into an employment agreement for four years, will be entered into for an indefinite period to continue their existing arrangement. The new agreements will also contain severance provisions which provide for compensation for the loss of income resulting from a termination of employment at the initiative of the Company, with a maximum of one year's base compensation, subject to certain conditions such as that the termination is not based on event seriously culpable acts or negligence of the Managing Director. The contractual severance amount will replace or be subtracted from any statutory or other severance payments.

The Supervisory Directors have a service agreement with the Company. The agreements are governed by Dutch law. Each Supervisory Director is expected to enter into a new service agreement with the Company, effective as of the first trading date of the Offering. The new agreements are entered into for a fixed period of four years. The Supervisory Directors do not have a severance contract with the Company.

Mr D. Wessels has also entered into an advisory agreement with the Company, effective as of 1 January 2017. The agreement will provide for Mr D. Wessels to have an advisory role in addition to his role as a Supervisory Director and is on substantially the same terms as the service agreements entered into by the Supervisory Directors. The compensation for the advisory services has been set at €180,000 per year. The agreement will be governed by Dutch law. The new agreement is entered into for a fixed period until 2 April 2026.

Potential Conflicts of Interest and Other Information

Other than the circumstances described below, the Company is not aware of any circumstance that may lead to a (potential) conflict of interest between the private interests or other duties of each of the Managing Directors and Supervisory Directors on the one hand and the interests of the Company on the other hand. There is a family relationship between Mr D. Wessels and Mr H.M. Holterman. There is no family relationship between any other Supervisory Director and any Managing Director.

The Company is aware of the fact that Mr D. Wessels, Mr H.M. Holterman and Mr R.J.H.M. Kuipers have been designated as Supervisory Directors by Reggeborgh Holding BV, that Mr D. Wessels and Mr H.M. Holterman indirectly own Shares through Reggeborgh Holding BV and continue to hold positions at Reggeborgh Bestuur B.V, which in its turn is the sole board member of Reggeborgh Invest BV, Reggeborgh Vastgoed BV and Reggeborgh Holding BV, and that Mr H.M. Holterman continues to hold his position at Varo Energy BV, and that Mr R.J.H.M. Kuipers continues to hold his positions at Reggeborgh Invest BV and Argos Group Holding BV.

Mr D. Wessels indirectly, through a number of Reggeborgh Entities, holds interests in various companies that are involved in business with

VolkerWessels. These include Reggeborgh Vastgoed BV and minority interests in Varo Energy BV, Koninklijke KPN NV and Deutsche Glasfaser Holding GmbH.

Since each of Mr D. Wessels, Mr H.M. Holterman and Mr R.J.H.M. Kuipers has been designated by Reggeborgh Holding BV, and each of Mr D. Wessels, Mr H.M. Holterman and Mr R.J.H.M. Kuipers holds managerial positions and/or holds investments in companies related to Reggeborgh Holding BV, and the interests of Reggeborgh Holding BV do not have to be aligned with the interests of the Company, a conflict of interest might arise.

The Brabantse Ontwikkelings Maatschappij Holding BV, where Mr J.H.M. Hommen is the chairman of the supervisory board, holds minority participations in a few small joint ventures (annual turnover of EUR 100,000 or less) that are majority owned by subsidiaries of the Company.
Mr J.A. de Ruiter holds a supervisory director of Varo Energy BV, a company related to the Selling Shareholder.

The Management Board and Supervisory Board do not expect that the circumstances described above will cause any of the Managing Directors or Supervisory Directors to have a conflict with the duties they have towards the Company. However, the Management Board Rules and the Supervisory Board Rules include arrangements to ensure that the Management Board and Supervisory Board will in each relevant situation handle and decide on any (potential) conflict of interest, also in this respect.
A Managing Director or a Supervisory Director shall not participate in the deliberation and decision-making process if he has a conflict of interest. Each of the Management Board and the Supervisory Board will procure that relevant transactions, in relation to which it has been determined that a conflict of interest exists, are published in the annual report. Other than these circumstances, the Company is not aware of any other circumstance that may lead to a (potential) conflict of interest between the private interests or other duties of Managing Directors and private interests or other duties of Supervisory Directors towards the Company.

Liability of members of the Management Board and Supervisory Board
Under Dutch law, members of the management board and supervisory board may be liable towards the company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages towards the company for infringement of the articles of association or of certain provisions of the Dutch Civil Code. In addition, they may be liable towards third parties for infringement of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil, administrative and criminal liabilities.

Insurance
Managing Directors, Supervisory Directors and certain other officers are insured under an insurance policy taken out by VolkerWessels against damages resulting from their conduct when acting in their capacities as members or officers.

Indemnification
The articles of association of VolkerWessels include provisions regarding the indemnification, to the extent permissible by the rules and regulations applicable to the Company, of current and former Managing Directors and Supervisory Directors against: (a) the reasonable costs of conducting a defence against claims for damages or of conducting defence in other legal proceedings, (b) any damages payable by them, and (c) the reasonable costs of appearing in other legal proceedings in which they are involved as current or former Managing Directors or Supervisory Directors, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf, based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the Company's request – in the latter situation only if and to the extent that these costs and damages are not reimbursed on account of these other duties.

However, there shall be no entitlement to reimbursement and any person concerned will have to repay the reimbursed amount if and to the extent that: (i) a Dutch court, or in the case of arbitration, an arbitrator, has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (opzettelijk), intentionally reckless (bewust roekeloos) or seriously culpable (ernstig verwijtbaar) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness, (ii) the costs or damages directly relate to or arise from legal proceedings between a current or former Managing Directors or Supervisory Directors and VolkerWessels, with the exception of legal proceedings that have been brought by one or more shareholders, according to Dutch law or otherwise, on behalf of the Company, or (iii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss.

Works Council
VolkerWessels has a central works council (ondernemingsraad) ("**Works Council**") in place at the level of the Company. Pursuant to Dutch law and the articles of association of VolkerWessels, any proposal (i) to appoint, suspend or remove an Managing Director or a Supervisory Director, (ii) to determine or modify the remuneration policy of the Management Board, or (iii) to approve a resolution entailing a significant change in the identity or character of VolkerWessels or its business shall only be submitted to the general meeting after the Works Council has been timely granted the opportunity to determine its point of view before the date of the notice of such general meeting. The absence of the statement of the Works Council shall not affect the decision-making concerning such proposal. If the Works Council determines its point of view in respect of the proposal, the Management Board shall inform the Supervisory Board and the general meeting of such point of view. The Works Council may have its point of view explained in the general meeting.

Dutch Corporate Governance Code
The Dutch Corporate Governance Code, as amended, became effective on 1 January 2009 and finds its statutory basis in Book 2 of the Dutch Civil Code. The Dutch Corporate Governance Code applies to VolkerWessels as VolkerWessels has its registered office in the Netherlands and its Shares will be listed on Euronext Amsterdam.

The Dutch Corporate Governance Code is based on a 'comply or explain' principle. Accordingly, companies are required to disclose in their annual report whether or not they are complying with the various best practice provisions of the Dutch Corporate Governance Code that are addressed to the management board or, if applicable, the supervisory board of the company. If a company deviates from a best practice provision in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its annual report.

A revised Dutch corporate governance code was published on 8 December 2016. It entered into force on, and applies to any financial year starting on or after, 1 January 2017. VolkerWessels will therefore be required to report in 2018 on compliance with the revised code in the 2017 financial year.

Departures from the Best Practice Provisions of the Dutch Corporate Governance Code
The Company acknowledges the importance of good corporate governance. The Company agrees with the general approach and with the majority of the provisions of the Dutch Corporate Governance Code. However, considering VolkerWessels' interests and the interest of its stakeholders, it is expected that the Company will deviate from a limited number of best practice provisions, which are the following:

- After delivery of the Shares being offered as part of the Offering (the "Settlement"), the Company will not be in compliance with best practice provision 2.1.7 that requires that more than half of the Supervisory Directors shall be independent. Under the Relationship Agreement, for as long as Reggeborgh Holding BV holds, directly or indirectly, at least 50% of the Shares, it shall have the right to nominate three Supervisory Directors, and the nominees do not need to be "independent" within the meaning of the Dutch Corporate Governance Code. It is expected that any future nominees of Reggeborgh Holding BV will also be dependent within the meaning of the Dutch Corporate Governance Code. Furthermore, under the Relationship Agreement, Reggeborgh Holding BV will have the right to designate (i) two Supervisory Directors if it holds, directly or indirectly, less than 50% but 20% or more of the Shares or (ii) one Supervisory Director if it holds, directly or indirectly, less than 20% but 10% or more of the Shares. Reggeborgh Holding BV will not have any designation rights if it holds, directly or indirectly, less than 10% of the Shares. In case the Company will have five Supervisory Board members at the moment that Reggeborgh Holding BV holds less than 50% of the Shares, the Company will then be in compliance with the best practice provision 2.1.7 of the Dutch Corporate Governance Code.
- The Company will not be in compliance with best practice provision 2.2.1 that requires that all Managing Directors are appointed and reappointed for specified periods. The current Managing Directors are appointed for an indefinite period of time. Mr J.A. de Ruiter has been appointed for a period of four years ending immediately after the annual general meeting in 2021. Future Managing Directors will be appointed for a maximum period of four years.

Anti-Takeover Measure
The managing board of the Company has been authorised to implement an anti-takeover measure within five years after the Offering consisting of the possibility of the issuance of preference shares (the "Preference Shares") to an outside foundation, in conformity with Dutch law and practice.

The Company may set up a foundation, the objects of which will be to protect the interests of the Company, the business maintained by the Company and the entities with which the Company forms a group and all persons involved therein, in such a way that the interest of the Company and those businesses and all persons involved therein are protected to the best of its abilities, and by making every effort to prevent anything which may affect the independence and/or the continuity and/or the identity of the Company and of those businesses in violation of the interests referred above. The foundation shall pursue its objects, inter alia, by acquiring and holding Preference Shares in the Company's share capital and by enforcing the rights, in particular the voting rights, attached to those Preference Shares, as well as by exercising (whether or not in legal proceedings) rights attributed to it pursuant to Dutch law, the articles of association of the Company or any agreement. The foundation will only be authorised to sell any Preference Shares it holds after approval granted by the Supervisory Board. The foundation will only be authorised to pledge any Preference Shares it holds to the extent that the voting rights attached to such Preference Shares are not passed to the pledgee. 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 the Company.

To this end, after its incorporation, the foundation will be granted a call option by the Company. The foundation may exercise the call option subject to Reggeborgh Holding BV holding, directly or indirectly, less than 20% of the issued (ordinary) Shares. On each exercise of the call option, the foundation is entitled to acquire from the Company 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. Any Preference Shares already placed with the foundation at the time of the exercise of the call option will be deducted from this maximum. 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, inter alia, but not limited to:

- 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
- prevent and countervail concentration of voting rights in the General Meeting; and/or
- resist unwanted influence by and pressure from Shareholders to amend the strategy of the Executive Board.

If the foundation exercises the call option, the Company must issue the corresponding number of Preference Shares to the foundation. Upon issuance of Preference Shares, at least one fourth of the nominal value thereof must be paid up. The foundation will be required to pay up any additional amounts only if and when the Company claims such additional payments. If the Company and the foundation so agree, the Preference Shares can be paid up in full at the expense of the reserves of the Company.

If Preference Shares are issued to the foundation, the Management Board must convene a general meeting within 22 months after the date Preference Shares have been issued for the first time, or within 60 days after the foundation has submitted a proposal at the general meeting for the repurchase or cancellation of all Preference Shares held by the foundation. The agenda for that meeting must include a resolution relating to the repurchase or cancellation of these Preference Shares. If no resolution to repurchase or cancel the relevant Preference Shares is passed at that meeting, the Management Board must convene another general meeting each time within six months of the previous meeting in which such proposal has been placed on the agenda, and submit the same proposal again, until such time as no more Preference Shares remain outstanding.

If Preference Shares are repurchased or cancelled, this will take place against repayment of the amounts paid-up on these Preference Shares and payment of any distribution still lacking, if any. If the relevant Preference Shares were paid-up in full at expense of the reserves of the Company, the paid-up amount will not be paid to the foundation but will fall to the Company. Once Preference Shares are repurchased or cancelled, they may be called again by the foundation.

The foundation will perform its role, and take all actions required, at its sole discretion. The foundation shall exercise the voting rights attached to the Preference Shares issued to the foundation, independently, in accordance with its objects according to its articles of association. The foundation is to be managed by a board. All members of the board will be independent from the Company.
The foundation will thus meet the independence requirement set out in Section 5:71(1)(c) of the Dutch Financial Supervision Act.

Report of the Supervisory Board

Report of the Supervisory Board

To the shareholder of VolkerWessels BV.

2016 Annual Report
We herewith present you with the annual report drawn up by the Management Board for the year ended 31 December 2016, which includes the financial statements for 2016. These financial statements have been audited by Deloitte Accountants BV who provided an unqualified auditor's report. We have discussed the financial statements with the Management Board and the auditor and these were subsequently approved at our meeting on 24 April 2017.

At the General Meeting of Shareholders to be held on 4 May 2017 you will be invited to adopt the financial statements for 2016 and the proposal made by the Management Board therein for the appropriation of profit. The Supervisory Board has approved this proposal. We shall also request that you grant formal approval to the Board of Management for the discharge of its governance for the 2016 financial year and to the Supervisory Board for the supervision conducted upon it. The Supervisory Board recommends you exercise your voting right in accordance with these proposals.

Composition of the Supervisory Board
The composition of the Supervisory Board has altered due to the resignation by Mr. R.L.J. van Rappard as Supervisory Director on 1 January 2017. Mr. Van Rappard has been a member of the Supervisory Board for almost a decade (as of May 2007) and he has made a highly valued important contribution to the functioning of the Supervisory Board, for which the Supervisory Board wishes to express its gratitude. There are currently two vacancies on the Supervisory Board which are contemplated to be filled in by Mr. J.H.M. Hommen as chairman of the Supervisory Board and Mr. S. Hepkema, both as independent Supervisory Directors as per the date of the contemplated stock exchange listing of VolkerWessels in 2017. Mr. R.J.H.M. Kuipers has succeeded Mr. Van Rappard as works council representative in the Supervisory Board., which was approved by the Central Works Council.

The general profile of the Supervisory Board as determined in 2005 shall be replaced as per the date of the stock exchange listing of VolkerWessels in 2017.

Supervision and advice
In 2016, the Supervisory Board and the Management Board met four times jointly, at which meetings almost all members were always present. In addition there were many other meetings between supervisory directors and there was a lot of contact with the executives of the Company. Until the end of 2016, Mr. Kuipers attended the meetings of the Management Board as a delegated supervisory director.

In 2016 no specific internal audit department was incorporated. The activities which normally were to be dealt with by an internal audit department were performed by the departments accounting, risk management and treasury & finance department.
The Management Board confirmed that In 2017 the Company shall establish an internal audit department. No audit committee, remuneration committee, nor selection- and appointment committee was incorporated in 2016. As part of the amendment of the Company's governance in relation to the stock exchange listing of VolkerWessels in 2017, these committees shall be incorporated and the committees shall be equipped with its own rules and policies (if applicable).

In 2016 the Company has not been, nor shall the Company upon the stock exchange listing of VolkerWessels in 2017 be, in compliance with best practice provision 2.1.7 that requires that more than half of the Supervisory Directors shall be independent. We refer to the paragraph Departures from the Best Practice Provisions of the Dutch Corporate Governance Code of the chapter Corporate Governance of the 2016 Annual Report for a more detailed description.

As in previous years, close attention was devoted to the strategy and objectives defined by the Management Board for the medium term and the accompanying policy. At each meeting, close attention is devoted to the development of the results, the focus on margins over volume and the financial position of the Company. The management of risks and the further improvement of the working capital formed part of this.

Other subjects that have been discussed by the Supervisory Board and approved as relevant include:
- the risks that are related to the strategy and the operating activities of the Group, as well as the measures to manage these risks;
- the risk of upward price pressure from suppliers of raw materials;
- the policy aimed at improving the safety of employees;
- the policy aimed at integrity and prevention of fraud;
- management development within the Group and the appointment of several new Group directors;
- the financing policy of the group and of its guarantee facilities (both committed and uncommitted) in particular;
- the introduction of the new employee pension arrangement;
- VolkerWessels' activities in its international markets;
- the legal structure of the international activities;
- the development and implementation of the performance strategy of the Group;
- VolkerWessels' offshore strategy and the disposal of its offshore activities to Boskalis;
- the acquisition of Kondor Wessels Holding GmbH and LDM;
- the operational and financial performance of the various operating companies;
- the simplification of the corporate structure and the contemplated stock exchange listing;
- the importance of innovation;
- the spread of risks between the business, its clients and (other) counterparties;
- the market conditions in each of the segments in which the company operates;
- major tenders and the evaluation of current and completed major projects, in particular the large integrated projects with a financing component (DBFM(O) projects) and the associated risks in relation to the earning capacity of these projects; and
- the developments in a number of claims and arbitration cases.

Finally, the Supervisory Board would like to express its appreciation for the efforts made for the Group by the Management Board and the employees in 2016. The good results in 2016 are cause for satisfaction.

We wish the Management Board and the employees every success in the further improvement of the Group's performance.

H.M. Holterman
R.J.H.M. Kuipers
D. Wessels

The Combinatie Van Hattum en Blankevoort BV-KWS Infra BV consortium has been commissioned by the Dutch province of Utrecht to lower the grade of the N237 provincial road at Soesterberg, where the it bisects the town, dividing Soesterberg-Noord from the town centre.
Given that the N237 acts as a barrier that hampers not only crossing traffic but also the development of the town as a whole, lowering the roadbed is a crucial subproject within the Soesterberg Masterplan.

Operating companies and associates involved: Van Hattum en Blankevoort, KWS, VolkerInfra, Vialis.

Financial Statements 2016

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	Note	2016	2016	2015	2015	2014	2014
Continuing operations							
Revenue	7		5,490		5,318		5,000
Operating expenses							
Costs of raw materials and consumables		–1,251		–1,265		–1,121	
Costs of outsourced work and other external costs		–2,653		–2,496		–2,415	
Personnel expenses	8	–1,111		–1,086		–1,028	
Depreciation and impairment on tangible fixed assets	10	–73		–77		–74	
Amortisation and impairment on intangible assets	10	–16		–9		–12	
Other operating costs	9	–231		–245		–235	
			–5,335		–5,178		–4,885
Result from sale of participating interest(s)	40	1		12		14	
Share of result from associates and joint ventures	19	9		8		8	
Share of impairments from associates and joint ventures	19	–		–		–	
Share in results of associates and joint ventures (after income tax)			10		20		22
Operating result			165		160		137
Financial income		26		23		19	
Financial expenses		–52		–56		–96	
Net financial result	11		–26		–33		–77
Result before tax			139		127		60
Income tax	12		–36		–30		–17
Result from continuing operations			103		97		43
Result from discontinued operations (after income tax)	15		38		16		18
Result for the financial year			141		113		61
Attributable to:							
Shareholders of the Company			139		107		60
Minority interests			2		6		1
Result for the financial year			141		113		61

EARNINGS PER SHARE

Amounts in euros

	Note	2016	2015	2014
Basic				
Continuing operations	13	20.45	32.02	21.74
Discontinued operations	13	7.66	5.61	8.78
		28.11	37.63	30.52

	Note	2016	2015	2014
Diluted				
Continuing operations	13	20.45	32.02	21.74
Discontinued operations	13	7.66	5.61	8.78
		28.11	37.63	30.52

In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding during the year which amounts to 4,941,713 shares. As a result of the share issuance as at 21 December 2016, the total number of shares outstanding increased to 80,000,000 as at 31 December 2016. Because the additional shares issued are only included in the weighted average number of shares for a limited period, the amounts of the earnings per share for 2016 do not have a predictive value for next year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

	Note	2016		2015		2014	
Result for the financial year			141		113		61
Other comprehensive income							
Items which will never be transferred to the income statement							
Revaluations of commitments (assets) in connection with defined pension plans		–		1		–	
Income tax		–		–		–	
			–		1		–
Items which have been or may be transferred to the income statement							
Foreign currency exchange differences for foreign operations		9		–3		23	
Reclassification of currency exchange differences on sale of group companies		–1		–		–	
Share of unrealised result from associates and joint ventures		–7		1		–14	
Effective portion of changes in fair value of cash flow hedges		5		5		5	
Net change in fair value of cash flow hedges transferred to income statement		–		–		–	
Income tax		–1		–1		–1	
Other comprehensive income after income tax			5		2		13
Total comprehensive income for the financial year			146		116		74
Attributable to:							
Shareholders of the Company			145		110		72
Minority interests			1		6		2
Total comprehensive income for the financial year			146		116		74
Total comprehensive income attributable to shareholders of the Company arises from:							
Continuing operations			108		93		55
Discontinued operations			37		17		17
Total comprehensive income attributable to shareholders of the Company			145		110		72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2016		31 December 2015		31 December 2014		1 January 2014	
Land and buildings		253		252		257		120	
Machinery and equipment		184		253		252		222	
Other fixed operating assets		43		40		47		51	
Property, plant and equipment under construction		8		5		6		1	
Tangible fixed assets	17		488		550		562		394
Goodwill		406		443		430		432	
Other intangible assets		26		20		17		11	
Intangible assets	18		432		463		447		443
Investments in associates and joint ventures	19		133		147		157		154
Non-current receivables	20		116		122		113		113
Other non-current assets	21		5		5		7		7
Deferred tax assets	22		46		62		78		103
Total non-current assets			1,220		1,349		1,364		1,214
Land	23	230		253		260		252	
Property for sale	24	112		88		104		81	
Inventories	25	174		190		115		126	
Work in progress	26	523		596		556		517	
Trade and other receivables	27	894		910		947		899	
Income tax receivable		7		9		2		–	
Assets held for sale	28	10		11		10		44	
Cash and cash equivalents	29	412		407		309		245	
Total current assets			2,362		2,464		2,303		2,164
Total assets			3,582		3,813		3,667		3,378

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2016		31 December 2015		31 December 2014		1 January 2014	
Equity attributable to shareholders of the Company			1,116		426		–78		–430
Minority interests			12		11		10		8
Total equity	30		1,128		437		–68		–422
Subordinated loans	31	–		498		872		1,146	
Payable to shareholder	16	–		–		109		109	
Loans and other financing obligations	32	94		293		230		222	
Derivatives	33	–		16		25		20	
Employee benefits	34	59		35		32		31	
Provisions	35	149		139		158		112	
Deferred tax liabilities	22	16		14		13		23	
Total non-current liabilities			318		995		1,439		1,663
Bank overdrafts	36	26		50		69		59	
Payable to shareholder	16	–		109		–		–	
Loans and other financing obligations	32, 33	103		110		229		82	
Work in progress	26	421		462		495		466	
Trade and other payables	37	1,506		1,552		1,446		1,435	
Employee benefits	34	11		13		5		3	
Provisions	35	48		68		35		83	
Income tax payable		13		12		12		5	
Liabilities held for sale	28	8		5		5		4	
Total current liabilities			2,136		2,381		2,296		2,137
Total equity and liabilities			3,582		3,813		3,667		3,378

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2016		2015		2014	
Cash flow from operating activities							
Profit after tax for the financial year		101		91		43	
Adjustments for:							
– Depreciation and impairment on tangible fixed assets	10	73		77		74	
– Amortisation and impairment on intangible assets	10	16		9		12	
– Proceeds from sale of tangible fixed assets		–3		–4		–5	
– Result from the sale of participating interests		–		–13		–14	
– Share of result, less dividend paid, from associates and joint ventures	19	9		8		8	
– Finance income	11	–26		–23		–19	
– Finance expense	11	52		56		96	
– Income tax		36		30		17	
Operating cash flow before changes in working capital and provisions			258		231		212
Changes in land, property classified as held for sale, inventories and work in progress		64		–73		–24	
Changes in trade and other receivables		–2		62		–32	
Changes in trade and other payables		–9		17		28	
Changes in provisions and employee benefits		–3		21		–31	
			50		27		–59
Cash flow from operating activities			308		258		153
Interest paid			–37		–29		–47
Interest received			23		13		14
Income tax paid			–8		–21		–2
Income tax received			–		–		–
Net cash flow from continuing operating activities			286		221		118
Net cash flow from discontinued operating activities	15		4		71		12
Net cash flow from operating activities			290		292		130

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2016		2015		2014	
Cash flow from investment activities							
Acquisition of subsidiaries, net of cash		–15		–23		1	
Investment in tangible fixed assets		–70		–58		–85	
Investment in intangible assets		–11		–11		–14	
Proceeds from the sale of tangible fixed assets		9		17		22	
Granted borrowings		–52		–46		–38	
Repayments of borrowings		41		28		42	
Investments in other financial assets	21	–		–		–	
Investments in financial assets		–5		–11		–4	
Acquisition transaction under common control	16	–109		–		–	
Other movements		–		1		–1	
Net cash flow from continuing investment activities			–212		–103		–77
Net cash flow from discontinued investment activities	15		133		6		9
Net cash flow from investment activities			–79		–97		–68
Cash flow from financing activities							
Receipts from non-current loans and borrowings		91		335		124	
Repayment of non-current loans and borrowings		–224		–405		–97	
Payment arising from finance lease liabilities		–18		–21		–18	
Purchase of own shares	30	–		–		–41	
Other movements		–1		–		–	
Net cash flow from continuing financing activities			–152		–91		–32
Net cash flow from discontinued financing activities	15		–21		9		12
Net cash flow from financing activities			–173		–82		–20

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2016	2015	2014
Change in cash and cash equivalents				
Cash and cash equivalents as at 1 January		357	240	186
Effect of exchange rate differences on cash, cash equivalents and current account banks		–9	4	12
Net cash flow from operating activities		290	292	130
Net cash flow from investment activities		–79	–97	–68
Net cash flow from financing activities		–173	–82	–20
Cash and cash equivalents as at 31 December		386	357	240
Composition of cash position as at 31 December				
Cash and cash equivalents	29	412	407	309
Bank overdrafts	36	–26	–50	–69
Total cash and cash equivalents as at 31 December		386	357	240

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

			Statutory reserves			Other reserves					
	Issued share capital	Share premium reserve	Trans-lation reserve	Partici-pating interests reserve	Hedging reserve	Actuarial reserve	Other reserves	Result for the year	Total	Minority interests	Total equity
Balance as at 1 January 2016	–	723	8	1	–21	–5	–387	107	426	11	437
Total comprehensive income for the financial year											
Other comprehensive income for the financial year	–	–	9	–	–3	–	–	–	6	–1	5
Result for the financial year	–	–	–	–	–	–	–	139	139	2	141
Other movements	–	–	–	–1	–	–2	3	–	–	–	–
Total comprehensive income for the financial year	–	–	9	–1	–3	–2	3	139	145	1	146
Transactions with shareholders, recognised directly in equity											
Contributions from and payments to shareholders of the Company											
Appropriation of profit for 2015	–	–	–	–	–	–	107	–107	–	–	–
Conversion subordinated loans	1	555	–	–	–	–	–12	–	544	–	544
Other movements	–	–	–	–	–	–	1	–	1	–	1
Total transactions with shareholders of the Company	1	555	–	–	–	–	96	–107	545	–	545
Balance as at 31 December 2016	1	1,278	17	–	–24	–7	–288	139	1,116	12	1,128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

			Statutory reserves			Other reserves					
	Issued share capital	Share premium reserve	Trans-lation reserve	Partici-pating interests reserve	Hedging reserve	Actuarial reserve	Other reserves	Result for the year	Total	Minority interests	Total equity
Balance as at 1 January 2015	–	323	12	–	–25	–8	–440	60	–78	10	–68
Total comprehensive income for the financial year											
Other comprehensive income for the financial year	–	–	–3	–	5	1	–	–	3	–	3
Result for the financial year	–	–	–	–	–	–	–	107	107	6	113
Other movements	–	–	–1	1	–	2	–2	–	–	–	–
Total comprehensive income for the financial year	–	–	–4	1	5	3	–2	107	110	6	116
Transactions with shareholders, recognised directly in equity											
Contributions from and payments to shareholders of the Company											
Dividend	–	–	–	–	–	–	–	–	–	–5	–5
Conversion subordinated loans	–	400	–	–	–	–	–	–	400	–	400
Appropriation of profit for 2014	–	–	–	–	–	–	60	–60	–	–	–
Other movements	–	–	–	–	–1	–	–5	–	–6	–	–6
Total transactions with shareholders of the Company	–	400	–	–	–1	–	55	–60	394	–5	389
Balance as at 31 December 2015	–	723	8	1	–21	–5	–387	107	426	11	437

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

			Statutory reserves			Other reserves					
	Issued share capital	Share premium reserve	Translation reserve	Participating interests reserve	Hedging reserve	Actuarial reserve	Other reserves	Result for the year	Total	Minority interests	Total equity
Balance as at 1 January 2014	–	43	–10	6	–15	–12	–452	10	–430	8	–422
Total comprehensive income for the financial year											
Other comprehensive income for the financial year	–	–	22	–	–10	–	–	–	12	1	13
Result for the financial year	–	–	–	–	–	–	–	60	60	1	61
Other movements	–	–	–	–6	–	4	2	–	–	–	–
Total comprehensive income for the financial year	–	–	22	–6	–10	4	2	60	72	2	74
Transactions with shareholders, recognised directly in equity											
Contributions from and payments to shareholders of the Company											
Conversion preference shares into ordinary shares	–	330	–	–	–	–	–	–	330	–	330
Purchase of own shares	–	–50	–	–	–	–	–	–	–50	–	–50
Appropriation of profit for 2013	–	–	–	–	–	–	10	–10	–	–	–
Other movements	–	–	–	–	–	–	–	–	–	–	–
Total transactions with shareholders of the Company	–	280	–	–	–	–	10	–10	280	–	280
Balance as at 31 December 2014	–	323	12	–	–25	–8	–440	60	–78	10	–68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) General

Reporting entity
VolkerWessels BV has its registered office in Rotterdam, the Netherlands with its head office located at Podium 9, Amersfoort, the Netherlands. The consolidated financial statements of the Company for the 2016 financial year comprise the Company and its subsidiaries (collectively referred to as 'VolkerWessels' or 'the Company' or 'the Group'). Storm Investments BV was renamed VolkerWessels BV in the financial year.
The shares of VolkerWessels BV (Chamber of Commerce number 34270985) are held by Reggeborgh Holding BV.

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

Basis of preparation
The financial statements for 2014-2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as applicable for financial years commencing on 1 January 2016.
The Company filed financial statements under NL GAAP as at and for the fiscal years ended 31 December 2014, and 31 December 2015 with the Chamber of Commerce of Rotterdam.
Note 3 shows the reconciliation between the statutory financial statements and these financial statements of capital and reserves as at 31 December 2014 and 31 December 2015 and of net result for the years then ended.
For the company income statement, the option of preparing a summarised income statement has been used, as allowed by Article 2:402 Dutch Civil Code.

Group relationships
The Group consists of a closely related group of operating companies located in the Netherlands and abroad, of which VolkerWessels BV, based in Amersfoort, acts as head of the Group.
An overview of the Group and its subsidiaries has been filed separately with the Chamber of Commerce in accordance with Articles 379 and 414 of Book 2 of the Dutch Civil Code. Entities that are of negligible significance to the Group, individually and in the aggregate, are not included in the consolidation, which is similar to the treatment of joint ventures and associates.

Use of estimates and judgements
The preparation of the financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of principles and reported values of assets and liabilities, and of income and expenses. Based on past experience the Group makes estimates and assumptions with regard to the future, that could reasonably be expected to occur. The outcome may differ from these estimates.

The estimates and underlying assumptions are constantly re-evaluated. Revisions of accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical assessments in the application of the accounting principles are particularly important if they have a significant impact on the amounts included in the financial statements.
The Group acknowledges the following areas:
- the valuation of trade receivables;
- the percentage of completion of work in progress and the expected costs and revenue to complete the work in progress;
- the height of potential liabilities arising from guarantees, claims, legal cases, and environmental and remediation costs;
- the useful life estimate of assets;
- fair value measurements and valuation processes.

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

(2) Principles for 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 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 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. Negative goodwill arising from an acquisition is recognised directly in the income statement.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred and the liabilities incurred to the former shareholders of the acquiree. 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 the contingent consideration that is deemed to be an asset or liability are recognised in the income statement.

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.

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 of 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 of 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.

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 amounts 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.

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 of 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) First-time adoption of IFRS

VolkerWessels has prepared the consolidated financial statements for the year ending 31 December 2016 in accordance with International Financial Reporting Standards and the interpretations published by the IFRS Interpretations Committee ('IFRIC'), as adopted by the European Union (EU-IFRS).
In 2015 VolkerWessels prepared the consolidated financial statements in accordance with Part 9, Book 2 of the Dutch Civil Code.
For comparison reasons, the financial statements for the years ending 31 December

2014 and 2015 have also been prepared in accordance with IFRS. The transition date to IFRS is 1 January 2014.

In general, a company is required to determine its IFRS accounting policies and to apply these retrospectively to determine its opening balance sheet under IFRS. However, IFRS 1, First-time Adoption of International Financial Reporting Standards, allows a number of exemptions to this general principle upon adoption of IFRS. VolkerWessels applied the following of these exemptions and exceptions:

Business combinations
VolkerWessels applied the accounting principles of IFRS 3, Business Combinations, for business combinations as per 1 January 2014.

Estimates
Estimates previously made under NL GAAP are consistently applied under IFRS at the transition date. This means that valuations that impact the opening balance sheet of VolkerWessels are not based on the knowledge that balances have been adjusted retrospectively.

Reconciliation of equity according to Part 9, Book 2 of the Dutch Civil Code and IFRS at year-end
The following tables represent the effect of the transition to IFRS for total equity and comprehensive income. The nature of the significant differences is explained below the tables.

Amounts in millions of euros	31 Dec 2015	31 Dec 2014	1 Jan 2014
Shareholders' equity NL GAAP	394	–64	–420
Reversal amortisation goodwill	77	34	–
Present value provisions	8	7	5
Business combinations	8	–	–
Financial instruments	–18	–24	–17
Restructuring expenses	1	1	7
Valuation of participating interests	–2	–2	32
Pension costs	6	7	4
Other differences	–5	7	15
Total differences	75	30	46
Income tax	1	4	1
Total impact IFRS conversion	76	34	47
Kondor Wessels Holding GmbH	–44	–48	–57
Shareholders' equity IFRS	426	–78	–430

Amounts in millions of euros	2015	2014
Result after tax NL GAAP	58	33
Reversal amortisation goodwill	43	39
Present value provisions	–	3
Business combinations	8	–
Financial instruments	–	–5
Restructuring expenses	1	–6
Other differences	–7	–14
Total differences	45	17
Income tax	–	–
Total impact IFRS conversion	45	17
Kondor Wessels Holding GmbH	4	10
Result after tax IFRS	107	60

The items affected by the change in accounting principles are:

Reversal amortisation goodwill
Under NL GAAP, goodwill was amortised using the straight-line method over expected useful life. Under IFRS goodwill is not amortised but tested annually for impairment.

Present value provisions
Under NL GAAP, provisions were reported at nominal value. Under IFRS, provisions are recorded at fair value.

Business combinations
In accordance with IFRS 3, in case of a step acquisition all assets and liabilities of the acquiree at the acquisition date are included for 100% in the consolidation at fair value. The existing interest is referred to as part of the purchase price of the acquired company. Under NL GAAP this existing interest is not adjusted. Contrary to this step-up, the yearly result decreases as a result of the higher book value.

Financial instruments
When NL GAAP was applied, cost price hedge accounting was adopted. Using this method, the derivative is reported at cost (usually nil) and the ineffective share is then incorporated in the income statement if and insofar as the quantitative ineffectiveness measurement (cumulatively) shows a loss. Under IFRS, derivatives are valued at fair value and cash flow hedge accounting is applied to prevent fluctuations in the result.

Restructuring expenses
IFRS is strict on the timing of the recognition of the provision. A provision can only be recognised at the end of each reporting period if the criteria are met at the balance sheet date. NL GAAP is less strict than IFRS on the timing of the recognition of the provision. Under NL GAAP a provision can still be recognised at the end of the reporting period if a detailed plan is in place at the balance sheet date and the valid expectation criterion is met after the balance sheet date but prior to the approval of the financial statements.

Valuation of participating interests
Under IFRS, when a majority interest is sold, the remaining interest is valued at its current value. As a result, under IFRS the valuation of the participating interest includes unrealised profit. Under NL GAAP, this unrealised profit is reversed because the remaining interest is not revalued at fair value.

Pension costs
Under IFRS, for post-employment benefits that are provided to employees through a defined benefit plan, the difference between the present value of the defined benefit obligation and the fair value of the plan assets must be recognised on the balance sheet. NL GAAP applies a liability approach to pension accounting. The pension contributions payable by the employer to the pension fund are expensed.

Other differences
In the 2014 and 2015 figures under NL GAAP we adjusted errors relating to previous years. In the IFRS figures, this has been processed in the opening balance as at 1 January 2014. These errors mainly relate to tax items.

Income tax
Income tax effect on the changes in accounting principles.

Impact IFRS
The impact of the change in accounting principles on the result after tax was approximately +€17 million for 2014 and +€45 million for 2015. The impact on equity was approximately +€34 million at the end of 2014 and approximately +€76 million at the end of 2015.

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

(4) Notes to the consolidated financial statements

General
The consolidated 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 (EU-IFRS).

The consolidated financial statements are prepared on the basis of historical cost, with the exception of the following material assets and liabilities:
- derivative financial instruments are shown at their fair value;
- assets held for sale and groups of assets that are divested are valued at the lower of book value and fair value after deduction of estimated sale costs;
- plan assets related to defined benefit obligations are valued at their fair value.

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

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

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'). The consolidated 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		
	2016	2015	2014	2016	2015	2014
GBP	1.22	1.38	1.24	1.17	1.36	1.29
CAD	0.68	0.70	0.68	0.71	0.67	0.71
USD	0.90	0.90	0.75	0.95	0.92	0.83

Financial instruments

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

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

Cash flow hedges

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

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

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

Hedging of monetary assets and liabilities

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

Hedging of net investment in a foreign operation

The portion of the gain or loss on an instrument that is used to hedge a net investment in a foreign operation which has been established as an effective hedge is recognised directly in equity.
The non-effective portion is recognised in the income statement. When the hedged portion of the net investment is sold, the portion of the translation reserve relating to this net investment is transferred to the income statement as a component of the gain or loss on the sale.

New standards and interpretations

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

Nature of change	Impact	Mandatory application date
IFRS 9 Financial Instruments IFRS 9 addresses the classification, valuation and initial recognition of financial instruments. IFRS 9 replaces IAS 39. IFRS 9 applies the concept of business models to determine the classification of a financial instrument. In addition, a new model is introduced for the calculation of impairments. The assumptions are based on expected credit losses. IFRS 9 introduces more flexible requirements for hedge effectiveness tests.	The Group is currently assessing the impact of IFRS 9. The Group expects to adopt the standard as from 1 January 2018.	The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. (Endorsed by the EU)

Nature of change	Impact	Mandatory application date
IFRS 15 Revenue from Contracts with Customers IFRS 15 deals with revenue recognition. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts and related interpretations. IFRS 15 includes a five-step approach for determining revenue recognition. Revenue is recognised when a customer obtains control over a good or service and has the ability to direct the use of and obtain the economic benefits from the good or service. IFRS 15 contains additional disclosure requirements for the assumptions applied and estimates made.	The Group is currently assessing the impact of IFRS 15. The Group expects to adopt the standard as from 1 January 2018.	The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. (Endorsed by the EU)

Nature of change	Impact	Mandatory application date
IFRS 16 Leasing IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. Under the new standard nearly all liabilities resulting from lease, rental and leasehold agreements shall be recognised on the balance sheet. The current accounting standard for leases allows entities to present some of the lease agreements off balance sheet. The new standard allows exemptions for on-balance sheet recognition of short-term contracts and products with a low value.	The Group is currently assessing the impact of IFRS 16 and expects an increase in assets and liabilities and EBITDA. The effect on the net result is expected to be limited. The Group expects to adopt the standard as from 1 January 2019.	The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted in combination with IFRS 15 only. (Subject to EU endorsement)

(5) Accounting principles

(a) Accounting principles for assets and liabilities

Intangible fixed assets

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For associates and joint ventures, the book value of goodwill is included in the book value of the investment.

Goodwill is valued at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and not systematically amortised.

Other intangible assets

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

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
Capitalised development costs	5 – 10 years
Brands	10 years

Goodwill and intangible assets with an indefinite useful life are tested systematically each year on the reporting date to ascertain whether an impairment has arisen.

Tangible fixed assets

Owned assets

Tangible fixed assets 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 tangible fixed assets consist of components with differing useful lives, the component approach is used. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are charged to the income statement during the financial period in which they are incurred.

In the book value of an item of tangible fixed assets, 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

The tangible fixed assets acquired under a financial lease agreement are capitalised. Commitments arising from the financial lease agreement are accounted for as a liability. The interest in future lease instalments is charged over the result over the term of the financial lease agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

Land and property for sale
Land and property 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 work in progress.

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 work in progress on construction contracts are classified under inventories.

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

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

Pre-contract costs for major projects are capitalised as work in progress when the project is awarded or if the Group is designated as preferred bidder.

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

Work in progress includes projects resulting from property development, to the extent that an unconditional sale has been agreed upon for parts of the project before or during the construction.

If the amount of progress billings on a project is smaller than the costs incurred plus recognised profit, the balance is recognised in the statement of financial position under the current assets as work in progress. If the amount of progress billings on a project is greater than the costs incurred plus recognised profit, the balance will be recognised in the statement of financial position under the current liabilities as work in progress.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently at amortised cost. At initial recognition the fair value and amortised cost price are equal to the nominal value.

If bad debts are certain, the impairment is deducted directly from the original receivable. The impairment is determined based on an individual assessment of each receivable.

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

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

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statements.

If in a subsequent period the amount of the impairment loss decreases, a reversal of a previously recognised impairment loss is recognised in the income statement.

Equity
Share capital
Ordinary shares and cumulative preferential shares are classified as equity. The cumulative preferential 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 statutory reserve for participating interests, an actuarial reserve and a hedging reserve.

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

Non-controlling interest
The share of third parties concerns the non-controlling interest of third parties in total equity from consolidated entities.
The non-controlling interest 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 non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

Deferred taxes are recognised at nominal value.

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

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

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

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

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

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

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

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

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

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

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

(b) Accounting principles for the determination of the result

Revenue recognition

Construction contracts
If the outcome of a construction contract can be estimated reliably and if it is probable that the contract will be profitable, contract revenue and costs are recognised in the income statement in proportion to the stage of completion of the project using the percentage of completion method. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that is likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being measured reliably.

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

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

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

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

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

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

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.

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 finance leases. Finance 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 finance 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 work in progress.

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 grants the rights to the dividends.

Taxes
The charge for current tax is calculated based on the income reported by the Group, as adjusted for items that are non-taxable or disallowed and using rates that have been enacted or substantively enacted by the balance sheet date. Using the liability method, deferred tax is determined on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statement of Financial Position and on unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

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 principles 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 and deposits. 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 are 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.

(6) Segment information

VolkerWessels BV mainly operates in four geographical areas: the Netherlands, the United Kingdom, North America and Germany.
The segment 'Other' includes real estate companies of which a large part is rented internally, holding companies, discontinued road construction activities in Germany and eliminations.
The operational segments are primarily driven by EBITDA. EBITDA consists of operating result before depreciation and impairment on tangible fixed assets and amortisation and impairment on intangible assets.

	The Netherlands							
	Construction & Real Estate Development	Infra-structure	Energy & Telecom Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2016								
External revenue	1,934	1,310	639	1,071	317	207	12	5,490
Sector revenue	12	61	10	–	–	–	–83	–
Total revenue	1,946	1,371	649	1,071	317	207	–71 [1]	5,490
EBITDA	79	73	31	34	46	12	–21	254
Amortisation and depreciation	–19	–29	–2	–5	–17	–1	–16	–89
Operating result (EBIT)	60	44	29	29	29	11	–37	165
Finance income and expense								–26
Result before tax								139
Taxes								–36
Result from discontinued operations (after income tax)								38
Net result								141
Total assets								3,582
Total liabilities								2,454
Investments in tangible fixed assets								71
Average number of employees	3,627	4,900 [2]	2,819 [2]	2,590	1,223	334	292 [2]	15,785
Order book[3]	2,737	1,562	1,151	1,176	886	667	–22 [1]	8,157

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

	The Netherlands							
	Construction & Real Estate Development	Infra-structure	Energy & Telecom Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2015								
External revenue	1,739	1,300	575	1,174	301	214	15	5,318
Sector revenue	8	78	15	–	–	–	–101	–
Total revenue	1,747	1,378	590	1,174	301	214	–86 [2]	5,318
EBITDA	65 [1]	70	34	35	46	10	–14	246
Amortisation and depreciation	–15	–30	–2	–6	–13	–	–20	–86
Operating result (EBIT)	50	40	32	29	33	10	–34	160
Finance income and expense								–33
Result before tax								127
Taxes								–30
Result from discontinued operations (after income tax)								16
Net result								113
Total assets								3,813
Total liabilities								3,376
Investments in tangible fixed assets								70
Average number of employees	3,478	4,890 [3]	2,955 [3]	2,440	1,082	333	309 [3]	15,487
Order book[4]	2,514	1,451	1,378	1,222	796	351	– [2]	7,712

[1] Including a one-off revaluation of the existing interest to fair value based on stepped acquisition rules under IFRS 3. Please refer to note 16.

[2] In revenue in 'Other' an amount of € -133 million is included regarding eliminations. In the order book in 'Other' an amount of € -108 million is included regarding eliminations.

[3] Including discontinued operations. The total average number of employees of discontinued operations is: 161.

[4] Unaudited non-GAAP information.

	The Netherlands							
	Construction & Real Estate Development	Infra-structure	Energy & Telecom Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2014								
External revenue	1,489	1,410	648	926	295	221	11	5,000
Sector revenue	5	82	14	–	–	–	–101	–
Total revenue	1,494	1,492	662	926	295	221	–90 [1]	5,000
EBITDA	36	51	44	24	46	17	5	223
Amortisation and depreciation	–12	–37	–5	–5	–10	–1	–16	–86
Operating result (EBIT)	24	14	39	19	36	16	–11	137
Finance income and expense								–77
Result before tax								60
Taxes								–17
Result from discontinued operations (after income tax)								18
Net result								61
Total assets								3,667
Total liabilities								3,735
Investments in tangible fixed assets								110
Average number of employees	3,221	5,064 [2]	3,099 [2]	2,219	1,124	335	183 [2]	15,245
Order book[3]	2,030	1,356	876	1,252	891	402	–85 [1]	6,722

[1] In revenue in 'Other' an amount of € -119 million is included regarding eliminations. In the order book in 'Other' an amount of € -88 million is included regarding eliminations.

[2] Including discontinued operations. The total average number of employees of discontinued operations is: 160.

[3] Unaudited non-GAAP information.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

(7) Revenue

	2016	2015	2014
Construction contracts	4,243	4,003	3,821
Property development	496	540	400
Service and maintenance	567	555	574
Goods sold and services rendered	184	220	205
Total	5,490	5,318	5,000

(8) Personnel expenses

	2016	2015	2014
Wages and salaries	–891	–871	–826
Social security costs	–138	–136	–129
Pension costs - defined contribution plans	–82	–79	–73
Pension costs - defined benefit plans	–	–	–
Total	–1,111	–1,086	–1,028

At the end of 2016 the Group had 15,714 employees expressed in FTE (2015: 15,441; 2014: 15,147). The average number of employees was 15,785 FTE (2015: 15,487; 2014: 15,245).

Share-based payments

In 2016, 2015 and 2014 no options on certificates of shares of VolkerWessels BV were granted.

(9) Other operating costs

Restructuring and closure costs

A sum of €5 million (2015: €14 million; 2014: €14 million) is included in personnel expenses and other operating costs for restructuring and closure costs.

These costs relate mainly to organisational changes and the closure of divisions in the following segments:
- Construction & Real Estate Development;
- Infrastructure;
- Energy & Telecom Infrastructure.

(10) Depreciation/amortisation and impairment on tangible fixed assets and intangible assets

	2016	2015	2014
Depreciation of tangible fixed assets	–73	–73	–74
Impairment on tangible fixed assets	–	–4	–
Total depreciation and impairment on tangible fixed assets	–73	–77	–74
Impairment on goodwill and other intangible assets	–5	–3	–7
Amortisation of other intangible assets	–11	–6	–5
Total amortisation and impairment on intangible assets	–16	–9	–12
Total	–89	–86	–86

(11) Financial income and expenses

	Note	2016	2016	2015	2015	2014	2014
Financial income							
Interest income from non-current receivables		12		7		6	
Interest income from current receivables		9		6		8	
Total interest income for assets not valued at fair value			21		13		14
Capitalised interest on work in progress		2		1		2	
Return on plan assets	26	3		3		3	
Other financial income		–		6		–	
Exchange differences (positive)		–		–		–	
			5		10		5
			26		23		19
Financial expense							
Interest expense for non-current liabilities		–15		–17		–18	
Interest expense for current liabilities		–10		–8		–26	
Interest for subordinated loans		–13		–27		–42	
Total interest expenses in relation to obligations that are not valued at fair value			–38		–52		–86
Interest accrual on provisions		–2		–1		–3	
Exchange differences (negative)		–5		–		–	
Interest on employee benefits obligations	34	–2		–3		–3	
Other financial results		–5		–		–4	
			–14		–4		–10
			–52		–56		–96
Total			–26		–33		–77

An average interest rate of 2% was used during the financial year (2015: 2%; 2014: 2%) to calculate the interest to be recognised on work in progress.

(12) Income tax

	2016	2015	2014
Current income tax liabilities			
Financial year	–35	–31	–16
Adjustments for previous years	–1	1	–1
	–36	–30	–17
Deferred income tax			
Income tax on continuing operations	–36	–30	–17
Income tax on discontinued operations (excluding book profit on sale)	2	–2	–2
Income tax gain on sale of discontinued operation	3	–	–
Total income tax	–31	–32	–19

The effective tax rate is 25.6% (2015: 23.5%; 2014: 28.2%). The difference compared to the nominal tax rate in the Netherlands of 25% is caused by the following items:

	2016	2015	2014
Result from continuing operations	103	97	43
Total income tax	36	30	17
Result (excluding income tax)	139	127	60
Tax calculated based on Dutch tax rate	35	32	15
Tax effects of:			
– Effects of different tax rates in several countries	–	–	–
– Participation exemption	–	1	–1
– Impairment on goodwill	1	–	–
– Adjustments for previous years	1	–1	1
– Investment schemes	–1	–	–
– Other differences	–	–2	2
Effective tax	36	30	17
Effective tax rate (%)	25.6	23.5	28.2

Income tax directly recognised in other comprehensive income

2016	Before tax	Tax income (expense)	After tax
Foreign currency exchange differences for foreign operations	9	–	9
Share in the comprehensive income of associates and joint ventures	–7	–	–7
Effective portion of changes in fair value of cash flow hedges	5	–1	4
Actuarial gain (losses) on defined benefit pension plans	–	–	–
Total	7	–1	6

2015	Before tax	Tax income (expense)	After tax
Foreign currency exchange differences for foreign operations	–3	–	–3
Share in the comprehensive income of associates and joint ventures	1	–	1
Effective portion of changes in fair value of cash flow hedges	5	–1	4
Actuarial gain (losses) on defined benefit pension plans	1	–	1
Total	4	–1	3

2014	Before tax	Tax income (expense)	After tax
Foreign currency exchange differences for foreign operations	22	–	22
Share in the comprehensive income of associates and joint ventures	–14	–	–14
Effective portion of changes in fair value of cash flow hedges	5	–1	4
Actuarial gain (losses) on defined benefit pension plans	–	–	–
Total	13	–1	12

(13) Earnings per share

	2016	2015	2014
Weighted average number of ordinary shares in issue (x 1)	4,941,713	2,833,334	1,976,040
Net result attributable to shareholders (in million €)	139	107	60
Basic earnings per share (in €)	28.11	37.63	30.52
Net result from continuing operations attributable to shareholders (in million €)	101	91	43
Basic earnings per share from continuing operations (in €)	20.45	32.02	21.74
Net result from discontinued operations attributable to shareholders (in million €)	38	16	17
Basic earnings per share from discontinued operations (in €)	7.66	5.61	8.78

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

	2016	2015	2014
Weighted average number of ordinary shares in issue (x 1)	4,941,713	2,833,334	1,976,040
Net result attributable to shareholders (in million €)	139	107	60
Diluted earnings per share (in €)	28.11	37.63	30.52
Net result from continuing operations attributable to shareholders (diluted) (in million €)	101	91	43
Diluted earnings from continuing operations per share (in €)	20.45	32.02	21.74
Net result from discontinued operations attributable to shareholders (diluted) (in million €)	38	16	17
Diluted earnings from discontinued operations per share (in €)	7.66	5.61	8.78

Earnings per ordinary share is are 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.

In accordance with IAS 33, the earnings per share are calculated based on the weighted average number of shares outstanding during the year which amounts to 4,941,713 shares. As a result of the share issuance as at 21 December 2016, the total number of shares outstanding increased to 80,000,000 as at 31 December 2016. Because the additional shares issued are only included in the weighted average number of shares for a limited period, the amounts of the earnings per share for 2016 do not have a predictive value for next year.

(14) Dividends per share

Dividends paid to holders of ordinary shares in 2016 were €0 per share (2015: €0 per share; 2014: €0 per share).

(15) Result from discontinued operations

Within the context of the agreed strategy, the Group decided to sell the offshore activities in 2016.
Due to this decision the results of the Offshore activities are retrospectively classified as discontinued operations.
In early 2011 the Group decided to discontinue the road construction activities in Germany.

Result from discontinued operations

	2016	2015	2014
Revenue	15	184	78
Depreciation and impairment on tangible fixed assets	–1	–9	–8
Amortisation and impairment on intangible assets	–	–	–
Other operating costs	–25	–168	–59
Share in result of associates and joint ventures	–2	2	11
Share in result of investments	–	9	–
Net financial result	–	–	–2
Result from operating activities	–13	18	20
Income tax	2	–2	–2
Result from operating activities, after tax	–11	16	18
Book profit on sale of discontinued operations	46	–	–
Income tax gain on sale of discontinued operations	3	–	–
Result from discontinued operations after income tax	38	16	18

The result from discontinued operations after income tax amounting to €38 million (2015: €16 million; 2014: €17 million) is fully attributable to the shareholders of the Company.

Cash flow from discontinued operations

	2016	2015	2014
Profit after tax for the financial year	38	16	18
Adjustments for:			
– Depreciation and impairment on tangible fixed assets	1	9	8
– Amortisation and impairment on intangible assets	38	–	–
– Proceeds from sale of tangible fixed assets	–	–1	–5
– Result from the sale of participating interests	–85	–	–
– Share of result, less dividend paid, from associates and joint ventures	5	–2	–1
– Finance income	–	–	–3
– Finance expense	–	–	5
– Income tax	–5	2	2
Operating cash flow before changes in working capital and provisions	–8	24	24
Changes in land, property classified as held for sale, inventories and work in progress	2	15	1
Changes in trade and other receivables	4	–12	6
Changes in trade and other payables	2	46	–12
Changes in provisions and employee benefits	5	–1	3
Cash flow from discontinued operations	5	72	22
Interest paid	–	–1	–2
Interest received	–	–	–
Income tax paid	–1	–	–8
Net cash flow from discontinued operations	4	71	12

	2016	2015	2014
Cash flow from investment activities			
Investment in tangible fixed assets	–1	–5	–16
Proceeds from the sale of tangible fixed assets	–	1	9
Proceeds from the sale of subsidiaries, after deduction of divested cash	–	–	–
Investments in other financial assets	–	11	–
Other changes in financial assets	–1	–	16
Proceeds from sale of discontinued operations, after deduction of divested cash	136	–	–
Other movements	–1	–1	–
Net cash flow from investment activities	133	6	9
Cash flow from financing activities			
Receipts from non-current loans and borrowings	–	19	12
Repayment of non-current loans and borrowings	–21	–10	–
Net cash flow from financing activities	–21	9	12
Net cash flow for financial year	116	86	33

(16) Acquisition of subsidiaries and minority interests

2016

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

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

2015

In 2015 VolkerWessels acquired three companies in the Construction & Real Estate Development segment. These three acquisitions includes the remaining shares in PGB Holding BV and Biesterbos BV and an increase of the stake in G&S Vastgoed BV from 30% to 70%. The total purchase price of the acquisitions was €39 million, including an €10 million contingent consideration. In accordance with IFRS 3 all assets and liabilities of the acquiree at the acquisition date are fully included in the consolidation at fair value. The existing interest is referred to as part of the purchase price of the acquired company and should be revalued to fair value with differences amounting to €12 million being recognised in the profit and loss account as a one-off item. In the statement of cash flows the acquisitions are netted against cash and cash equivalents. This generates an amount of €13 million in goodwill. All three entities were included in the consolidation as from 1 January 2015.

2014

In June 2014 VolkerWessels acquired the operating assets of Mainline Construction LTD in Canada. The acquisition prices amounted to €21 million, including a €5 million contingent consideration. An amount of €1,5 million was recognised as goodwill on this acquisition.

Furthermore, in June 2014 VolkerWessels acquired the remaining 50% of Matex Vastgoed I BV and Matex Vastgoed III BV. Both companies are real estate companies, of which a large part is rented internally.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

(17) Tangible fixed assets

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

The current value of the land and buildings is determined by appraisals and was approximately equal to the book value as at 31 December 2016.

The fair value of machinery and equipment was estimated using price lists, etc. and amounted to approximately €194 million as at 31 December 2016 (2015: €265 million; 2014: €264 million).

No impairments were reversed in financial year 2016, nor in 2015 and 2014.

Property, plant and equipment under construction relates primarily to machinery and equipment in industrial construction supply companies in the Construction & Real Estate Development segment.

For contractual obligations in respect of tangible fixed assets, see note 38.

	Land and buildings	Machinery and equip-ment	Other fixed operating assets	Property, plant and equipment under construction	Total tangible fixed assets
					2015
Balance as at 1 January 2015					
Cost	426	728	140	6	1,300
Accumulated depreciation and impairments	–169	–476	–93	–	–738
Book value	257	252	47	6	562
Changes					
Reclassification	–	1	–1	–	–
Acquisitions	12	10	2	–	24
Investments	15	36	11	8	70
Disposals	–12	–2	–1	–	–15
Taken into use	–	9	–	–9	–
Depreciation	–16	–50	–16	–	–82
Impairments	–2	–	–2	–	–4
Foreign currency exchange differences	–2	–3	–	–	–5
Total changes	–5	1	–7	–1	–12
Balance as at 31 December 2015					
Cost	449	722	144	5	1,320
Accumulated depreciation and impairments	–197	–469	–104	–	–770
Book value	252	253	40	5	550

2014	Land and buildings	Machinery and equip-ment	Other fixed operating assets	Property, plant and equipment under construction	Total tangible fixed assets
Balance as at 1 January 2014					
Cost	239	670	141	1	1,051
Accumulated depreciation and impairments	–124	–450	–91	–	–665
Proportional consolidation Joint Operations (bookvalue)	2	2	–	–	4
KonderWessels Holding, Germany (bookvalue)	3	–	1	–	4
Book value	120	222	51	1	394
Changes					
Reclassification	1	–	–	1	2
Acquisitions	152	–	–	–	152
Deconsolidated	–	–3	–	–	–3
Investments	6	81	14	9	110
Disposals	–9	–6	–1	–	–16
Taken into use	–	2	3	–5	–
Depreciation	–15	–47	–20	–	–82
Impairments	–	–	–	–	–
Foreign currency exchange differences	2	3	–	–	5
Total changes	137	30	–4	5	168
Balance as at 31 December 2014					
Cost	426	728	140	6	1,300
Accumulated depreciation and impairments	–169	–476	–93	–	–738
Book value	257	252	47	6	562

Tangible fixed assets include assets which were financed by means of financial leases. The legal title to these assets is vested with third parties. The related liabilities are included in current and non-current liabilities.

The acquisition in land and buildings amounting to €152 million in land and buildings relates to Matex Vastgoed I BV and Matex Vastgoed III BV.

Below is a summary of assets by category that have been financed by financial leases:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Land and buildings	–	–	–
Machinery and equipment	13	19	29
Other fixed operating assets	27	26	31
Total	40	45	60

(18) Intangible assets

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

2015	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2015				
Cost	705	19	15	739
Accumulated amortisation and impairments	–275	–9	–8	–292
Book value	430	10	7	447
Changes				
Investment	13	6	5	24
Amortisation	–	–3	–3	–6
Impairments	–	–	–3	–3
Other changes	–	–1	2	1
Total changes	13	2	1	16
Balance as at 31 December 2015				
Cost	718	22	23	763
Accumulated amortisation and impairments	–275	–10	–15	–300
Book value	443	12	8	463

No impairments were reversed in financial year 2016, nor in 2015 and 2014.
The costs of research and development recognised in the income statement during the 2016 financial year amounted to €4 million (2015: €5 million; 2014: €5 million).

				2014
	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2014				
Cost	689	14	9	712
Accumulated amortisation and impairments	–257	–8	–4	–269
Book value	432	6	5	443
Changes				
Investment	3	6	5	14
Amortisation	–	–3	–2	–5
Impairments	–6	–	–1	–7
Foreign currency exchange differences	2	–	–	2
Other changes	–1	1	–	–
Total changes	–2	4	2	4
Balance as at 31 December 2014				
Cost	705	19	15	739
Accumulated amortisation and impairments	–275	–9	–8	–292
Book value	430	10	7	447

The accumulated amortisation and impairment of goodwill amounting to €-257 million mainly relates to the recognised amortisation under NL GAAP until 31 December 2013.

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

	31 Dec 2016	31 Dec 2015	31 Dec 2014
The Netherlands			
Construction & Real Estate Development	106	106	93
Infrastructure	111	111	111
Energy & Telecom Infrastructure	75	112	112
	292	329	316
United Kingdom	49	49	49
North America	65	65	65
Germany	–	–	–
Total	406	443	430

The decrease in goodwill in 2016 in the Energy & Telecom Infrastructure segment is related to the sale of the offshore division.

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

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

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

There were no changes with regard to acquisitions made up to and including 2016, 2015 and 2014.

(19) Investments in associates and joint ventures

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

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Associates	55	62	67
Joint ventures	78	85	90
Total	133	147	157

Associates and joint ventures
The associates and joint ventures with an equity value, or total assets, or total revenue of > €12,5 million (our share) were in:

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

2015
Nautisch Kwartier BV, WEVI BV, Amsterdam Airport Hotel Owner BV, VBMS Holding BV, Vondellaan 47 Leiden BV, Laagraven Investment BV and Park Strijp CV.

2014
Borchveste Almere Fase 2 CV, Amsterdam Airport Hotel Owner BV, VBMS Holding BV, PGB Holding BV, Stadionomgeving BV, Asfaltproductie Regio Amsterdam BV, Aduco Holding BV, Laagraven Investment BV, Park Strijp CV, Biesterbos Planontwikkeling I BV and G&S Vastgoed BV.

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

In 2016 the Group received €15 million in dividend payments from investments in associates and joint ventures (2015: €15 million; 2014: €27 million).
The associates and joint ventures include participating interests in which the Group holds less than 20% of the potential voting rights, but in which the Group exercises significant influence by occupying seats on the Boards of Management and/or Supervisory Boards.
For a number of participating interests there are substantial restrictions on the transfer of funds. These mainly relates to general restrictions (i.e. negative equity; no majority of the voting rights). In addition this concerns provisions requiring repayment of external debt to take precedence over dividends.

In 2016 the amount invested in associates and joint ventures included €8 million (2015: €8 million; 2014: €10 million) in goodwill.
No impairment was recognised on this goodwill in 2016, nor in 2015 and 2014.

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

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

31 December 2016

	Current assets	Fixed assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	67	48	49	47	19	84	–73	11
Joint ventures	249	18	23	128	116	165	–169	–4
	316	66	72	175	135	249	–242	7
Goodwill of associates and joint ventures			8					
Total net investments in associates and joint ventures			80					
To assets held for sale			–					
To provision for negative participating interests			53					
			133					7
Result of associates and joint ventures of discontinued operations								–2
Result excluding discontinued operations								9

31 December 2015

	Current assets	Fixed assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	69	46	45	44	26	118	–108	10
Joint ventures	288	42	49	96	185	213	–213	–
	357	88	94	140	211	331	–321	10
Goodwill of associates and joint ventures			8					
Total net investments in associates and joint ventures			102					
To assets held for sale			–					
To provision for negative participating interests			45					
			147					10
Result of associates and joint ventures of discontinued operations								2
Result excluding discontinued operations								8

								31 December 2014
	Current assets	Fixed assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	99	37	52	44	40	94	–81	13
Joint ventures	308	53	55	134	172	319	–313	6
	407	90	107	178	212	413	–394	19
Goodwill of associates and joint ventures			10					
Total net investments in associates and joint ventures			117					
To assets held for sale			–					
To provision for negative participating interests			40					
			157					19
Result of associates and joint ventures of discontinued operations								11
Result excluding discontinued operations								8

(20) Non-current receivables

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Non-current receivables from associates and joint ventures	62	54	50	70
Non-current receivables from third parties	54	68	63	43
Total	116	122	113	113

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.

In 2016 no provision was made for potentially uncollectible receivables, nor in 2015 and 2014.

With regard to the non-current receivables from third parties, sureties 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.

(21) Other non-current assets

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Investments	5	5	7	7
Total	5	5	7	7

Investments mainly relate to unlisted participating interests over which the Group does not exercise a significant influence. In 2014 this included a 6% interest in a property company comprising houses and apartments in Germany, which was sold in 2015.

(22) Deferred tax assets and liabilities

Deferred tax assets and liabilities recognised in the statement of financial position

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

	Assets				Liabilities				Net			
	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Tangible fixed assets	2	2	2	15	–25	–36	–37	–21	–23	–34	–35	–6
Financial fixed assets	4	5	8	6	–	–	–1	–1	4	5	7	5
Land	21	22	25	24	–	–	–	–	21	22	25	24
Work in progress	3	2	2	5	–12	–11	–7	–6	–9	–9	–5	–1
Derivatives	1	6	5	5	–	–	–	–	1	6	5	5
Employee benefits	2	2	1	3	–2	–2	–2	–1	–	–	–1	2
Provisions	2	10	12	8	–10	–11	–7	–7	–8	–1	5	1
Other items	10	8	12	8	–6	–3	–3	–16	4	5	9	–8
Tax losses carried forward	40	54	55	58	–	–	–	–	40	54	55	58
Tax (assets) liabilities	85	111	122	132	–55	–63	–57	–52	30	48	65	80
Netting of tax assets and liabilities	–39	–49	–44	–29	39	49	44	29	–	–	–	–
Net tax (assets) liabilities	46	62	78	103	–16	–14	–13	–23	30	48	65	80

Deferred tax assets not recognised in the statement of financial position

	31 Dec 2016	31 Dec 2015	31 Dec 2014
The Netherlands	–	–	–
Foreign home markets	20	20	18
Total	20	20	18

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

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Offset before or no later than in 2016	–	–	–
Offset before or no later than in 2017	–	–	–
Offset before or no later than in 2018	–	–	–
Offset before or no later than in 2019	–	–	–
Offset after 2019 but not without time limit	4	4	3
Can be offset unlimited	16	16	15
Total	20	20	18

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Deferred tax assets:				
– Maturity longer than 1 year	8	43	65	95
– Maturity less than 1 year	38	19	13	8
	46	62	78	103
Deferred tax liabilities:				
– Maturity longer than 1 year	–13	–7	–12	–17
– Maturity less than 1 year	–3	–7	–1	–6
	–16	–14	–13	–23
Net deferred tax assets and liabilities	30	48	65	80

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

	2016	2015	2014
As at 1 January	48	65	80
Recognised in the profit and loss account	–16	–17	–15
Recognised in other comprehensive income	–1	–1	–1
Exchange differences	–1	1	1
As at 31 December	30	48	65

(23) Land

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
The Netherlands	208	224	238	234
Foreign home markets	22	29	22	18
Total	230	253	260	252

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

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

The positions as included in the landbank in the Netherlands are spread throughout the whole country.

In the first quarter of 2017 an independent third party property valuer, valued the land positions in the Netherlands at a market value of €260 million.

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

'Land' includes an impairment of €0 million recognised in financial year 2016 (2015: €5 million, 2014: €5 million).

(24) Property for sale

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Leased	59	86	74	58
Unleased	81	43	57	32
Impairments	–28	–41	–27	–9
Total	112	88	104	81

Property for sale includes a number of leased and unleased apartment buildings and houses.
In 2016 the Group recognised no downward revision in the income statement in respect of the book value of the unleased property, nor in 2015 and 2014.

(25) Inventories

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Property development	115	136	65	75
Raw materials and consumables	55	54	50	47
Finished goods and goods for sale	8	4	5	8
Impairments	–4	–4	–5	–4
Total	174	190	115	126

In 2016 the Group recognised a downward revision on raw materials and consumables, finished goods and goods for sale of €1 million (2015: €5 million; 2014: €6 million).
In 2016 no reversal of the reduction in the inventory value was recognised, nor in 2015 and 2014.

Property development

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Cost	727	606	505	480
Progress billings	–612	–470	–440	–405
Total	115	136	65	75

(26) Work in progress

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Cost, including result realised in proportion to progress, less provisions formed	8,492	8,046	8,381	8,303
Progress billings	–8,390	–7,912	–8,320	–8,252
Total	102	134	61	51
Balance of work in progress with a debit balance after deduction of progress billings	523	596	556	517
Balance of work in progress with a credit balance after deduction of progress billings	–421	–462	–495	–466
Total	102	134	61	51

A portion of the credit balance of work in progress is advance finance provided by clients.

The split between work performed in respect of construction contracts and service and maintenance is as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Work in progress on construction contracts				
Cost, including result realised in proportion to progress, less provisions formed	8,027	7,644	7,878	7,867
Progress billings	–7,928	–7,517	–7,834	–7,824
Total	99	127	44	43
Service and maintenance				
Cost, including result realised in proportion to progress, less provisions formed	465	402	503	436
Progress billings	–462	–395	–486	–428
Total	3	7	17	8

The composition of the progress billings is as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Composition of progress billings				
Instalments received	–8,029	–7,537	–7,895	–7,817
Outstanding instalments	–342	–354	–416	–410
Retained on instalments	–19	–21	–9	–25
Total	–8,390	–7,912	–8,320	–8,252

Advances received on projects, as recognised under other liabilities, amount to €6 million (2015: €5 million; 2014: €6 million).

A degree of uncertainty about the estimates relating to the valuation of work in progress and property development is inherent in 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 progress.

(27) Trade and other receivables

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Trade receivables	584	600	627	607
less impairments	–14	–12	–13	–20
Net trade receivables	570	588	614	587
Receivables from associates and joint ventures	116	121	148	150
Current portion of non-current receivables	28	5	4	2
Amounts to be billed for completed works	38	36	29	39
Other receivables	92	113	109	82
Prepayments and accruals	50	47	43	39
Total	894	910	947	899

Trade and other receivables are due within one year.

Credit and currency risks as well as the impairments associated with trade and other receivables (excluding construction projects in progress) are discussed in note 41.

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

	31 Dec 2016		31 Dec 2015		31 Dec 2014	
	Gross	Provision	Gross	Provision	Gross	Provision
Not yet due	405	–	411	–	376	–
Overdue 1 to 60 days	118	–	126	–1	180	–1
Overdue 61 to 180 days	34	–1	33	–2	26	–1
Overdue 181 days to one year	6	–2	12	–3	12	–4
More than one year	21	–11	18	–6	33	–7
	584	–14	600	–12	627	–13
Less impairments	–14		–12		–13	
Net trade receivables	570		588		614	

(28) Assets and liabilities classified as held for sale

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Assets held for sale				
Other non-current assets	–	–	–	33
Inventories	7	5	5	2
Work in progress	–	2	2	5
Trade and other receivables	3	3	3	4
Cash and cash equivalents	–	1	–	–
Total	10	11	10	44
Liabilities held for sale				
Non-current liabilities	–	–	–	–
Current liabilities	8	5	5	4
Total	8	5	5	4

The assets and liabilities classified as held for sale relate to VRS Railway Industry BV. VRS Railway Industry BV is part of the segment Infrastructure and located in the Netherlands, the disposal is planned for the year 2017. The other non-current assets amounting to €33 million as at 1 January 2014 relates to an equity investment in a property development partnership in Canada which was sold in early 2014.

(29) Cash and cash equivalents

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Deposits	39	41	19	67
Cash and bank balances	373	366	290	178
Total	412	407	309	245

Deposits have a residual term of no more than one month and are callable at any time.
The availability of an amount of €36 million is subject to a restriction (2015: €32 million; 2014: €32 million). Of this amount, €17 million relates to restricted bank accounts (2015: €13 million; 2014: €13 million).

(30) Equity

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

Capital management
The policy of the Board of Management is aimed at maintaining a strong equity position to uphold the confidence of shareholders, creditors, credit providers and the markets and safeguard the future development of the Company's operations. The Board of Management is increasingly focused on the return on total invested capital in our Company (i.e. equity and net debt) and not merely on the return on equity. It is the balance between the return on equity and the return on net debt which is important. This is considered when deciding on the payment of dividends. There were no changes to the policy in 2016, 2015 and 2014.

Share capital
The authorised capital of €800,000 is divided into 80,000,000 (2015: 2,833,334) ordinary shares with a nominal value of €0.01 each. The increase in the number of ordinary shares was caused by an issue of new shares on 21 December 2016.
At 21 December 2016 all 315,616 preference shares were converted into ordinary shares.

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 2016 the change amounted to €9 million (2015: €-3 million; 2014: €22 million).

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

Hedging reserve
The hedging 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.

Dividends

No dividends were paid in the reporting year. The 2016 result attributable to shareholders of the Company amounts to €139 million. The proposal to the General Meeting of Shareholders is that a total dividend of €83,2 million will be paid. The remaining result shall be recognised in other reserves.

Composition of the Group

At the end of the reporting period the composition of the Group was as follows:

		Number 100% group companies (approximately)		
Segments	**Country**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2014**
Construction & Real Estate Development	The Netherlands	300	300	300
Infrastructure	The Netherlands	100	100	100
Energy & Telecom Infrastructure	The Netherlands	30	40	40
United Kingdom	United Kingdom	30	30	30
North America	Canada / USA	10	10	10
Germany	Germany	70	70	70
Other	The Netherlands	40	40	40
Total		580	590	590

(31) Subordinated loans

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Shareholders' loans	–	498	872	1,146
Total	–	498	872	1,146

Subordinated loans

At 21 December 2016 the subordinated shareholder loans were converted to equity.

(32) Loans and other financing obligations

This note contains information on the contractual provisions of the interest-bearing loans and other financing obligations of the Group, which are recognised at amortised cost. For more information on the risk incurred by the Group on interest and currency, see note 41.

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Committed financing	–	163	224	156
Other financing	148	187	170	92
Finance lease obligations	44	50	62	56
	192	400	456	304
Repayment in coming year	–98	–107	–226	–82
Total	94	293	230	222

Committed financing

On 13 December 2016 the Company and Volker Wessels Stevin Financial Services BV (VWS FS) as borrowers, entered into a €600 million revolving credit facility (the RCF) under Dutch law. The RCF is provided by a syndicate of seven Dutch and non-Dutch lenders, being ABN AMRO Bank NV, BNP Paribas Fortis SA/NV Netherlands Branch, Coöperatieve Rabobank UA, Credit Agricole Corporate and investment Bank, Belgium Branch, HSBC Bank Plc, ING Bank NV and MUFG Bank (Europe) NV. The RCF is based on Loan Market Association investment grade documentation. Several Dutch asset companies guarantee the obligations of the borrowers under the RCF. No security other than these guarantees is provided. Interest under the RCF is based on EURIBOR (with a 0% floor) plus a margin (which is calculated according to a leverage grid in a range of 95 basis points and 175 basis points, based on net debt to EBITDA ratio). The effective interest rate is approximately equal to the nominal interest rate. The RCF can be used by the VolkerWessels group for general corporate and working capital purposes (including acquisitions, capital expenditure, dividends, distributions and interest expenses). The RCF also contains an uncommitted accordion feature which allows the Company to request an increase in the facility of up to €200 million. The RCF terminates on 31 January 2022.

The RCF contains customary mandatory prepayment events for a facility of this type including illegality, change of control and certain disposals (subject to agreed exceptions and thresholds). In addition, the RCF contains several market standard undertakings and default events and includes the following financial covenants which are tested on a semi-annual basis on 30 June and 31 December (the test dates):

- Leverage Ratio (being the ratio of consolidated total net recourse debt to consolidated LTM EBITDA) must be less than 2.75:1 at each test date.
- 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 VolkerWessels may pay a dividend to its shareholders of up to 75% of its net result per financial year (the "Basket"). A dividend exceeding that Basket may be paid provided that the projected Leverage on the first relevant Test Date after that dividend payment is expected to be less than 2.00:1. The dividend arrangement under the RCF also contains a carry forward arrangement for unused amounts in respect of a previous year where the dividend payment was less than the Basket. As at 31 December 2016, VolkerWessels had no outstanding borrowings under the RCF.

Non-recourse financing is project financing where the lender can only recover the cash and assets of that particular project.
In a project the lender has little or no recourse against other group companies.

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 with several banks. At the balance sheet date an amount of €88 million (2015: €160 million; 2014: €176 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
Facilities in the Netherlands
The VolkerWessels 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.

UK facility
In the UK, BNP Paribas, London Branch has provided a current account facility of GBP 10 million to VolkerWessels UK Limited, a subsidiary of the Company.

Canadian facilities
The VolkerWessels group has access to an uncommitted credit facility of CAD 23 million and an uncommitted lease facility of CAD 22 million in Canada.

US uncommitted facility
In the US, Columbia State Bank has extended an uncommitted loan facility of USD 4 million to MidMountain Contractors, Inc., a subsidiary of the Company.

Financial lease obligations
Financial lease agreements for a total sum of €11 million (2015: €9 million; 2014: €10 million) were concluded during the reporting 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 finance leases are as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Less than 1 year	14	18	20
Later than 1 year and less than or equal to 5 years	30	32	42
More than 5 years	–	–	–
Future finance charges on finance leases	44	50	62

The present value of finance lease liabilities is as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Less than 1 year	14	18	20
Later than 1 year and less than or equal to 5 years	28	30	40
More than 5 years	–	–	–
Present value of finance lease liabilities	42	48	60

(33) Derivatives

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

	31 December 2015		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–16	–16
Interest rate swaps – current	–	–3	–3
Total	–	–19	–19

	31 December 2014		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–25	–25
Interest rate swaps – current	–	–3	–3
Total	–	–28	–28

The most significant interest rate swaps relate to the hedging of the interest rate risk on the committed financing. For this, an interest rate swap was entered into for an amount of €250 million.

A number of interest rate swaps were also arranged to hedge the interest rate risk on some project-related financing facilities.

Net debt (– = assets)

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Cash and cash equivalents	–412	–407	–309	–245
Non-current loans and other financing obligations	94	293	230	222
Non-current derivatives	–	16	25	20
Bank overdrafts	26	50	69	59
Current loans and other financing obligations	98	107	226	82
Current derivatives	5	3	3	–
Net debt (-= assets)	–189	62	244	138
Non-recourse financing	–88	–160	–176	–58
Net assets adjusted for non-recourse financing	–277	–98	68	80

(34) Employee benefits

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

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Present value of unfunded schemes	–4	–4	–5	–6
Present value of funded schemes	–90	–87	–88	–73
	–94	–91	–93	–79
Fair value of the plan assets	89	86	86	68
Present value of net obligations	–5	–5	–7	–11
Other employee benefit obligations	–50	–28	–16	–11
Long-service award obligations	–15	–15	–14	–12
Total	–70	–48	–37	–34
Non-current portion	–59	–35	–32	–31
Current portion	–11	–13	–5	–3
Total	–70	–48	–37	–34

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. Most of these schemes have now 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 2016 was 105.4%, a decrease of 5.5% compared to 31 December 2015. The coverage ratio of Pensioenfonds Metaal en Techniek at 31 December 2016 was 97.2 %, a decrease of 0.2% compared to 31 December 2015.

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 company is obliged to pay a predetermined annual contribution to this fund. Once the agreed premium has been paid, the company 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 2016 was 102.7%, a decrease of 3.4% compared to 31 December 2015.

Obligation to defined benefit plans in the United Kingdom

The Group has a number of defined benefit plans in the United Kingdom whose employment commenced before 1 January 2005. The accrual of these defined benefit plans ended on 31 December 2007 and has been fully financed through annual contributions to the pension funds.

Obligation to defined benefit plans in Germany

In Germany, the Group has several smaller defined benefit plans.

Below is a summary of the changes in the obligations arising from defined benefit plans:

Pension scheme assets	The Netherlands	UK	Germany	Total
Pension scheme assets on 1 January 2016	32	54	–	86
Foreign currency exchange differences	–	–8	–	–8
Return on plan assets	1	2	–	3
Employer's contribution	–	1	–	1
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	–1	–2	–	–3
Actuarial results	2	8	–	10
Pension scheme assets on 31 December 2016	34	55	–	89

Pension obligation	The Netherlands	UK	Germany	Total
Pension obligation as at 1 January 2016	–36	–52	–3	–91
Foreign currency exchange differences	–	7	–	7
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	1	3	–	4
Actuarial results	–3	–9	–	–12
Pension obligation as at 31 December 2016	–39	–52	–3	–94
Net obligation recognised in the statement of financial position				
Balance of obligations and plan assets as at 31 December 2016	–5	3	–3	–5

Status of pension fund	The Netherlands	UK	Germany	Total
Gross pension obligation as at 1 January 2016	–5	3	–3	–5
Unrecognised assets	–	–	–	–
Net pension obligation as at 1 January 2016	–5	3	–3	–5
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	–	–	–	–
Paid pension contributions and disbursed pensions	–	–	–	–
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2016	–5	3	–3	–5

Pension scheme assets	The Netherlands	UK	Germany	Total
Pension scheme assets on 1 January 2015	33	53	–	86
Foreign currency exchange differences	–	3	–	3
Return on plan assets	1	2	–	3
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 2015	32	54	–	86

Pension obligation	The Netherlands	UK	Germany	Total
Pension obligation as at 1 January 2015	–37	–52	–4	–93
Foreign currency exchange differences	–	–3	–	–3
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	2	3	1	6
Actuarial results	–	2	–	2
Pension obligation as at 31 December 2015	–36	–52	–3	–91
Net obligation recognised in the statement of financial position				
Balance of obligations and plan assets as at 31 December 2015	–4	2	–3	–5

Status of pension fund	The Netherlands	UK	Germany	Total
Gross pension obligation as at 1 January 2015	–4	1	–4	–7
Unrecognised assets	–	–	–	–
Net pension obligation as at 1 January 2015	–4	1	–4	–7
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	–1	1	–	–
Paid pension contributions and disbursed pensions	1	–	1	2
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2015	–4	2	–3	–5

Pension scheme assets	The Netherlands	UK	Germany	Total
Pension scheme assets on 1 January 2014	28	40	–	68
Foreign currency exchange differences	–	3	–	3
Return on plan assets	1	2	–	3
Employer's contribution	–	1	–	1
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	–1	–1	–	–2
Actuarial results	5	8	–	13
Pension scheme assets on 31 December 2014	33	53	–	86

Pension obligation	The Netherlands	UK	Germany	Total
Pension obligation as at 1 January 2014	–35	–41	–4	–80
Foreign currency exchange differences	–	–3	–	–3
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	2	2	–	4
Actuarial results	–3	–8	–	–11
Pension obligation as at 31 December 2014	–37	–52	–4	–93
Net obligation recognised in the statement of financial position				
Balance of obligations and plan assets as at 31 December 2014	–4	1	–4	–7

Status of pension fund	The Netherlands	UK	Germany	Total
Gross pension obligation as at 1 January 2014	–7	–	–4	–11
Unrecognised assets	–	–	–	–
Net pension obligation as at 1 January 2014	–7	–	–4	–11
Foreign currency exchange differences	–	–	–	–
Recognised actuarial result (including exchange effect on actuarial reserve)	2	–	–	2
Paid pension contributions and disbursed pensions	2	1	–	3
Pension expense accounted for in income statement	–1	–	–	–1
Net pension obligation as at 31 December 2014	–4	1	–4	–7

The plan assets consist of:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Cash and other insurance contracts	33	31	32
Shares	22	23	22
Bonds and receivables	34	32	32
Total	89	86	86

The actual return on the plan assets was €13 million in 2016 (2015: €1 million; 2014: €15 million).

Expenses recognised in the income statement for defined benefit plans

2016	The Netherlands	UK	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Return on plan assets	1	2	–	3
Curtailments	–	–	–	–
Total	–	–	–	–

2015	The Netherlands	UK	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Return on plan assets	1	2	–	3
Curtailments	–	–	–	–
Total	–	–	–	–

2014	The Netherlands	UK	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–2	–	–3
Return on plan assets	1	2	–	3
Curtailments	–	–	–	–
Total	–	–	–	–

These costs were included in the following items in the income statement:

2016	The Netherlands	UK	Germany	Total
Personnel expenses	–	–	–	–
Net financial result	–	–	–	–
Total	–	–	–	–

2015	The Netherlands	UK	Germany	Total
Personnel expenses	–	–	–	–
Net financial result	–	–	–	–
Total	–	–	–	–

2014	The Netherlands	UK	Germany	Total
Personnel expenses	–	–	–	–
Net financial result	–	–	–	–
Total	–	–	–	–

Actuarial assumptions

The main actuarial assumptions for 2016 were as follows:

	The Netherlands	UK	Germany
Discount rate	1.63%	2.60%	1.40%
Return on plan assets	1.63%	2.08%	0.00%
Future salary increases	0.00%	3.30%	0.00%
Inflation	0.75%	2.80%	2.00%

The main actuarial assumptions for 2015 were as follows:

	The Netherlands	UK	Germany
Discount rate	2.07%	3.70%	1.90%
Return on plan assets	2.07%	2.96%	0.00%
Future salary increases	0.00%	0.00%	0.00%
Inflation	0.75%	2.60%	2.00%

The main actuarial assumptions for 2014 were as follows:

	The Netherlands	UK	Germany
Discount rate	2.25%	3.40%	2.05%
Return on plan assets	2.25%	2.72%	0.00%
Future salary increases	0.00%	0.00%	0.00%
Inflation	0.50%	2.60%	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

	2016	2015	2014	2013	2012
Present value of obligations under defined benefit plans	–94	–91	–93	–79	–85
Fair value of plan assets	89	86	86	68	69
Present value of net obligation	–5	–5	–7	–11	–16

Experience adjustments

	2016	2015	2014
Experience adjustments arising on file developments	–9	2	–1
Experience adjustments arising on adjustment mortality table	–	–2	–
Experience adjustments arising on adjustment discount rate	8	–	3
Total	–1	–	2

(35) Provisions

	Guarantees	Reorganisation	Associates and joint ventures	Environmental and remediation costs	Other	Total
As at 1 January 2016	90	16	45	4	52	207
Addition	12	10	8	–	13	43
Withdrawal	–8	–12	–	–2	–7	–29
Release	–15	–6	–	2	–7	–26
Interest accrual	1	–	–	–	1	2
As at 31 December 2016	80	8	53	4	52	197
Non-current portion	61	2	48	2	36	149
Current portion	19	6	5	2	16	48
Total	80	8	53	4	52	197

	Guarantees	Reorganisation	Associates and joint ventures	Environmental and remediation costs	Other	Total
As at 1 January 2015	80	12	40	9	52	193
Acquisitions	–	–	–	–	–4	–4
Addition	26	17	5	–	16	64
Withdrawal	–7	–13	–	–	2	–18
Release	–7	–	–	–5	–14	–26
Interest accrual	–2	–	–	–	–	–2
As at 31 December 2015	90	16	45	4	52	207
Non-current portion	66	2	32	3	36	139
Current portion	24	14	13	1	16	68
Total	90	16	45	4	52	207

	Guarantees	Reorgani-sation	Associates and joint ventures	Environ-mental and remediation costs	Other	Total
As at 1 January 2014	68	14	29	9	67	187
KonderWessels Holding, Germany (1 January 2014)	5	–	–	–	–	5
Proportional consolidation Joint Operations (1 January 2014)	–	–	–	–	3	3
Total as at 1 January 2014	73	14	29	9	70	195
Foreign currency exchange differences	–	–	–	–	1	1
Addition	20	14	11	1	13	59
Withdrawal	–8	–15	–	–1	–19	–43
Release	–7	–1	–	–	–13	–21
Interest accrual	2	–	–	–	–	2
As at 31 December 2014	80	12	40	9	52	193
Non-current portion	70	9	23	9	47	158
Current portion	10	3	17	–	5	35
Total	80	12	40	9	52	193

The purpose of the provision for guarantees is to cover potential liabilities in respect of completed works within the guarantee periods.

The restructuring provision relates to expenditure in respect of changes to the operational structure that are deemed necessary in order to continue to respond to changing market demands.

A provision for restructuring is recognised only when the Group has approved a detailed and formal restructuring plan and the restructuring has commenced or been publicly announced.

The provision for environmental and remediation costs is meant to cover potential expenditure on environmental modifications.

The provisions for other risks are varied and are meant to cover potential liabilities arising from claims, legal cases, additional disability and sickness benefits, and old competition fines, etc.

The non-current part of the provisions (excluding the provision for associates and joint ventures) has been discounted at a rate of 2% (2015: 2%; 2014: 2%).

(36) Bank overdrafts

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Bank overdrafts	26	50	69	59

(37) Trade and other payables

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Advances received on projects	6	5	6	22
Trade payables	842	826	725	694
Other creditors and accrued expenses	273	319	285	243
Amounts owed to associates	9	13	15	17
Amounts owed to joint ventures	10	14	23	52
Taxes and social charges	133	114	126	107
Expected accrual on delivered projects	53	79	58	84
Holiday accrual	50	54	54	51
Accruals and deferred income	130	128	154	165
Total	1,506	1,552	1,446	1,435

(38) Contingent liabilities

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Guarantees			
Guarantees relating to performance	549	679	592
Guarantees relating to credit facilities	1	1	2
Guarantees relating to prepayments received	11	64	18
Guarantees issued to clients based in North America	230	176	119
Total bank guarantees	791	920	731
Guarantees relating to performance	1,791	2,050	1,252
Guarantees relating to credit facilities	217	256	278
Guarantees relating to prepayments received	–	1	6
Total parent company guarantees	2,008	2,307	1,536

From the total bank guarantees as at 31 December 2016 an amount of €33 million (2015: €97 million; 2014: €71 million) relates to joint ventures.
From the total parent company guarantees as at 31 December 2016 an amount of €132 million (2015: €242 million; 2014: €272 million) relates to joint ventures.

Bank guarantees
At the request of a project company or subsidiary of the Company, the VolkerWessels group may request a financial institution to provide a guarantee or bond (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 or bonding facility and the borrower of such facility is a holding and/or operating company of the VolkerWessels group. AS the obligations of each borrower are also counter-indemnified by one or more (other) holding companies within the VolkerWessels group, a provider of a bank guarantee or bonding facility has recourse against the VolkerWessels group. The VolkerWessels group strives to provide the counter-indemnities for a bank guarantee or bonding facility at the lowest possible (holding company) level to avoid cross-links between its various segments as much as possible.

The VolkerWessels group has entered into bank guarantee or bonding facilities with various financial institutions. Bank guarantees in Europe typically guarantee a part of the contract price whereas bank guarantees in North America guarantee up to the full contract price. In Europe bank guarantees are provided by both banks and insurance companies, however, in North America insurance companies typically provide bank guarantees. The wording of each bank guarantee is tested on compliance with our internal guarantee policy guidelines.
bank guarantees relating to credit facilities are issued typically as security for project financings which have been granted in connection with a construction project or as security for a bank guarantee or bonding facility. Bank guarantees relating to prepayments received reflect prepayments received in connection with construction projects.

Parent company guarantees
At the request of a project company or subsidiary of the Company, certain holding companies within the VolkerWessels group may provide a parent company guarantee (a "PCG").
A PCG mainly guarantees the performance and/or warranty obligations of such project company or subsidiary under a construction and/or maintenance agreement. Providing a PCG is carefully considered and the text of a PCG is tested on compliance with our internal guarantee policy guidelines. The VolkerWessels group aims to provide a PCG at the lowest possible holding company level to avoid cross links between its various segments as much as possible.

Other contingent liabilities

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2016
Lease agreements	33	23	19	–	75
Rental agreements	22	20	49	32	123
Leasehold agreements	1	1	2	1	5
(Contingent) obligation to purchase building land	44	16	22	50	132
Property, plant and equipment under construction	1	–	–	–	1
Other	31	2	3	–	36
Total	132	62	95	83	372

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2015
Lease agreements	39	25	22	1	87
Rental agreements	18	18	42	38	116
Leasehold agreements	1	1	2	2	6
(Contingent) obligation to purchase building land	48	25	21	44	138
Property, plant and equipment under construction	–	–	–	–	–
Other	28	5	3	–	36
Total	134	74	90	85	383

	Within 1 year	2 years	3-5 years	After 5 years	Total 31 Dec 2014
Lease agreements	40	25	18	2	85
Rental agreements	20	17	40	32	109
Leasehold agreements	–	–	2	2	4
(Contingent) obligation to purchase building land	36	23	15	38	112
Property, plant and equipment under construction	–	–	–	–	–
Other	23	1	1	–	25
Total	119	66	76	74	335

The obligations arising from lease agreements relate mainly to vehicles. In the 2016 financial year an expense from an operational lease of €36 million (2015: €41 million; 2014: €49 million) was recognised in the income statement.

The obligations under rental agreements relate mainly to property.

In the Netherlands and Germany land purchase commitments have been entered into amounting to €132 million (2015: €138 million; 2014: €112 million).

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 2016 amounts to €472 million (2015: €326 million; 2014: €414 million), of which €204 million (2015: €287 million; 2014: €225 million) relates to joint ventures.

Off-balance sheet assets and liabilities
The Group selectively sells residential property at a discount, sharing in any gain on resale. The activities that use this scheme lead initially to a loss at the inception of the transaction, which is recognised as an expense. 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 substantial 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.

(39) 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 Executive- and Supervisory Board members (Management Board).

Related party transactions with the shareholders and key management can be categorized as follows:
- sales transactions to related parties in the ordinary course of business;
- purchase transactions from related parties in the ordinary course of business;
- other related party transactions;
- key management compensation.

We refer to note 19 & 20 for the relation between the Group and the associates and joint ventures.

All 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		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Sales by:									
– VolkerWessels consolidated entities	179	115	151	16	15	16	97	123	117
– VolkerWessels joint ventures	–	–	–	–	–	–	3	–	–
– VolkerWessels associates	9	5	3	1	–	–	6	12	–
Total	188	120	154	17	15	16	106	135	117
Sales to:									
– Reggeborgh entities	148	89	52	14	11	10	88	115	106
– Joint ventures between VolkerWessels and Reggeborgh	30	26	44	2	3	6	13	20	11
– Reggeborgh associates	10	5	58	1	1	–	–	–	–
– Management Board	–	–	–	–	–	–	5	–	–
Total	188	120	154	17	15	16	106	135	117

Sales to Reggeborgh entities primarily consist of:
- construction revenue in the Construction & Real Estate Development segment, including land and real estate completed, to Reggeborgh entities of €102 million (2015: €59 million; 2014: €18 million);
- construction revenue in the Germany segment, including land and real estate completed, to Reggeborgh entities of €46 million (2015: €30 million; 2014: €34 million).

The total commitment at year-end 2016 amounts to €88 million (2015: €115 million; 2014: €106 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:
- construction revenue in the Construction & Real Estate Development segment, of €29 million (2015: €16 million; 2014: €17 million);
- construction revenue in the Germany segment, of €1 million (2015: €10 million; 2014: €27 million).

The total commitment at year-end 2016 amounts to €13 million (2015: €20 million; 2014: €11 million) and relates to construction contracts concluded but not yet completed or delivered.

Sales to Reggeborgh associates primarily consist of:
- revenue in the Energy & Telecom Infrastructure segment related to maintenance of oil terminals of a Reggeborgh associate of €10 million (2015: €3 million; 2014: €0 million);
- construction revenue in the Energy & Telecom Infrastucture segment and the Construction & Real Estate Development segment for a Reggeborgh associate until 8 October 2015 of €2 million in 2015 (2014: €3 million);
- construction revenue in the Energy & Telecom Infrastructure segment and the Construction & Real Estate Development segment for a Reggeborgh associate that was divested in 2014 of €55 million.

Sales to the Management Board primarily consist of:
- construction revenue, including real estate sold in the Construction & Real Estate Development segment for the year 2016 €0,3 million (2015: €0,2 million; 2014: €0,4 million). All these purchases were approved by the Supervisory Board.

The total commitment at year-end 2016 amounts to €5 million (2015: €0 million; 2014: €0 million) and relates to construction contracts for the delivery of real estate concluded but not yet completed or delivered.

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		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Purchases by:									
– VolkerWessels consolidated entities	13	10	10	3	–	–	52	50	45
– VolkerWessels joint ventures	–	–	–	–	–	–	–	–	–
– VolkerWessels associates	–	–	–	–	–	–	–	–	–
Total	13	10	10	3	–	–	52	50	45
Purchases from:									
– Reggeborgh entities	7	6	6	–	–	–	43	41	39
– Joint ventures between VolkerWessels and Reggeborgh	2	–	–	2	–	–	–	–	–
– Reggeborgh associates	4	4	4	1	–	–	9	9	6
– Management Board	–	–	–	–	–	–	–	–	–
Total	13	10	10	3	–	–	52	50	45

Purchases from Reggeborgh entities primarily consist of:

- rent of property in ten locations, of which nine in the Netherlands and one in Germany from Reggeborgh entities of €6 million (2015: €5 million; 2014: €5 million);
- management- and monitoring fees, including charged expenses to VolkerWessels companies for an aggregate approximate amount of €1 million per year, including Supervisory Board remuneration of Supervisory Board members of VolkerWessels delegated by Reggeborgh entities;
- purchases from joint ventures in 2016 relate to the purchase of land from a joint venture between a Reggeborgh entity and a VolkerWessels company.

The total commitment at year-end 2016 amounts to €43 million (2015: €41 million; 2014: €39 million) and mainly relates to the contractually agreed rent period.

Purchases from Reggeborgh associates primarily consist of:

- rent of property in two locations from Reggeborgh associates of €1 million per year;
- Reggeborgh associates delivering construction materials and services to VolkerWessels companies for an amount of €2 million each year;
- a Reggeborgh associate delivering gasoil to a VolkerWessels Offshore company classified as discontinued operation for an amount of €1 million each year.

The total commitment at year-end 2016 amounts to €9 million (2015: €9 million; 2014: €6 million) and mainly relates to the contractually agreed rent period.

Other related party transactions

Acquisition of KondorWessels Germany GmbH

On 28 December 2016, VWS International B.V. acquired from a Reggeborgh entity 94.88% of the shares in the German company Kondor Wessels Holding GmbH. The remaining 5.12% of the shares in Kondor Wessels Holding GmbH continues to be held by a another Reggeborgh entity.

Joint ventures between VolkerWessels and Reggeborgh entities

Certain VolkerWessels companies, active in the Construction & Real Estate Development segment and in the Germany segment, hold joint participations in property development companies together with Reggeborgh entities. The range of participations of the Reggeborgh entities varies from 27.5% to 65% in the Construction & Real Estate Development and from 37.5% to 50% in the Germany segment.

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

Amount of equity provided to joint ventures as at 31 December	2016	2015	2014
Construction & Real Estate Development	28	22	29
Germany	1	8	40
Total	29	30	69

Loans to VolkerWessels joint ventures

Reggeborgh entities provided loans to joint ventures in the Construction & Real Estate Development segment and in the Germany segment. Movements in the loans provided can be specified as follows:

Project loans provided by Reggeborgh entities to joint ventures with the Construction & Real Estate Development segment	2016	2015	2014
Loans as at 1 January	9	6	7
Provided during the year	1	6	–
Repaid during the year	–5	–3	–1
Loans as at 31 December	5	9	6

Project loans provided by Reggeborgh entities to joint ventures with the Germany segment	2016	2015	2014
Loans as at 1 January	–	6	9
Provided during the year	–	–	–
Repaid during the year	–	–6	–3
Loans as at 31 December	–	–	6

VolkerWessels paid approximately 5 % interest per year.

Loans to VolkerWessels Associates

In 2015, a Reggeborgh entity provided a loan of €3 million to an associate of VolkerWessels, of which an amount of €2 million was outstanding as at 31 December 2016.

Subordinated Shareholder Loans

From 2014 through 2016, Reggeborgh entities provided subordinated shareholder loans to VolkerWessels BV:

	2016	2015	2014
Shareholder loans as at 1 January	498	872	1,146
Provided during the year	35	–	15
Converted into equity	–544	–400	–330
Compounded interest	11	26	41
Shareholder loans as at 31 December	–	498	872

In 2014, an amount of €330 million of cumulative preference shares was reclassified and converted into ordinary equity. In 2015, an amount of €400 million of shareholder loans was converted into cumulative preference shares, placed with a Reggeborgh entity. These preference shares were converted into ordinary equity in 2016. In 2016, an amount of €544 million was converted into ordinary shares, placed with a Reggeborgh entity. Compounded charged interest amounted to 5% in 2014 and 3% in 2015 and 2016. No shareholder loans were outstanding as at 31 December 2016.

Loans to Other VolkerWessels Companies

In 2014 and 2015, a Reggeborgh entity provided a loan for an amount of up to €75 million to a VolkerWessels company, with the purpose to refinance its outstanding bank debt. VolkerWessels paid an interest margin of 2,25% above EURIBOR during these years. As at 31 december 2016, the loan was fully repaid.

Financing- and treasury arrangements with Kondor Wessels Holding GmbH

In the years 2014 through 2016, a Reggeborgh entity provided loans to and received deposits from Kondor Wessels Holding GmbH. In addition, an interest rate swap with an annual interest of €1,3 million on a notional amount of €30 million existed between those parties. All loans, deposits and the interest rate swap were settled prior to 31 December 2016.

Other related party financing arrangements

In 2015 a cooperation agreement has been concluded between VolkerWessels and a third party for a specific development project. VolkerWessels will perform future construction activities within the scope of this project, while a Reggeborgh entity provided a loan of €30 million to this third party.

Key management compensation

Key management includes members of the Management Board and the Supervisory Board.

Management Board remuneration

The remuneration of the Board of Management consists of the following components:
- annual base pay;
- pension and other benefits;
- short-term incentive;
- management participation plan.

The Board of Management are eligible to participate in the Company's long-term management participation plan. Together with a group of over 150 managers, the Board of Management may share in the profits of the Company by holding, through a management investment company, a leveraged profit participating loan, which instrument has been issued by the Company. Participation in the management participation plan is subject to a limited investment by, and the continued employment of, the participants with the Company. The management participation plan is intended to drive sustainable performance with due regard of the risk-appetite of the Company 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 the Company 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 the Company incurs losses in future years or the MPP 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 remuneration of the members of the Board of Management (excluding Mr. J.A. de Ruiter) can be specified as follows:

	2016	2015	2014
Remuneration of Board of Management			
Annual base pay	1,9	1,8	1,8
Pension and other benefits	0,6	0,3	0,4
Short-term incentive	1,5	1,4	1,1
Management participation plan	12,4	4,2	5,0
Total	16,4	7,7	8,3

The amount paid in the financial year as short-term incentive, relates to the previous performance year.
The benefits due to the Board of Management (excluding Mr. J.A. de Ruiter) under the management participation plan amounted to €9,3 million for the year 2016, payable in the years 2017–2019. This amount consists of €3,2 million relating to the 2016 performance and the remainder relates to the better than expected performance of the Company over the performance period 2014–2016, including the one-off financial result from the sale of the offshore activities in 2016. The applicable cost of the management participation plan to the Company is €12,4 million, the difference being the corporate tax payable by the management investment company (2015: €4,2 million, 2014: €5,0 million).

The Company has not provided any personal loans, advances or guarantees to the Board of Management.

Supervisory Board remuneration

The remuneration paid by the Company to the members of the Supervisory Board amounted to 2016 €0,1 million (2015: €0,1 million; 2014: €0,1 million).
No advances or guarantees were granted to the members of the Supervisory Board.

Subsequent events
Subject to the Initial Public Offering, the Selling Shareholder will grant a one-off share incentive to Managing Directors and certain key managers to ensure a smooth transition from a privately held company to a publicly held company. The share incentive, which will be cash and dividend neutral for the Company, is 1.2% of the issued share capital of the Company. These shares are granted to Managing Directors and certain key managers under the condition that they stay with the Company for a certain period, this period is the service period. The service period varies from 2017 until 2020.

(40) Result from sale of participating interest(s)

The result from sale of participating interests in 2016 amounted to €1 million. This mainly relates to some small divestments.

The result from sale of participating interests in 2015 amounted to €12 million. This mainly related to a one-off revaluation of the existing interest to fair value based on stepped acquisition rules under IFRS 3. Please refer to note 16.

The result from sale of participating interests in 2014 amounted to €14 million.
This mainly relates to the negative goodwill on the acquisition of Storm II BV and the remaining 50% share in Matex Vastgoed I BV and Matex Vastgoed III BV, and a book profit on the sale of a equity investment in Canada.

(41) Financial instruments

The Group recognises financial risk factors with respect to currency, interest rates, credit and liquidity. These financial risks are neither unusual in their nature nor at variance with industry practice. The Group has a strict policy aimed at minimising and controlling these risks to the fullest extent possible, for which end it employs general controls such as internal procedures and instructions, specific measures and/or financial instruments. These measures are accompanied by adequate reporting systems and short communication lines. The Group's financial risk factors, controls and the remaining risks are explained in more detail below.

Credit risks
Credit risk is the risk of a financial loss for the account of the VolkerWessels group stemming from failure of a third party to meet its contractual obligations. As a significant percentage of the VolkerWessels group's clients are public organisations (i.e. government bodies), the credit risk for this portion of the VolkerWessels group's revenue is limited.

Other than our exposure to public organisations, there were no significant concentrations of credit risk as at 31 December 2016. The credit risk is under constant review. The VolkerWessels group 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 the VolkerWessels group 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 VolkerWessels group further limits its credit risk on financial institutions by spreading the credit and guarantee limits and its surplus liquidity among several financial institutions with a good credit rating.

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Assets subject to credit risk			
Non-current receivables	116	122	113
Trade receivables	570	588	614
Other receivables	324	322	333
Cash and cash equivalents	412	407	309
Total	1,422	1,439	1,369

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

	31 Dec 2016		31 Dec 2015		31 Dec 2014	
	Gross	Provision	Gross	Provision	Gross	Provision
Not yet due	405	–	411	–	376	–
Overdue 1 to 60 days	118	–	126	–1	180	–1
Overdue 61 to 180 days	34	–1	33	–2	26	–1
Overdue 181 days to one year	6	–2	12	–3	12	–4
More than one year	21	–11	18	–6	33	–7
	584	–14	600	–12	627	–13

The changes in the provision for impairments relating to loans and receivables during the year were as follows:

	2016	2015	2014
As at 1 January	12	13	20
Provisions made during the financial year	4	6	6
Provisions used during the financial year	–1	–2	–4
Release of provisions during the financial year	–1	–5	–9
As at 31 December	14	12	13

Liquidity risk

Liquidity risk is the risk that the VolkerWessels group is unable to meet its financial obligations in the short term. The liquidity management of the VolkerWessels group is aimed at maintaining the credit profile of the VolkerWessels group and, where possible, improving it to ensure that the VolkerWessels group retains access to the banking / financial markets on terms acceptable to the VolkerWessels group.

The VolkerWessels group's policy is to keep a significant part of its RCF headroom available at all times for unforeseen events. The VolkerWessels group has an ongoing focus on its working capital and capital demands and commits its cash as efficiently and effectively as possible within the VolkerWessels group.

In the past few years, the VolkerWessels group's focus on cash flow and working capital has enabled it to realise annual reductions of its net debt despite pressures on its working capital from the sluggish processing of change requests (i.e. additional work) by key clients.

The VolkerWessels group applies a strict investment policy in order to manage its cash position. This means that the permission of the Board of Management is required if large amounts of cash are invested or if cash is invested for a longer period of time. The VolkerWessels group has committed and uncommitted bank guarantees or bonding facilities with several banks and other financial institutions in order to continue to fulfil client requirements in respect of providing bank guarantees. The aim is to maintain at least 20% of the total facilities as freely available funds and this aim was comfortably achieved at the end of 2016.

Other financing

Non-recourse financing is project financing where the lender can only recover the cash and assets of that particular project.
In a project the lender has little or no recourse against other group companies.

Such 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 with several banks.

At the balance sheet date an amount of €88 million (2015: €160 million 2014: €176 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

Facilities in the Netherlands

The VolkerWessels group has three overdraft facilities in the Netherlands to support its cash management: an uncommitted overdraft facility of €30 million with ABN Amro Bank NV, an uncommitted overdraft facility of €20 million with ING Bank NV and an uncommitted overdraft facility of €10 million with Coöperatieve Rabobank UA.

UK facility

In the UK, BNP Paribas, London Branch has provided a current account facility of GBP 10 million to VolkerWessels UK Limited, a subsidiary of the Company.

Canadian facilities

The VolkerWessels group has access to an uncommitted credit facility of CAD 23 million and an uncommitted lease facility of CAD 22 million in Canada.

US uncommitted facility

In the US, Columbia State Bank has extended an uncommitted loan facility of USD 4 million to MidMountain Contractors, Inc., a subsidiary of the Company.

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2016:

	31 Dec 2016 Book value	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Loans (including current)	148	162	41	40	26	17	38
Derivatives (including current)	5	5	3	2	–	–	–
Financial lease obligations (including current)	44	47	8	8	13	18	–
Bank overdrafts	26	26	26	–	–	–	–
Trade and other payables	1,506	1,506	1,364	142	–	–	–
	1,729	1,746	1,442	192	39	35	38

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2015:

	31 Dec 2015 Book value	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Subordinated loans	498	550	–	–	224	–	326
Loans (including current)	350	365	78	43	179	51	14
Derivatives (including current)	19	19	6	6	7	–	–
Financial lease obligations (including current)	50	53	10	10	15	18	–
Bank overdrafts	50	50	50	–	–	–	–
Trade and other payables	1,552	1,552	1,394	158	–	–	–
	2,519	2,589	1,538	217	425	69	340

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2014:

	31 Dec 2014 Book value	Contractual cash flows	< 6 months	6-12 months	Year 2	Year 3-5	> 5 years
Subordinated loans	872	917	–	–	901	16	–
Loans (including current)	394	416	78	46	156	114	22
Derivatives (including current)	28	28	6	6	9	7	–
Financial lease obligations (including current)	62	67	11	12	20	24	–
Bank overdrafts	69	69	69	–	–	–	–
Trade and other payables	1,446	1,446	1,237	209	–	–	–
	2,871	2,943	1,401	273	1,086	161	22

Market risks

Foreign currency risks

As a result of the geographical spread of VolkerWessels group's operations, foreign currency fluctuations affect VolkerWessels group's results of operations. The VolkerWessels group 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 VolkerWessels group'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		
	2016	2015	2014	2016	2015	2014
GBP	1.22	1.38	1.24	1.17	1.36	1.29
CAD	0.68	0.70	0.68	0.71	0.67	0.71
USD	0.90	0.90	0.75	0.95	0.92	0.83

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.

2016	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–12	–1	12	1
USD (5% variation)	–3	–	3	–

2015	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–11	–1	11	1
USD (5% variation)	–3	–	3	–

2014	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
GBP (5% variation)	–7	–1	7	1
CAD (5% variation)	–10	–1	10	1
USD (5% variation)	–2	–	2	–

Interest risk

VolkerWessels group's interest policy is designed to limit the influence of fluctuating interest rates on VolkerWessels group's result and to optimise net interest expenses. To this end, part of the floating interest rate exposure has been fixed by an interest rate swap of €250 million with a fixed interest rate of 1.71% that matures in December 2017. 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 VolkerWessels group. However, due to such hedging instruments, the VolkerWessels 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 VolkerWessels group is not entirely insensitive to changes in interest rates. Cost price hedge accounting is applied to the effective interest rate swaps.

Instruments with a fixed interest rate	31 Dec 2016	31 Dec 2015	31 Dec 2014
Non-current receivables from associates and joint ventures	59	51	46
Non-current receivables from third parties	35	51	38
Subordinated loans	–	–498	–872
Finance lease obligations	–44	–50	–62
Total	50	–446	–850

Instruments with a variable interest rate	31 Dec 2016	31 Dec 2015	31 Dec 2014
Non-current receivables from associates and joint ventures	3	3	4
Non-current receivables from third parties	19	16	25
Loans and other financing obligations	–148	–350	–394
Cash and cash equivalents	412	407	309
Bank overdrafts	–26	–50	–69
Total	260	26	–125

Sensitivity analysis

The fair value of the instruments with a fixed and variable interest rate approximates to their book value. A 1% increase or decrease in the interest rate as at the reporting date would have affected the result and equity by the amounts shown below. In this analysis it is assumed that all other variables, in particular foreign currency rates, remain constant.

31 December 2016	Result (before tax)		Equity	
	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points	Decrease by 100 basis points
Instruments with a variable interest rate				
Non-current receivables from associates and joint ventures	–	–	–	–
Non-current receivables from third parties	–	–	–	–
Loans and other financing obligations	–1	1	–	–
Cash and cash equivalents	4	–4	–	–
Bank overdrafts	–	–	–	–
Total	3	–3	–	–
Interest rate swaps – non-current	–	–	–	–
Sensitivity of cash flows (net)	3	–3	–	–

31 December 2015	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	–	–	–	–
Loans and other financing obligations	–4	4	–	–
Cash and cash equivalents	4	–4	–	–
Bank overdrafts	–1	1	–	–
Total	–1	1	–	–
Interest rate swaps – non-current	–	–	–	–
Sensitivity of cash flows (net)	–1	1	–	–

31 December 2014	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	–	–	–	–
Loans and other financing obligations	–4	4	–	–
Cash and cash equivalents	3	–3	–	–
Bank overdrafts	–1	1	–	–
Total	–2	2	–	–
Interest rate swaps – non-current	–	–	–	–
Sensitivity of cash flows (net)	–2	2	–	–

Fair value of financial instruments

The table below shows the fair value of financial instruments.

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Fair value of derivatives			
Interest swaps	–5	–19	–28
Receivables			
Non-current receivables	116	122	113
Trade and other receivables	894	910	947
Cash and cash equivalents	412	407	309
Total receivables	1,422	1,439	1,369
Financial liabilities at amortised cost			
Finance lease obligations (current and non-current)	–44	–50	–62
Committed financing (current and non-current)	–	–163	–224
Other committed financing (current and non-current)	–148	–187	–170
Trade and other payables	–1,506	–1,552	–1,446
Bank overdrafts	–26	–50	–69
Total financial liabilities at amortised cost	–1,724	–2,002	–1,971

The book value of financial instruments that are not valued at fair value is approximate to the fair value as at the reporting date.

The fair value of financial instruments is determined as follows.

Derivatives

Interest rate swaps are valued based on quoted market prices or by deducting the current cash price from the discounted contractual forward price.

Non-current receivables and borrowings

Fair value is calculated on the basis of discounted future repayments and interest payments.

Finance 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).

31 December 2016	Level 1	Level 2	Level 3	Total
Interest rate swaps used for hedging				
Non-current liabilities	–	–	–	–
Current liabilities	–	–5	–	–5
Total	–	–5	–	–5

31 December 2015	Level 1	Level 2	Level 3	Total
Interest rate swaps used for hedging				
Non-current liabilities	–	–16	–	–16
Current liabilities	–	–3	–	–3
Total	–	–19	–	–19

31 December 2014	Level 1	Level 2	Level 3	Total
Interest rate swaps used for hedging				
Non-current liabilities	–	–25	–	–25
Current liabilities	–	–3	–	–3
Total	–	–28	–	–28

(42) Joint operations

A part of the Group's activities is carried out in joint arrangements classified as joint operations. This applies to all activities and all countries in which the Group operates. Joint arrangements remain in place until the project is finished. The Group's share of the balance sheet of joint operations is indicated below:

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Assets			
Non-current assets	–	–	8
Current assets	172	145	418
	172	145	426
Liabilities			
Non-current liabilities	7	17	34
Current liabilities	256	279	385
	263	296	419
Net balance	–91	–151	7

	2016	2015
Total revenues	331	376
Total costs	–346	–368
Total net result	–15	8

(43) Government grants

The subsidies received in 2016, 2015 and 2014 relate mainly to training, research and development and labour costs.
The subsidies received are offset against the costs incurred.

(44) 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 2016	Other Deloitte network 2016	Total Deloitte 2016
Audit of the financial statements	2	1	3
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	2	1	3

	2015	2015	2015
Audit of the financial statements	2	1	3
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	2	2
Total	2	3	5

	2014	2014	2014
Audit of the financial statements	2	1	3
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	2	1	3

COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2016		31 December 2015		31 December 2014		1 January 2014	
Intangible assets	1		369		407		407		407
Participations in group companies	2		995		504		364		245
Total non-current assets			1,364		911		771		652
Deferred tax assets		24		34		40		42	
Receivables from group companies		–		11		8		14	
Other receivables		–		–		–		9	
Cash and cash equivalents		–		–		–		–	
Total current assets			24		45		48		65
Total assets			1,388		956		819		717
Equity	3								
Issued share capital		1		–		–		–	
Share premium reserve		1,278		723		323		43	
Statutory reserves		–7		–12		–13		–19	
Other reserves		–295		–392		–448		–464	
Result for the year		139		107		60		10	
			1,116		426		–78		–430
Provisions	4	9		7		3		–	
Subordinated loans	5	–		498		865		1,146	
Loans group companies		–		–		–		–	
Total non-current liabilities			9		505		868		1,146
Payable to shareholder		–		–		–		–	
Payable to group companies	6	263		25		29		1	
Other liabilities		–		–		–		–	
Total current liabilities			263		25		29		1
Total equity and liabilities			1,388		956		819		717

COMPANY INCOME STATEMENT

Amounts in millions of euros

	Note	2016	2015	2014
Share in result of group companies after tax	2	189	129	79
Other income and expenses after tax	8	–50	–22	–19
Result		139	107	60

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General
The company financial statements form part of the 2016 financial statements of VolkerWessels BV ('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 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 financial statements. We refer to notes 1 to 5 of the consolidated financial statements.

Change in accounting principles
The accounting principles for the company financial statements have been changed in 2016 as the company applies the option as allowed in Article 2:362 paragraph 8 of the Dutch Civil Code for 2016. Under this accounting option the principles applied for the measurement of assets and liabilities and determination of the results are identical to the accounting principles as applied to the consolidated financial statements. This principle has been applied retrospectively and for comparison reasons the comparable numbers of 2015 and 2014 have been changed to reflect this change. Therefore, this change in accounting principles is effective as of 1 January 2014.
For a further explanation of the impact on result and equity reference is made to note 3 of the consolidated financial statements.

(1) Intangible assets

	2016	2015	2014
	Goodwill	Goodwill	Goodwill
Balance as at 1 January			
Cost	588	588	588
Accumulated amortisation and impairments	–181	–181	–181
Book value	407	407	407
Changes			
Disposal	–38	–	–
Other changes	–	–	–
Balance as at 31 December			
Cost	528	588	588
Accumulated amortisation and impairments	–159	–181	–181
Book value	369	407	407

The accumulated amortisation and impairment of goodwill as at 1 January 2014 amounting to €-181 million mainly relates to the recognised amortisation under NL GAAP until 31 December 2013. The disposal of goodwill in 2016 amounting to €-38 million relates to the sale of the offshore activities.

(2) Participations in group companies

Participations in group companies developed as follows:

	2016	2015	2014
Balance as at 1 January	504	364	245
Investments	500	18	25
Share in result	189	129	79
Received dividends	–205	–	–
Other movements	1	–4	–5
Foreign currency exchange differences	6	–3	20
	995	504	364
To provision	–	–	–
Balance as at 31 December	995	504	364

The investments in 2014 amounting to €25 million and the investments in 2015 amounting to €18 million relates to the acquisition of Matex Vastgoed I BV en Matex Vastgoed III BV.
The investments in 2016 amounting to €500 million relates to the internal restructuring of VWS International.

Having due regard for the relevant legal requirements, a list of group companies and other participating interests of the Company has been filed with the Rotterdam Trade Register for inspection by the public.

(3) Equity

We refer to note 30 in the consolidated financial statements.

Proposal for the allocation of the profit of 2016

The proposal to the General Meeting of Shareholders is that an amount of €83,2 million will be paid out as dividends. The remaining result shall be recognised in other reserves.

(4) Provisions

This item comprises the provision for other employee benefits:

Other employee benefits

	2016	2015	2014
Balance as at 1 January	7	3	–
Dotation	5	5	3
Release/Usage	–3	–1	–
Balance as at 31 December	9	7	3
Non-current portion	7	4	2
Current portion	2	3	1
	9	7	3

(5) Subordinated loans

We refer to note 31 in the consolidated financial statements.

(6) Payable to group companies

The amounts owed to group companies are specificed as follows:

	31 Dec 2016	31 Dec 2015	31 Dec 2014	1 Jan 2014
Victor Holdings B.V.	24	25	29	–
Volker Wessels Stevin Financial Services B.V.	239	–	–	1
Total	263	25	29	1

Interest is paid on debts to group companies amounting to 4% (2015: 4,0%; €2014: 2,4%).

(7) Contingent liabilities

VolkerWessels BV together with most of its wholly-owned domestic subsidiaries, is included in the tax group of VolkerWessels BV 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 VolkerWessels BV.

In declarations filed with the Trade Registers, VolkerWessels BV has assumed joint and several liablility arising from juristic acts by a number of its Dutch subsidiaries.

(8) Other income and expenses after tax

The other income and expenses after tax in 2016 amounting to €-50 million includes the write down of goodwill amounting to €-38 million relating to the sale of the offshore activities.

(9) Related party transactions

We refer to note 39 in the consolidated financial statements.

Rotterdam, 24 April 2017

Board of Management
J.A. de Ruiter
J.G. van Rooijen
A. Vos
D. Boers
H.J. van der Kamp

Supervisory Board
H.M. Holterman
R.J.H.M. Kuipers
D. Wessels

Other information

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the supervisory board of VolkerWessels B.V.

Report on the financial statements 2016 included in the annual accounts

Our Opinion

We have audited the financial statements 2016 of VolkerWessels B.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in these annual accounts give a true and fair view of the financial position of VolkerWessels B.V. as at 31 December 2016, and of its result and its cash flows for 2016 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 company financial statements included in these annual accounts give a true and fair view of the financial position of VolkerWessels B.V. as at 31 December 2016, and of its result for 2016 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 2016.
2. The following statements for 2016: 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 2016.
2. The company profit and loss account for 2016.
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 VolkerWessels B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Report of the management board.
- 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 other information, including the Report of the management board 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.

Description of responsibilities for 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 framework 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 have detected all material errors and fraud.

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 judgment 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 identify during our audit.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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.

Amsterdam, 24 April 2017
Deloitte Accountants BV

Signed on the original: L. Albers

PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

Article 20 of the Articles of Association states:

20.1
The General Meeting of Shareholders is entitled to appropriate the profit which is determined by the adoption of the financial statements, or determine the way in which a deficit will be processed and to decide on distributions, including interim dividends insofar as its own equity is greater than the amount of the paid up and called up portion of the capital increased by the obligatory reserves that must be held under the law, taking in to account the provisions of this Article 20.

20.2
A decision that is intended to distribute reserves have no effect as long as the board has not granted approval. The Board of Management refuses approval only if it knows or should reasonably foresee that the Company will be unable continue paying its due debts.

20.3
If the Company after a distribution can not continue to pay its due debts, the directors who at the time of the payment knew or reasonably ought to foresee this are jointly and severally liable for the deficit incurred by the distribution, including the legal interest from the date of the distribution. Not liable is the director who proves that it is not his fault that the Company has made the distribution and that he is not been negligent taking measures to ward off their consequences.

20.4
The person who received the distribution while he knew or should reasonably have foreseen that the Company would not be able to continue paying its due debts is obliged to compensate the deficit incurred by the distribution, each for a maximum of the amount or value of the distribution received by him, with legal interest from the date of the distribution. If the directors paid the claim of the first sentence of Article 20.3, the payment to the Directors mentioned in the preceding sentence will be made in proportion to the part that each of the directors paid. In respect of a debt under the first sentence of Article 20.3 or the first sentence of this article, the debtor is not entitled to set off.

20.5
The shares held by the Company in its own capital are not taken into the calculation of each distribution, unless these shares have a usufruct/life rent thereof or certificates are issued.

20.6
Pay-outs on shares are payable immediately after the allocation decision, unless a specific date was set in the decision.

20.7
Any claims of shareholders to paying out dividends on shares shall expire after a 5-year period. Dividends which have not been collected within five years after they have been made available, revert to the Company.

OVERVIEW OF GROUP COMPANIES

Per 24 April 2017 – This is the operational structure which differs from the legal structure.

The Netherlands Construction & Real Estate Development

VolkerWessels Bouw & Vastgoedontwikkeling BV
D. Boers, L.F.J. Bruggink, M. den Harder, L.A.S. van der Ploeg

VolkerWessels Bouw & Vastgoedontwikkeling Nederland BV

M. H. Luchjenbroers, A.H.M. de Koning director integrated projects
Biesterbos BV T. Biesterbos, E.B.H. de Weijer
Bouwontwikkeling Jongen BV C.P.H. Külter
Credo Integrale Planontwikkeling BV J. Boxem
Credo Real Estate Development Espana sl* P.M.J.M. Jacobs
G&S Vastgoed BV J.F. Blackmore, M.B. Gründemann
KondorWessels Vastgoed BV W.A. Gaijmans, R.H.K. Elbersen
Kontour Vastgoed Holding BV* J. van der Mijl, H. Tillema
Kondor Wessels Projecten BV H.T.J.M. Roelofs
Loostad BV H. Driesen
Stam + de Koning Vastgoed BV F.P.M. Gremmen
VolkerWessels Vastgoed BV M.H. Schipper
ZorgID BV H. Soepenberg
VolkerWessels Woonconsult BV
VolkerWessels Logistics Development BV M.R. van den Berg, E.J.A. Sprakel

VolkerWessels Bouw & Vastgoedontwikkeling Noord - Oost BV

D.H.C. van der Hulst
Koenen, Bouw- en Aannemingsmaatschappij BV J. Dobben, P.L. Wigboldus
Rottinghuis' Aannemingsbedrijf BV J. Dobben, W.M. van Vilsteren
Goossen Te Pas Bouw BV G.D.J. van den Berg, H.J. Nijkamp
Bouwmaatschappij Ufkes Apeldoorn BV H.J. Schoonhoven, V. Klompenhouwer
Bouwbedrijf Wessels Rijssen BV G.J. Boers, C.J. Knoot, P.G.M. Bekhuis
Systabo BV R.M.C. van Hoof
Veluwezoom Verkerk Bouw BV F.Th.M. Verkerk, G. Verdellen
Bouwbedrijf Wessels Zeist BV P.H.H. Bos, J. Schellevis

VolkerWessels Bouw & Vastgoedontwikkeling West BV

P.A. van Hoeven
Bébouw Midreth BV A.B.J.M. Pompe, R.G. Dressel
Boele & van Eesteren BV P. van Dijk, C.H. Bok, G.Th. Vos
G&S Bouw BV H. Huisman, J.A. Messemaker
IBB Kondor BV A. A. Spaan, J.P.G. Bac
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 B.V.

A.H.P. van Laarhoven
Aannemersbedrijf Jongen BV R.H.J. Schreurs, F.W.J. Zuthof
Aannemersbedrijf Jongen-Meulen BV A.C.G. Meulen, M.W.H. Hensgens, F.W.J. Zuthof
Aannemersbedrijf Jongen Venlo BV H.W. van Eck, F.W.J. Zuthof
Aannemersbedrijf Van Agtmaal BV L.H.P. Horsthuis, J.A.C. Snepvangers, A.M.P.A. de Vries
Aannemersbedrijf Van der Poel BV R.M. van Pamelen, C.J.J. de Regt, A.B. te Winkel
de Bonth van Hulten BV J.A.W. Schepens, A.J.M. Krekels
Stam + De Koning Bouw BV A.G. van Tilburg, R.H.A. Haarmans
Van de Ven Bouw en Ontwikkeling BV A.J.M. Krekels, J.A.W. Schepens
Visser & Smit Bouw BV (MedicomZes) F. Snaaijer, B.R. Roosendaal, G.L. Born

Integrated Development
VolkerWessels Integraal BV F. Snaaijer

Industrial construction and Technical installations services

Dubotechniek Beheer BV* A.G.M. van Rijsewijk, M.B. van den Heuvel
HOMIJ Technische Installaties BV* A. Navarrete Gelde, J.W.J. Fabri
VolkerWessels Bouw Schiphol BV A.J. van Eijk

Industrial construction supply

BOWAR BV* W.G. Beelen
De Groot Vroomshoop BV G. Beltman, H.W. Sturris
De Mors Houtbouw BV/De Mors BV G. Winkel, M. Zomer
PGB Holding BV G.J. Baan
Westo Prefab Betonsystemen BV G.J. Baan, J.W. Olde Kalter, H. Kleijer
Reinaerdt Deuren BV C.E.M. Hendriks, J.P. Bouws
VolkerWessels Bouwmaterieel BV K.J. Nieboer, R.G.R. Frazer

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Civil Engineering

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Volker Staal en Funderingen BV
P.A. Kraaijeveld, L.F.P.C. van Mansfeld

Road construction

KWS Infra BV J.P. de Boer, K.J. de Vries, R.M. Mars, M.A.P. Euser, M.J.P. Veldt
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KWS Infra BV, vestiging Zwolle A. de Jong
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KWS Infra BV, vestiging Zwijndrecht/ Rozenburg R.G.W. de Ruijter
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P.A. Ahsman
Gebr. Van Kessel BV A. de Morée (Gebr. Van Kessel Speciale Technieken en Producten BV, Van Kessel Sport en Cultuurtechniek BV, IJzerman BV, Gebr. Van Kessel Wegenbouw BV)
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Traffic and Rail Technology

Vialis BV M.S. Bakker, H.A. Hendriks, M.P. Jonasse, A.B. Vonkeman, G.H. Meijer
(VRS Railway Industry BV)

Railway construction & Technology

VolkerRail Nederland BV J.J. Vos, P. M. de Hair, D.S.E.M. Wieggers, B.F. Hendriks, M. Koster, E. Gaaikema
(Inspectation, RailCom BV, Tribase Datasystems & Network Services vof*, Van der Worp, VolkerRail Engineering BV, VolkerRail Materieel en Logistiek BV, VolkerRail Plant & Equipment BV, VolkerRail SAFAC BV, VolkerRail Systems BV)

Equipment Management and Services

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Romers Transport BV J.H.H. Hertsenberg

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VWS Pipeline Control BV

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VolkerWessels Telecom | Services

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Yarrowbay Group Llc*. J. Levere

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H. de Jong, Director Finance & Control
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European Works Council

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* Not wholly owned.

DEFINITIONS

Capital employed Fixed assets plus net working capital less other provisions.

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

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

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

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

Free cash flow Net cash flow from continuing operating activities less investments in tangible fixed assets from continuing activities.

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 assets position Loans and other financing obligations, derivatives, bank overdrafts, loans and other financing obligations (current) minus cash and cash equivalents.

Non-recourse financing Project financing where the lender himself can only seek redress from the cash flows and assets of that specific project. For a project financing, the lender has no or hardly any recourse against other companies of VolkerWessels.

Net Working Capital Land, property for sale, investments in associates and joint ventures, less provisions for negative participating interests, non-current receivables from joint ventures and associates, inventories, work in progress (receivable and payable), trade and other receivables, trade and other payables and income tax (receivable and payable).

Return on capital employed (ROCE) EBIT/ Capital employed.

Revenue Net revenue plus the change in work in progress, plus the change in earned profit in work in progress.

Solvency The total equity (including minority interests) plus subordinated shareholders loans as a percentage of total assets.

Total assets Non-current assets + current assets.

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