

# ANNUAL REPORT 2013



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# KEY ISSUES 2013 AND SUBSEQUENT EVENTS

Order intake € 4.7 billion

Equity issue € 530 million  
(net of cost € 487 million)

Valuation allowances € 230 million  
+ € 40 million

Refinancing € 111 million and  
restructuring € 104 million

Operational loss in Germany &  
Eastern Europe € 108 million

Agreement with main financiers on  
17 march 2014 on a comprehensive financing  
solution

# PREFACE FROM THE CEO



Quality survives every type of turbulence. In 2013 this conviction formed the basis of our efforts to build an organisation that stands out in the market by supplying reliable and innovative service, combining expert knowledge into value-creating solutions. An organisation that serves its customers and strives to achieve the highest quality in everything it does.

For us 2013 was an exceptional year. A year in which considerable attention was paid to solve the issues reported at the beginning of the year, especially in Germany and Poland. It was also a year in which the economic headwind in some markets put pressure on our results. A year in which far-reaching reorganisations were implemented in various divisions resulting in a loss of 2,300 jobs. A year in which, under the denominator 'Neue Imtech' (New Imtech), our activities in Germany were radically restructured so that we could focus first and foremost on the future.

An important element in this programme was the re-assessment of legacy issues, which resulted in valuation allowances of 230 million euro. The valuation allowances, the reorganization and refinancing cost, the new revelations in our Benelux and Marine divisions, and the operational loss in the Germany & Eastern Europe division, were the main drivers of the negative EBITDA of 424 million euro. In addition, the high net finance cost, resulting from higher debt cost, had a negative effect on our result before tax, which amounted to 660 million euro negative. The impact of the net loss on equity was partly offset by the proceeds of the equity issue (net 487 million euro). Net debt has remained at the same level as previous year, amongst others resulting from the increased focus on cash management.

Recently, Imtech has reached agreement with its main lenders and guarantee providers on a comprehensive financing solution that creates a firm foundation to further stabilize operations and implement the operational and financial recovery. This new agreement caters for sufficient committed liquidity and guarantee headroom and entails an amendment of financial covenants in line with our current business plan.

Every day, Imtech's motivated employees are using their knowledge and expertise to fulfil customers' expectations - or better, exceed them. That puts us in a unique position in a number of markets. Our organisational structure allows us to be entrepreneurial and ensures that we are close to our customers and their needs. That, combined with a more stringent governance and control, will continue to be our strength in the years ahead.

Our customers also experienced all this and the new orders they gave us proved they value our products, services and commitment. In 2013 they continued to give us their confidence, which for us was the best stimulus to continue along the strategic course set out. In concrete terms this means we will continue to improve our operational excellence, optimise our working capital and achieve high-quality results for our customers.

We are convinced that this consistent focus will enable us to perform and achieve progress, even in times of economic adversity when market volumes and margins are under pressure. As the Board of Management we thank our employees for their efforts and willingness to go the extra mile if that is what the situation demands.

Gouda, 17 March 2014

Gerard van de Aast  
CEO

# PROFILE

Royal Imtech N.V. is a **technical services provider** in the fields of electrical services, ICT and mechanical services. Imtech, with around 26,000 employees, achieves an annual revenue of approximately 5 billion euro and serves around 24,000 customers.

Imtech is able to cluster the electrical, ICT and mechanical technologies across and throughout the full width and depth of the technology spectrum into integrated and **multidisciplinary solutions**. This results in differentiating strengths and makes value creation possible.

The achievement of **added value** is at the heart of Imtech's strategy. This added value translates into a life-cycle approach aimed at reducing the customer's total cost of ownership (the cost of technical solutions throughout the entire exploitation period). Imtech focuses on intensive multidisciplinary cooperation with customers and within the chain by attaining preferred technology partner positions.

Imtech is **active in the European markets** for buildings, industry, ICT, traffic and infrastructure and the global marine markets. Imtech's key European countries are Austria, Belgium, Germany, Finland, Ireland, Luxembourg, the Netherlands, Norway, Spain, Sweden and the UK.

Imtech is a leading partner in the European '**GreenTech**' market (green technology) and generates around 50% of total revenue of its most material projects (in size and risks) with a GreenTech label. Imtech follows a pro-active strategy in the field of Corporate Social Responsibility.

Imtech's shares are listed on the NYSE Euronext in Amsterdam.

Imtech's mission is threefold:

## Technology that improves society

Imagining our society without technology has become impossible. Technology offers solutions with high added value for society's fundamental problems in the fields of energy, environment, fine particles and water. Technology contributes towards improving mobility, (health) care and education, in the field of security, in research laboratories and research centres, in the pharmaceutical industry, in the development of clean and safe automobiles and in the food production industry. We are active right across the social spectrum and develop integrated technological solutions that contribute towards a sustainable society. We accept our Corporate Social Responsibility, which is why CSR is an integral component of our strategy.

## Technology that improves business

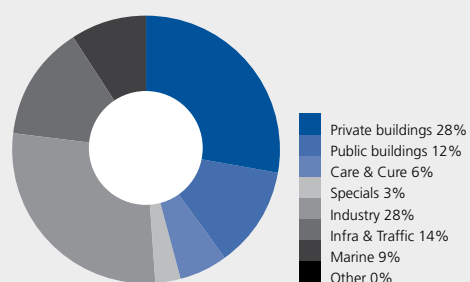
Knowing what the customer wants is crucial. This is why we are a decentralised organisation that is close to its 24,000 customers. We strive to achieve added value through our thorough knowledge not only of our customers' processes, but also of the markets in which they operate. Customers can concentrate fully on their core business while we take responsibility for their technology infrastructure throughout the entire exploitation phase. Cooperation with the customer and within the supply chain, together with technological (process) innovation, leads to value creation and an optimum total cost of ownership.

## Technology that works

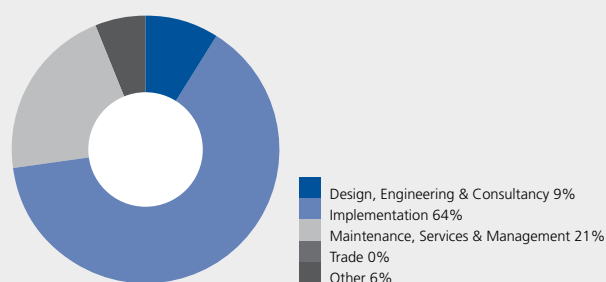
Technological solutions must work and deliver measurable results. Our expertise stretches back over more than 150 years. As a technology services provider we stand at the threshold of innovations, such as decentralised power plants, energy efficiency and platform automation in shipping. We have an installed base of countless projects and references. The professionalism of our employees is crucial to ensure that the technology works.

# KEY FIGURES

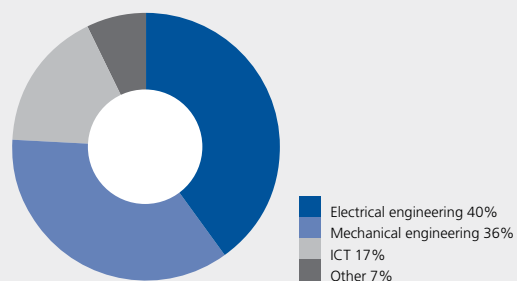
Total revenue and other income  
split per market segment



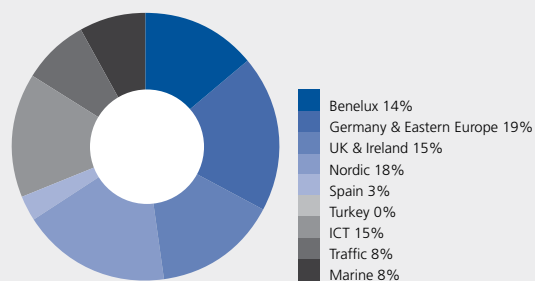
Total revenue and other income  
split per activity



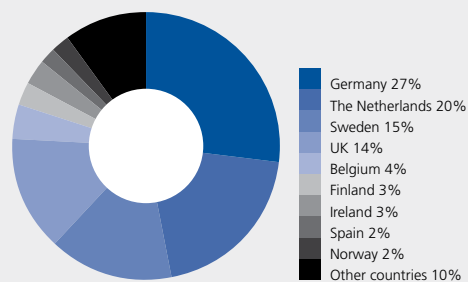
Total revenue and other income  
split per technology



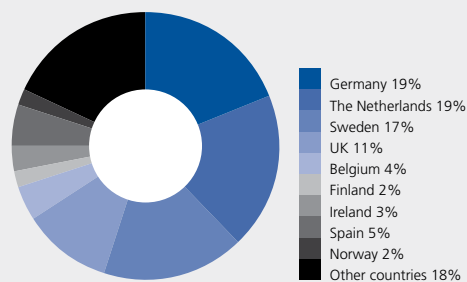
Total revenue and other income  
split per cluster



Total revenue and other income  
split by country



Number of employees  
split by country





## Key figures

*In millions of euro unless stated otherwise*

	2013	2012 <sup>1</sup>	2011
<b>Results</b>			
Total revenue and other income	4,945	5,355	5,065
Operational EBITDA <sup>2</sup>	(44.4)	(23.7)	261.8
EBITDA <sup>2</sup>	(423.9)	(74.3)	257.1
EBITA <sup>2</sup>	(464.4)	(113.9)	221.8
EBIT <sup>2</sup>	(549.3)	(174.6)	192.8
Result for the year	(696.6)	(240.5)	99.5
Operational EBITDA margin <sup>2</sup>	(0.9%)	(0.4%)	5.2%
EBITDA margin <sup>2</sup>	(8.6%)	(1.4%)	5.1%
EBITA margin <sup>2</sup>	(9.4%)	(2.1%)	4.4%
Cash flow from operating activities	(270.1)	116.5	206.4
Order intake	4,726	–	–

## Balance sheet

Balance sheet total	3,282	3,938	3,802
Total equity	313	525	823
Net interest-bearing debt <sup>2</sup>	745	773	576
Working capital <sup>2</sup>	(10)	106	230
Working capital as a % of total revenue	(0.2%)	2.0%	4.5%
Solvency <sup>2</sup>	9.5%	13.3%	21.7%

## Human Resources

Number of employees as at 31 December	26,168	28,022	27,412
Average sick leave per employee	3.3%	3.1%	3.3%

## Corporate Social Responsibility <sup>3</sup>

GreenTech as % of total revenue of most material projects	50%	30%	30%
CO <sub>2</sub> emissions in kilotons	96	103	106

<sup>1</sup> Restated, see note 3 to the consolidated financial statements.

<sup>2</sup> See financial glossary for definitions.

<sup>3</sup> See sustainability report 2013 for revised definitions and scope for GreenTech and CO<sub>2</sub> emissions.

# THE IMTECH SHARE

## The Imtech share

<i>In euro unless stated otherwise</i>	2013	2012
Highest price	8.019	10.003 <sup>2</sup>
Lowest price	1.752	6.247 <sup>2</sup>
Year-end price	2.134	6.931 <sup>2</sup>
Basic earnings per share (from continuing operations)	(2.15)	(1.26)
Shareholders' equity per share <sup>1</sup>	0.68	5.78
Number of issued ordinary shares	450,657,904	94,059,916
Number of outstanding ordinary shares at year-end	445,747,485	89,106,689
Average number of outstanding ordinary shares	299,639,808	192,048,514
Number of issued convertible cumulative financing preference shares	16,666,668	–
Market capitalisation at year-end	961,703,967	1,635,701,939

<sup>1</sup> Based on the number of shares outstanding as at 31 December.

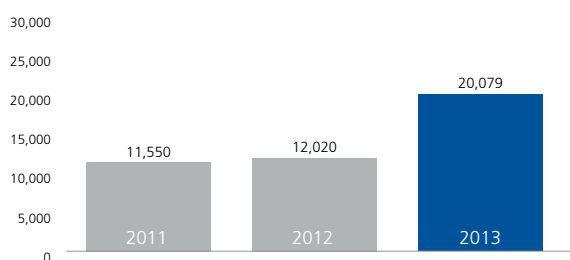
<sup>2</sup> Restated based on Bloomberg stockdata as a result of the rights issue.

## The objective of Investor Relations

The objective of our Investor Relations policy is to ensure the investment community is aware of Imtech's strategy, business model, competitive position, market developments, financial position and performance. Using this information the investment community can assess the potential value of the Imtech share. To achieve this objective within the applicable laws and regulations we make all the relevant and important information available to investors via Annual Reports, half-year reports, trading updates, press releases, presentations to investors and analysts and the website [www.imtech.com](http://www.imtech.com).

## Increasing tradability of the Imtech share

(average per day in 1,000 euro via NYSE Euronext Amsterdam)

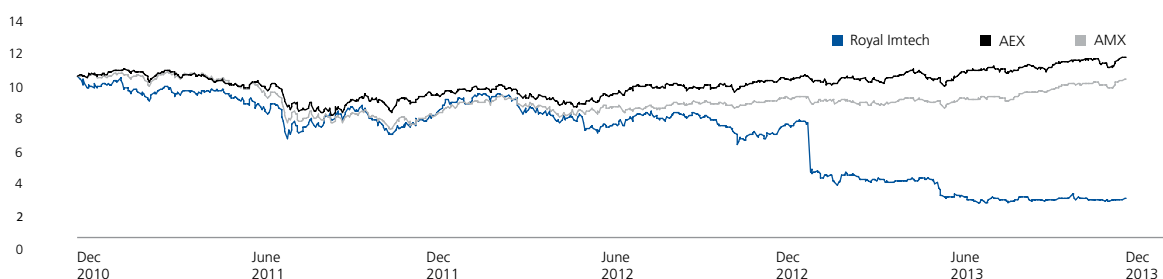


## Rights issue

Our shareholders' equity consists of ordinary shares and convertible cumulative financing preference shares. At the beginning of the year the total equity amounted to 524.5 million euro. In July 2013 we increased our equity through a 500 million euro rights issue by issuing 356,597,988 ordinary shares at 1.40 euro per share. At the end of 2013 the total number of issued ordinary shares was 450,657,904. In August 2013, we issued 16,666,668 convertible cumulative financing preference shares at 1.80 euro per share to increase our equity capital by 30 million euro. These financing preference shares can be converted into ordinary shares at a one-for-one rate. Ordinary shares and financing preference shares have equal voting rights (one share, one vote). Total net proceeds of the equity increase in July and August was 487.1 million euro. Together with the net loss of 696.6 million euro and other movements in equity, total equity at the end of the year is 313.3 million euro.

## Share price development 2011-2013

(in euros)



### Imtech on the stock exchange

Our ordinary shares are listed on NYSE Euronext in Amsterdam. Since the announcements about the events in Poland and Germany and the rights issue in July, our share price has fallen sharply. Towards the end of 2013 the liquidity of our shares improved to an average daily volume of around 20 million euro per day on NYSE Euronext in Amsterdam. Since 2009 we have seen more and more volume shifting to other trading platforms, such as BATS Chi-X and Turquoise.

In 2013 we noticed a reversal of this trend in our stock as volume traded via NYSE Euronext rose to 79% (2012: 69% and 2011: 73%).

Since 2008 options on the ordinary shares have been traded on NYSE Euronext. In 2013 the average volume of options traded per day rose by 167% to 6,067 contracts and the average number of outstanding option contracts per day rose by 323% to 208,317 contracts. These significant increases were also the consequence of the rights issue in July 2013.

### Distribution of shareholders

The majority of our ordinary shares is owned by a well-spread base of institutional investors.

On 31 December 2013 our substantial shareholders were ING Groep (approx. 5.2%), Bestinver (approx. 5.1%) and Norges Bank (approx. 3.4%). Approximately a third of our shares is held by private investors, mainly in the Netherlands and Belgium. Around 1% of the ordinary shares is held by the company (to hedge its obligations under the share scheme).

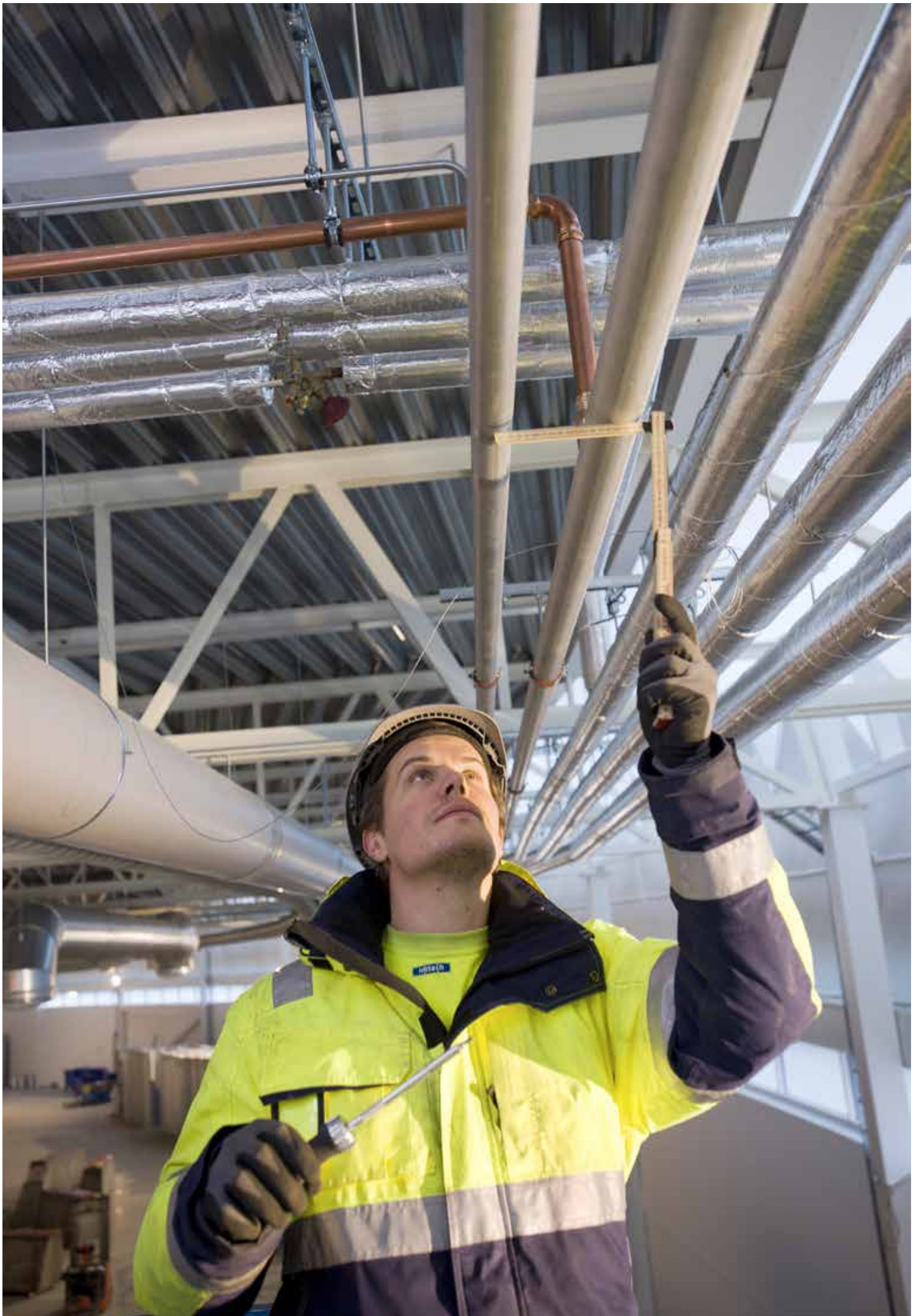
### Dividend

Before 2012, 40% of the net profit attributable to shareholders excluding exceptional items was paid out to shareholders as dividend. Since 2009 shareholders have been able to receive their dividend in cash or shares. No dividends will be paid out for the 2013 financial year.


### Financial calendar 2014

15 May 2014	Publication of first quarter 2014 figures
22 May 2014	Annual General Meeting
26 August 2014	Publication of half-year 2014 figures
18 November 2014	Publication of third quarter 2014 figures


The full and up-to-date financial calendar can be viewed on [www.imtech.com/investors](http://www.imtech.com/investors).





# IMTECH COMPETENCE PYRAMID


 Our **electrical competences** (electrical) cover a range of electrical engineering solutions, such as low, medium and high voltage, energy distribution, measuring and control technology, instrumentation, infrastructure technology, electrical propulsion, integrated security, building management, access technology, system technology, (dynamic) traffic management and traffic management systems and power electronics.


 Our **ICT competences** (ICT) cover the ICT chain: software and hardware, including business intelligence, control technology, cloud-based computing, platform automation, data and telecommunications, data modelling, data centres, collaboration, ERP (Enterprise Resource Planning) software, SAP software, ICT infrastructures, intelligent transport systems, storage, (telecom) networks, server technology, virtualisation, infrastructure automation, route information systems, internet and intranet applications, logistics automation, managed IT services, technical automation, navigation and communication technology, robotisation, satellite communication and simulation.

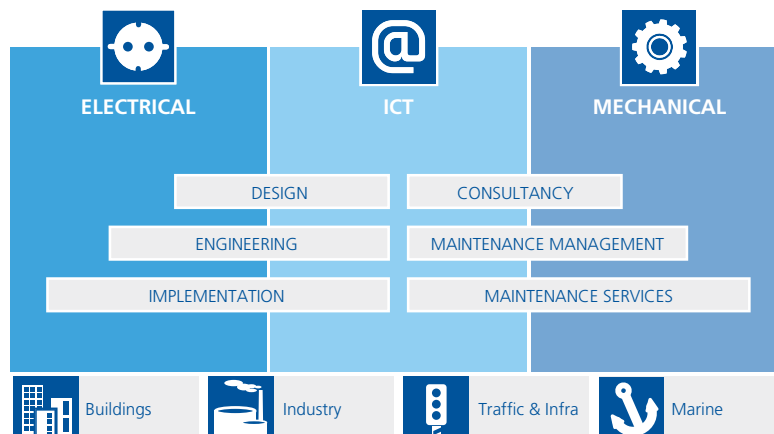
 Our **mechanical competences** (mechanical) cover air, climate and energy solutions (including HVAC: Heating, Ventilation and Air Conditioning), cold and heat storage, clean-room technology, energy management, energy contracting, energy technology, dehumidifier technology, incineration technology, heat technology, sprinkler technology, piping, process technology, fire-extinguishing technology and mechanical (process) installations.

 **Buildings:** all types of buildings including data centres, distribution centres, offices, hotels, laboratories, airports, museums, parking garages, penal institutions, leisure centres, stadiums, railway stations, universities and schools, shopping centres, hospitals and care institutions ('care & cure').








 **Industry:** a focus on power plants, the automotive industry, aviation, chemicals and petrochemicals, the energy and environment market, pharmaceuticals, machine building, oil & gas, feed and food.

 **Traffic & Infra:** concerns the measurement, analysis and improvement of traffic flow, (dynamic) traffic management (on the road and water) and traffic infrastructure, traffic safety, airport infrastructure, public transport, parking systems, rail (railway, tram and metro), tunnels, bridges and locks, transport and distribution networks, (public) lighting, (waste) water treatment and management and drinking water.








 **Marine:** a focus on special purpose ships (dredgers, offshore support ships, crane ships and FPSOs (Floating Production, Storage and Offloading ships), naval vessels (logistic support ships, frigates, corvettes, patrol vessels and submarines), offshore platforms, cargo vessels (container ships, bulk carriers and other cargo ships), cruise ships, cruise liners, luxury yachts, ferries, fishery vessels and inland waterway vessels.



# ORGANISATION, MARKETS AND COMPETENCES

		Market segments				Competences		
		Buildings	Industry	Traffic & Infra	Marine	Electrical	ICT	Mechanical
								
<b>Benelux</b>		■	■	■		■	■	■
	Imtech Netherlands	■	■	■		■	■	■
	■ Building Services	■				■	■	■
	■ Industrial Services		■			■	■	■
	■ Industry International		■			■	■	■
	Imtech Belgium	■	■			■	■	■
	Imtech Luxembourg	■		■		■	■	■
<b>Germany &amp; Eastern Europe</b>		■	■			■	■	■
	South-West	■	■			■	■	■
	North-East	■	■			■	■	■
	South-East	■	■			■	■	■
	Mid-West	■	■			■	■	■
	Energy Solutions	■	■			■	■	■
	Fire Protection	■	■			■	■	■
<b>UK &amp; Ireland</b>		■	■	■		■	■	■
	Engineering Contracting	■	■			■	■	■
	Technical Facility Management	■				■	■	■
	Systems Integration	■	■	■		■	■	■
	Water, Waste & Energy			■		■	■	■
	Airports	■				■	■	■
	International	■	■			■	■	■
<b>Nordic</b>		■	■	■		■		■
	Sweden	■	■	■		■		■
	Norway	■	■			■		■
	Finland	■	■			■		■
<b>Spain</b>		■	■			■		■
	Building Projects	■				■		■
	Building Services	■				■	■	■
	Industry		■			■	■	■



		Market segments				Competences		
		Buildings	Industry	Traffic & Infra	Marine	Electrical	ICT	Mechanical
								
<b>ICT</b>		■	■	■			■	
	ICT Germany	■	■				■	
	ICT Netherlands	■	■	■			■	
	ICT Nordics	■	■				■	
	ICT Austria	■	■				■	
	ICT UK	■	■				■	
	ICT Belgium	■	■				■	
	ICT Switzerland	■	■				■	
	ICT Philippines	■	■				■	
<b>Traffic &amp; Infra</b>		■	■	■		■	■	■
	IT&I Netherlands	■		■		■	■	■
	IT&I Belgium			■		■	■	■
	IT&I United Kingdom			■		■	■	■
	IT&I Ireland			■		■	■	■
	IT&I Sweden			■		■	■	■
	IT&I Denmark			■		■	■	■
	IT&I Finland			■		■	■	■
	T&I Eastern Europe			■		■	■	■
	WPS Parking	■	■	■		■	■	■
<b>Marine</b>					■	■	■	■
	Europe				■	■	■	■
	Asia				■	■	■	■
	Americas				■	■	■	■
	Africa				■	■	■	■
	Middle East				■	■	■	■





# REPORT OF THE SUPERVISORY BOARD

## First half of 2013

The first six months of 2013 were turbulent for Royal Imtech, its shareholders, employees and other stakeholders. On 4 February 2013 the company reported an unexpected write-off of at least 100 million euro on Polish projects and possible irregularities in connection therewith. Upon this discovery, immediate action was taken to investigate the events in detail to limit the financial and operational impact and, as far as possible, to prevent such events recurring in the future. It became clear that, in addition to Poland, Imtech faced similar serious issues in Germany. In the end, the company had to report aggregate write-offs for Imtech Poland and Imtech Germany amounting to around 370 million euro. Mainly due to these write-offs, Imtech reported a net loss of 241 million euro for the 2012 financial year and revised its financial statements for the 2011 financial year by reducing its net result by 55 million euro and adjusting its 2011 opening balance equity by 55 million euro.

As a consequence of these events, the Supervisory Board appointed Mr. G.J.A. van de Aast as Chairman of the Board of Management (CEO) as of 27 February 2013 and Mr. R.J.A. van der Bruggen stepped down as CEO. Imtech's General Meeting of Shareholders had appointed Mr. G.J.A. van de Aast a member of the Board of Management as of 1 January 2013. On 8 February 2013 Mr. B.R.I.M. Gerner stepped down as CFO and as a member of the Board of Management. Mr. J. Turkesteen succeeded him as CFO as of 11 February 2013. During the AGM held on 28 June 2013 Mr. Turkesteen was appointed a member of the Board of Management.

The Supervisory Board monitored the investigations into the Polish and German irregularities closely, including the steps taken to stabilise and remedy the situation. During the first half of the year, the Supervisory Board met in plenary session on virtually a weekly basis in order to intensify its oversight and discuss all relevant matters with the Board of Management. The Supervisory Board was intimately involved in the decision-making of the process of investigations. This facilitated the full openness that Imtech wanted to pursue by making available full reports on the investigations, the discussions between Imtech and its financiers, the process leading to the rights issue in July 2013 and the reorganisation to strengthen its business operations.

The write-offs necessitated strengthening the company's equity through a rights issue of 500 million euro. Imtech's shareholders granted the approval during the AGM held on 28 June 2013. The rights issue process coincided with a trading update announcing valuation allowances and expected project losses amounting to 40 million euro in respect of Imtech Benelux and Imtech Marine. As a consequence, the exercise period for the rights issue was extended by a week to give investors the opportunity to evaluate the impact. The rights issue was successful and almost 95% of the rights granted were exercised.

## Report to Shareholders

On 18 June 2013 the Board of Management and the Supervisory Board published the Report to Shareholders in which they accounted for the irregularities at Imtech Poland and Imtech Germany. The Supervisory Board was closely involved in the preparation of the joint report and discussed it in detail in several of its meetings. The purpose of this joint Report was to provide shareholders with an open and transparent picture of the events. It concluded that these fraudulent actions might have been mitigated or prevented, had Imtech's corporate culture been more open and direct, and challenging performance statements. Risk management seemed to have been considered as being driven primarily by external compliance requirements rather than as a source of competitive advantage. In addition, the Governance, Risk & Compliance (GRC) framework should have evolved and tightened in parallel with Imtech's growth and increase in the scale of its business and complexity of its projects.

The Report to Shareholders also described the remedial actions Imtech had taken and intended to take to address the findings of the investigations. First and foremost, individuals with a significant role in the irregularities and fraudulent actions were dismissed and or left the company in 2013. Imtech filed criminal complaints in Germany and Poland in relation to the irregularities that may have constituted criminal offences.

Imtech's former CEO and former CFO returned in full their short- and long-term variable income over 2010 and 2011 and have agreed not to seek variable income for 2012.

To strengthen the business controls, in the second half of 2013 the Governance, Risk & Compliance (GRC) framework was tightened and an extensive business

ethics training programme was started. For a comprehensive overview of all actions taken in respect of the enforcement of the GRC framework, see the chapter on Governance, Risk & Compliance (page 54).

### Shift in focus in 2013

As a logical consequence of these events, Imtech announced that it discontinued its acquisition strategy and would focus entirely on tightening the operational execution of business processes, project management, working capital and cash generation. This priority will continue into 2014. The Supervisory Board was closely involved in the decision-making leading to this shift in focus. The decentralised business model remains the basis of Imtech's organisation. When implemented well, this model promotes growth through local entrepreneurship and close contact with customers and other stakeholders.

To further strengthen the oversight within the company the Board of Management was expanded in the second half of 2013 from two to four members with Mr. P.C. van Gelder and Mr. F.N.E. Colsman. The two additional Board members are concentrating primarily on business operations, specifically on the business operations of Imtech Germany & Eastern Europe respectively Imtech's ICT, Marine and Traffic & Infra divisions and Imtech Spain.

### The Governance Risk & Compliance (GRC) framework

To counterbalance the risks of a decentralised operation, the Board of Management, under supervision of the Supervisory Board, made every effort to tighten the quality and effectiveness of the business controls within Imtech. This included reinforcing the authorisation schedule, implementing tighter controls of large projects and reinforcing the financial and GRC function and reporting systems. These reinforcements should result in a well-controlled risk/reward balance of Imtech's business in the coming years. During 2013, being a transitional year, our GRC framework has not yet been at the desired level.

Thus, the Supervisory Board paid special attention to the internal risk management and control systems, the follow-up of remedies for shortcomings of governance, risk and compliance as stated in the Report to Shareholders, and monitored the Board of Management on the further implementation of such systems.

As a first action to strengthen the GRC framework, Imtech decided to appoint a Group Director GRC. Furthermore, the company has set up an internal audit department which monitors the compliance of the various internal risk management and control systems. A newly established Tender Review Board oversees tender procedures and the four-eyes principle has been extended. In addition, the authorisation schedule has been tightened and the Supervisory Board now must approve major projects. The authority to provide guarantees and to request bank guarantees has also been tightened. The Audit Committee's Charter has been amended to intensify its risk monitoring function and a Board of Management Charter specifying the rules governing the principles and best practices has been introduced. The Supervisory Board and the Audit Committee will monitor the further evaluation and measures to be taken in the GRC area.

The company's culture regarding business ethics, compliance and business dilemma's remained and continues to be top priority for the Supervisory Board. Key-employees are trained on these topics on a continuous basis. During the second half of 2013 a training programme was started with the top-90 managers. This training programme focuses not only on knowledge transfer, but also on the development of an appropriate company culture in which integrity, loyalty and critical thinking remain in balance. The training programme also focuses on improving knowledge of the relevant (compliance) framework, including the whistleblower procedure.

The Supervisory Board critically reviewed the observations of KPMG and other external advisers regarding internal control, the following-up of previous findings and the internally prepared in-control statements. On the basis of this review, it was concluded that Imtech urgently needed to establish an internal audit department which is now operational. It was also decided to broaden the scope of KPMG's audit and to reinstate the review of the half-year figures by KPMG.

In accordance with the whistleblower regulation, major compliance issues were reported to the Audit Committee in 2013. One of these notifications supported the investigations that uncovered the irregularities and fraudulent actions in Poland and Germany.

All the reported issues have been investigated and corrective measures have been implemented. In February 2014, Imtech started an internal investigation following media coverage which contains allegations of unethical business behavior by former management of Fritz & Macziol Schweiz. The allegations include excessive gifts and entertainment offered to a Seco civil servant. The initial findings by Imtech confirm that there existed a non-business-like relationship between former management of Fritz & Macziol Schweiz and certain Seco civil servants. This is reflected in excessive entertainment, overly informal contacts and questionable business behavior. The management of Fritz & Macziol Schweiz has been replaced. The total financial exposure of this affair is at this moment difficult to assess, but judged to be limited. Imtech strongly rejects any unethical business behavior and has further tightened its already strict policies on matters like sponsoring, gifts, hospitality and conflicts of interest.

#### **Meetings of the Supervisory Board in 2013**

The division of tasks and the working method of the Supervisory Board and its committees are described under Governance, Risk & Compliance (see page 58). The Supervisory Board assisted, with the interests of all stakeholders in mind, the Board of Management with advice and supervised the Board of Management's policies and the general conduct of affairs within Imtech. The Supervisory Board met 34 times in 2013. Due to this frequency, the meetings of the Supervisory Board and the Audit Committee were combined throughout the year. Topics usually discussed within the HR & Remuneration Committee and the Governance & Nomination Committee were also discussed in the full Supervisory Board meetings. Meetings were attended by all members of the Supervisory Board and its different committees, with only 6 absences during the whole year. The minutes of the meetings were discussed and adopted by the Supervisory Board.

The Supervisory Board met with representatives of the Central Works Council during which the events reported on in the Report to Shareholders were discussed as well as the strengthening of the Board of Management and the Supervisory Board. Unlike in previous years, the Supervisory Board did not visit one of Imtech's divisions on site as its time and energy were fully absorbed by the events described in the Report to Shareholders and their consequences.

In 2013 the Supervisory Board paid specific attention to: (i) the irregularities and fraudulent actions disclosed in the Report to Shareholders, (ii) the related remedial actions, (iii) the appointment of new members of the Board of Management, (iv) the appointment of new members of the Supervisory Board, (v) the repayment of the bonuses by the former Board of Management members (vi) risk management and compliance matters, (vii) financing, liquidity and working capital, (viii) refinancing, (ix) the reorganisation within Imtech and (x) valuation allowances in respect of the legacy issues.

#### **Composition of the Supervisory Board**

At the end of the AGM held on 28 June 2013 Mr. R.J.M. van der Meer retired from the Supervisory Board. At the end of the EGM held on 2 August 2013 Mr. A.H. van Tooren and Mr. E.A. van Amerongen also retired from the Supervisory Board. Earlier on in 2013, Imtech was shocked by the sudden and sad decease of Mr. A. Baan, who was highly appreciated member of the Supervisory Board since 2008. We would like to thank the former members of the Supervisory Board for their many years of service and, in particular, for their efforts during the turbulent first half of 2013.

Mr. C.J.A. van Lede (chairman) and Mr. F.J.G.M. Cremers (vice-chairman) were appointed as members of the Supervisory Board during the EGM of 2 August 2013. Together with Ms. Van Andel and Mr. De Rooij, they formed the Supervisory Board during the remainder of 2013.

During the AGM on 28 June 2013 shareholders were informed (i) that there would be at a minimum two vacancies in the Supervisory Board during the AGM in 2014 and (ii) that the General Meeting of Shareholders and the Central Works Council have the right to recommend persons for appointment as member of the Supervisory Board. The Supervisory Board proposes to nominate Mr. B. van der Veer, Ms M.E. van Lier Lels (upon the recommendation of the Central Works Council) and Mr. J.J. Beeton for appointment as a member of the Supervisory Board in the AGM to be held in 2014. These nominations are supported by the Central Works Council.

#### **Establishment of the Past Events Committee in the second half of 2013**

The Supervisory Board has established a Past Events Committee to supervise all matters related to the irregularities and fraudulent actions uncovered by the

investigations and described in the Report to Shareholders as well as the measures taken in relation thereto. Mr. De Rooij (Chairman) and Ms. Van Aniel were appointed to this Committee, which met several times in the second half of 2013. External advisers were also present during these meetings. The Committee is responsible for monitoring and advising on the actions to deal effectively with outstanding issues of irregularities and fraud, such as legal disputes and the filing of criminal complaints in Poland and Germany. Imtech is still in the process of recouping damages from individuals and entities involved in the irregularities and fraudulent actions.

#### **Investor claims**

On 21 June 2013 APG Algemene Pensioen Groep N.V. (APG) has held the members of the Former Board of Management as well as all members of the Supervisory Board during the period in which the events set out in the 'Report to Shareholders' published on 18 June 2013 took place liable in person.

On 25 June 2013 the Dutch Association of Securities holders (Vereniging van Effectenbezitters) (VEB) also sent a letter to Royal Imtech holding it as well as the members and former members of its Board of Management and Supervisory Board liable for damages suffered by shareholders in connection with the events referred to in the 'Report to Shareholders'. In its letter, VEB reserved its rights to initiate proceedings with the Enterprise Chamber to investigate Royal Imtech's management policies and the conduct of its business. Furthermore, on the same date, VEB sent a letter addressed to each of the members of the Supervisory Board holding them liable for the damages that have occurred due to the publication of the annual accounts 2010 and 2011 (restated in the opening balance sheet 2011 and the balance sheet 2011, respectively, as included in the audited financial statements 2012). VEB also invited Royal Imtech to enter into negotiations to discuss an out-of court-settlement. Royal Imtech is currently exploring the possibilities of reaching an out-of-court settlement with VEB and APG. Discussions with VEB and APG in this respect are still on-going.

Apart from the claims of VEB and APG, Royal Imtech also received a letter from Deminor International S.C.R.L - C.V.B.A. on 28 August 2013 containing a notice of liability towards Royal Imtech.

In addition, Royal Imtech received several letters from investors with a demand for compensation for alleged losses on shares in Royal Imtech.

#### **Market development and business**

In 2013 Imtech continued to be affected by disappointing economic conditions in the markets in which it operates. The Supervisory Board continued to assess the influence of economic conditions. Business progress within the divisions, the operating companies' results and controls and the financial reporting were discussed. The half-yearly and annual figures were discussed in the presence of KPMG. Other matters, in particular operational cash flow, working capital and ways to reduce it, claims and financing issues and Imtech's order book were also discussed in detail. The trading updates, KPMG's management letter, the annual forecast and the 2014 budget were part of the deliberations, as much as summaries from analysts' reports.

The Supervisory Board paid significant attention to the development of working capital within the group, specifically in Germany. The Supervisory Board also monitored the recovery plan for Germany. On 20 December 2013, Imtech announced that it would accelerate and intensify its recovery plan in Germany. The plan included accelerating the conclusion of previously identified legacy issues such as overdue debtors and certain project work in progress positions, leading to non-cash valuation allowances of 230 million euro included in the results 2013, as announced on 3 February 2014.

During the year cash management improved, which contributed towards a reduction of net interest bearing debt from 773 euro on 31 December 2012 to 745 euro on 31 December 2013. The strategic review with respect to Imtech's activities in Turkey led to the disposal announced on 17 January 2014, of AE Arma-Elektropanç, as the profile of AE Arma-Elektropanç was not in line with the group's current strategic framework. This led to a book loss of 40.8 million euro.

#### **Financing**

The events described in the Report to Shareholders caused considerable concern among Imtech's financiers. As a major step, on 17 June 2013 Imtech could announce that it had reached an agreement with its main financiers that secured the continued availability of Imtech's main financing arrangements.

After the rights issue, Imtech proceeded in setting up a stable short and long-term financing base. The Supervisory Board has continued to closely monitor this process and the discussions held with financiers in this respect. On 17 March 2014 Imtech has reached agreement with its main lenders and guarantee providers on a comprehensive financing solution that creates a firm foundation to stabilize operations and implement the operational and financial recovery. The agreement provides Imtech with access to 1,3 billion euro of committed cash facilities and 843 million euro of committed guarantee facilities (of which 50 million euro by drawings from the cash facilities). The agreement provides Imtech with sufficient liquidity and guarantee headroom and entails an amendment of financial covenants in line with the current business plan.

#### **Adoption of financial statements for 2013**

The company's financial performance during 2013 is reflected in its financial statements for the year prepared by the Board of Management. The financial statements are included in this Annual Report on pages 74 to 156. The official English version of the financial statements was audited by KPMG Accountants N.V. (KPMG). KPMG's auditor's report is included on pages 158 – 159. It was discussed by the Supervisory Board and the Board of Management in the presence of KPMG.

The net loss of 701.2 million euro suffered by Imtech for the financial year implies that no dividend will be proposed. The net loss will be charged to the reserves. The Supervisory Board advises the shareholders to adopt these financial statements. The statutory appropriation of the results is stated on page 160.

#### **External auditor**

The Audit Committee and the Board of Management reported to the Supervisory Board on KPMG's functioning as an external auditor and its fees for auditing the financial statements, as well as its other audit and non-audit services. KPMG confirmed its independence from Imtech in accordance with the professional standards applicable to KPMG. KPMG attended the AGM on 28 June 2013 and the EGM on 2 August 2013. In the course of 2013, KPMG decided to change the lead audit-partner responsible for Imtech.

#### **Miscellaneous**

During the EGM held on 2 August 2013 the Board of Management has been appointed as the company body

authorised to issue ordinary shares (restricted to 10% of the issued capital) and to restrict or exclude pre-emptive rights in relation to any such issue, all subject to the approval of the Supervisory Board. This authorisation was in addition to the Board of Management's authorisation by the AGM held on 28 June 2013 to issue cumulative financing preference shares (restricted to 10% of the issued share capital). The Board of Management, with the approval of the Supervisory Board, used this authority to issue a total of 16,666,668 cumulative financing preference shares.

In respect of Royal Imtech N.V.'s Articles of Association, shareholders approved amendments relating to (i) the increase of the authorised share capital required for the rights issued (AGM held on 28 June 2013), and (ii) the possibility to convert cumulative financing preference shares into ordinary shares (EGM held on 8 October 2013).

#### **The way forward**

The events uncovered during the investigations in the first half of 2013 and disclosed in the Report to Shareholders had a severe impact on Imtech, its shareholders, employees and other stakeholders. As a consequence, the overriding priority of the Supervisory Board has been on facing the crisis and at the same time developing policies for a structurally sound future of the company. The present Supervisory Board will dedicate its full energy to this dual purpose. First and foremost, we will focus on re-establishing financial conditions, sound for the longer term, so that the company can regain its normal operational flexibility. And as this develops, we will increasingly shift our efforts to assist the Board of Management in professionally executing its proud mission of being a leading technical service provider to the full satisfaction of its customers, its employees and shareholders. It is our sincere hope that you, as shareholders who have suffered so badly in the recent past, will stay the course to see this materialise. We thank you for your confidence and express our sincere gratitude and appreciation to our employees and Board of Management for their extraordinary efforts and contribution during this memorable year.

Gouda, 17 March 2014

On behalf of the Supervisory Board,  
Kees van Lede, Chairman

# FUNCTION SUMMARY SUPERVISORY BOARD AND BOARD OF MANAGEMENT

## Supervisory Board



**C.J.A. (Kees) van Lede  
(1942)**

Supervisory Board memberships

Important additional function

Chairman, appointed in 2013, current term ends 2015  
Chairman Governance & Nomination Committee  
Member HR & Remuneration Committee  
Former Chairman VNO-NCW  
Former CEO Akzo Nobel N.V.  
Royal Philips N.V.  
Air France KLM S.A.  
Air Liquide S.A.  
Senior Advisor to JP Morgan Plc.



**F.J.G.M. (Frans) Cremers  
(1952)**

Supervisory Board memberships

Important additional functions

Vice-Chairman, appointed in 2013, current term ends 2017  
Chairman Audit Committee  
Member Governance & Nomination Committee  
Former CFO and member of the Executive Board of VNU N.V.  
Dutch Railways (Vice-chairman, until 4 March 2014)  
Royal Vopak N.V.  
SBM Offshore N.V. (Vice-chairman)  
Unibail-Rodamco SE  
Schiphol Group N.V.  
Parcom Capital Management B.V.  
Member Board of Directors of Stichting Preferente Aandelen Philips  
Member Board of Directors Preferente Aandelen Heijmans



**R.D. (Ruth) van Andel  
(1961)**

Supervisory Board memberships

Important additional function

Appointed in 2011, current term ends 2015  
Chairman HR & Remuneration Committee  
Member Past Events Committee  
Intermediary (Vertrouwenspersoon) with representative bodies  
Lawyer and Mediator van Andel  
Former Partner Clifford Chance LLP  
Member of the Supervisory Board Stadsschouwburg en Philharmonie in Haarlem, the Netherlands  
Member of the Board Jeugdsportfonds Nederland



**J.J. (Joop) de Rooij  
(1961)**

Appointed in 2011, current term ends 2015  
Member Audit Committee  
Chairman Past Events Committee  
Managing Partner Ramphastos Investments  
Former CFO and member of the Executive Board of Directors SHV Holdings N.V.

*All members of the Supervisory Board are Dutch nationals.*

## Board of Management



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

CEO of Royal Imtech as of 27 February 2013  
Member of the Board of Management as of  
1 January 2013  
Responsible for Imtech Benelux, Imtech UK & Ireland  
and Imtech Nordic  
Supervisory Board member Dutch Railways  
(as per 4 March 2014)



**J. (Hans) Turkesteen  
(1963)**

CFO of Royal Imtech as of 11 February 2013  
Member of the Board of Management as of  
28 June 2013  
Responsible for Corporate Finance, Corporate Control,  
Legal Affairs and Governance, Risk & Compliance



**P.C. (Paul) van Gelder  
(1969)**

Member of the Board of Management as of  
16 September 2013  
Responsible for Imtech's ICT, Marine and Traffic & Infra  
divisions and Imtech Spain

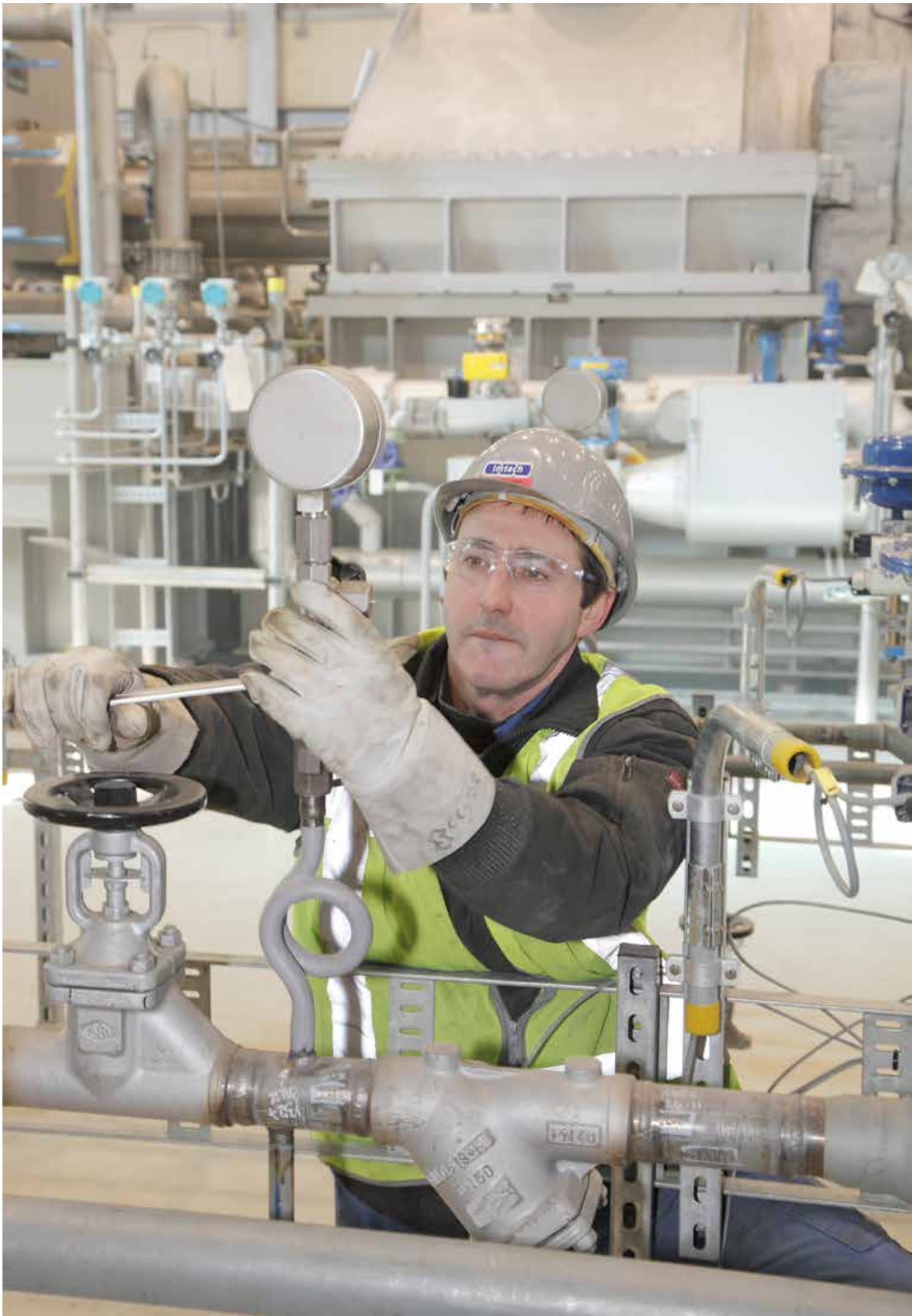


**F.N.E. (Felix) Colsman  
(1970)**

Member of the Board of Management as of  
8 October 2013  
Responsible for Imtech Germany & Eastern Europe  
CEO of Imtech Germany & Eastern Europe division

*Mr. Van de Aast, Mr. Turkesteen and Mr. Van Gelder are Dutch nationals.  
Mr. Colsman is a German national.*







# REPORT OF THE BOARD OF MANAGEMENT

Our ambition continues to be the preferred technology partner of our customers through delivering integrated technical services in the area of mechanical solutions, electrical solutions and ICT. Our added value lies in reducing the total cost of ownership of their facilities and guaranteeing their seamless and uninterrupted operation.

One of the major trends in our markets is an increasing need for reliable design, engineering, installation and maintenance services in order to deal with the growing complexity. In our experience customers are increasingly seeking to outsource services to high-quality service providers in close proximity to their operations. To fulfil their needs effectively we have a decentralised management model which ensures an optimum response to our customers. We believe that our decentralised business model will continue to be a significant driver of growth for our company. From a governance perspective, in 2013 we tightened controls and procedures in order to maintain stricter central control over our decentralised operations.

## Operational review

We are confident that the fundamental aspects of our market offering are solidly based on the high quality of our products, services and dedicated employees who maintain high professional standards. The events reported earlier and economic headwind in some markets, did, however, make 2013 a challenging year for Imtech. We have worked hard to solve the legacy of the past and (re)build an organisation that is fit for the future.

Towards the end of 2013 our efforts started to pay off with an improvement of operational EBITDA margins. Order intake and margins increased due to a slight recovery in a number of markets and helped by the effects of management upgrades and restructuring operations in various divisions. Our emphasis on working capital management resulted in a substantial debt reduction.

## Restructuring update 2013

A major restructuring in some parts of the group resulted in approximately 2,300 FTEs being made redundant at a total costs of approximately 104 million euro. The main objective of this restructuring was to adapt our organization to the market conditions. Excluding Turkey, total headcount amounts to approximately 26,000 FTE at the end of 2013. For 2014, the earlier announced

extra headcount reduction in Germany of 300 FTE will be implemented in the first half of 2014 for approximately 15 million euro. The financial restructuring expenditure in 2013 amounted to 111 million euro.

## Benelux

2013 was characterised by a dedicated focus on solving the operational issues reported earlier and by the down sizing of our organisation. Ultimately, operational EBITDA was still negative, mainly relating to the Dutch buildings services. The Benelux gained traction helped by measures implemented by our new management, such as an improved market and margin focus and the tightening of operational management.

## Germany & Eastern Europe

The first half year of 2013 was dominated by solving the major events that had surfaced early 2013. In addition, given the current situation of the division, operational performance remained under significant pressure well into the second half of the year. Parallel, new management started the 'Neue Imtech' (New Imtech) recovery programme, which gives healthy project margins priority over volume and focuses on efficiencies in staffing, project control and purchasing. During the last quarter this programme successfully put the emphasis on cost savings and cash generation. The legacy of the past translates into continued major pressure on our business and resonates in our markets. We are, however, confident that following a deep analysis of the project portfolio the management is making good progress on the major issues. Although our German business had still not improved in the fourth quarter of 2013, we are confident that with the 'Neue Imtech' programme and the accelerated settlement of our legacy issues we can work towards a sound future performance.

## UK & Ireland

In 2013 the construction market in the UK remained under pressure, both in London and other regions. The effect of this was most apparent in the commercial sector and retail. Despite this we achieved a satisfactory operational performance. Although the economic situation in the Irish market was, in general, disappointing, our portfolio of services - with a focus on electrical services and solutions - enabled us to capitalise on attractive opportunities in the market for data centres. Operations in Kazakhstan and Saudi Arabia, which are served from our base in Ireland, were solid.

## **Nordic**

Our position in Scandinavia has been built up mainly through a number of large and small acquisitions, starting in 2008. In 2013, we worked on the integration of our branches, working processes, brand names and systems throughout the acquired companies. Initial results are being seen in respect of internal common practices and experience sharing. Market environment in both Sweden and Finland during the year was difficult with lower volumes and margin pressure. Towards the end of 2013 first signs of a market recovery became visible.

## **Spain**

2013 was a difficult year for our Spanish division, mainly as a consequence of the economic downturn that continued to put pressure on the Spanish market. The ongoing economic headwind forced us to downsize our activities to align our operations with the new economic reality. The focus was on improving our cost base while keeping key capabilities and competences in place to safeguard the quality of our future offering. The restructuring involved reducing our network of branches in Spain while respecting regional differences in business and culture. Despite our measures, we realised a relatively small negative operational EBITDA. However, we are now well positioned to meet the challenges of the new economic reality.

## **ICT**

2013 resulted in double digit topline growth and satisfying profitability. Growth was influenced positively by a number of one-off projects initiated by our main vendors. Our partnerships with worldwide technology leaders such as Cisco, IBM, Microsoft, Juniper and SAP are a key component of our business strategy. During 2013 we invested in further strengthening these relationships.

Early 2014 we were confronted with allegations in the media of unethical business behavior by Fritz & Macziol Schweiz in Switzerland. This company of Imtech ICT has an annual revenue level of approximately 25 million euro and employs 45 people. We strongly reject any unethical business behavior. We started an investigation and fully cooperate with the office of the public prosecutor in Switzerland.

## **Traffic & Infra**

A major restructuring of the division resulted in approximately 250 employees being made redundant. The main objective of this restructuring was to create a

sharper focus on high value propositions by discontinuing non-strategic activities with lower complexity and correspondingly lower margins. At the same time, some of our important markets remained under pressure. Our overall revenue decreased. Nevertheless, we managed to achieve an operational profit.

## **Marine**

During 2013 a new management team was appointed and decisive and consistent measures were taken to improve the company and strengthen the trust of our customers. One important component was the adoption of a new organisation structure that ensures clearly delineated responsibilities for maintenance and services on the one hand, and projects in the new-build market on the other hand. However, operational EBITDA in 2013 was still negative. Order intake, in terms of volume, was favorable. Imtech Marine introduced a programme 'back to the top' and is determined to improve the results of the company.

## **Turkey**

A strategic review of our activities in Turkey resulted in the decision to divest AE Arma-Elektropanç (Arma), active in Turkey as well as in amongst others Russia, the Middle East and Azerbaijan. Despite market opportunities in these regions, we have concluded that Arma no longer fits in our strategic profile.

In January 2014, we therefor announced to sell back our 80% shareholding to the previous owners. Initially 31% of the shares will be transferred. The remaining 49% of the shares will be transferred as of 30 September 2014. The consideration of 21 million euro will be paid partly upon closing and partly through instalments until 31 December 2015. As a result of this, Arma is included as asset held for sale in the balance sheet effective 31 December 2013. This transaction has resulted in a non-cash write down of 41 million euro.

## **Financial Result 2013**

### **Overview**

The year 2013 was dominated by significant non-operational losses and by the negative operational performance in our division Germany and Eastern Europe. In addition, the high net finance loss – mainly driven by our increased cost of debt – and low income tax credit contributed negatively to the overall net result for our continuing operations. Our discontinued operations, relating to our disposed Turkish company, also contributed negatively to the overall net result for the year.

Revenue was approximately 8% below 2012 level, mainly due to the significant lower revenue in Germany and Eastern Europe. Order intake was close to the level of revenue.

Total equity has decreased in 2013, driven by the net loss for the year and partly offset by the proceeds of the equity issue. These aspects, and the reduction of working capital, also drove total net debt, that slightly decreased compared to year-end 2012.

	2013	2012
Revenue and other income	4,944.9	5,354.9
Order intake	4,725.8	–
Operational EBITDA	(44.4)	(23.7)
Non-operational items in EBITDA	(379.5)	(50.6)
EBITDA	(423.9)	(74.3)
Operating result (EBIT)	(549.3)	(174.6)
Net finance result	(105.0)	(62.0)
Net result from continuing operations	(639.6)	(235.6)
Net result from discontinued operations	(57.0)	(4.9)
Total equity	313.3	524.5
Net interest-bearing debt	745.0	773.0
Working capital	(9.5)	106.2
Cash flow from operating activities	(270.1)	116.5

## Performance

Our operational performance, in terms of EBITDA, has been negatively impacted by the losses in Germany (107.7 million euro negative). To a lesser extent the negative performance in Benelux (17.6 million euro negative), Marine (9.9 million euro negative) and Spain (2.3 million euro) affected the 2013 loss. The other divisions contributed positively to the operational EBITDA.

Non-operational EBITDA in 2013 consisted of the following items:

	2013
Valuation allowances Benelux and Marine	40.0
Headcount reduction	103.8
Refinancing cost	22.3
Legacy items, mainly in Germany	195.9
Other	17.5
Total non-operational items	379.5

Total refinancing expenditures in 2013 amounted to 110.6 million euro, specified as follows:

	2013
In other expenses	22.3
In other finance expenses	23.9
Allocated to equity	41.5
Capitalized financing cost	22.9
Total	110.6

The total amount relating to legacy items was 230.0 million euro, included in the 2013 result as follows:

	2013
Impairment losses (in) tangible assets	29.3
Other operating expenses	195.9
Total operating expenses	225.2
Results other investments	4.8
Total	230.0

The net finance result 2013 amounted to 105.0 million negative, significantly higher than in 2012. The increase was mainly driven by the refinancing cost (23.9 million euro) and the higher cost of debt.

The net result for the year is almost equal to the result before tax, due to the very low income tax credit in 2013.

The low tax credit results from limitations in (near future) tax loss compensation, mainly in Germany and the Netherlands.

The disposal of our Turkish company resulted in a non-cash book loss of 40.8 million euro, in addition to the company's net loss for 2013 of 16.2 million euro, which was largely driven by amortization and depreciation (7.6 million euro) and interest cost (5.3 million euro). Operational EBITDA in 2013 amounted to 4.2 million euro negative.

### Financial position

Total equity as at 31 December 2013 amounts to 313 million euro, a net decrease of 212 million euro compared to 31 December 2012 (525 million euro). The decrease was mainly driven by the net loss for the year (701 million euro), and partly offset by the net equity issue proceeds (487 million euro). As a consequence, our solvency has decreased to 9.5%, compared to 13.3% as at 31 December 2012.

The net interest bearing debt amounts to 745 million euro, compared to 773 million euro as at 31 December 2012. A significant negative driver in 2013 was the net cash flow from operating activities (328 million euro negative), which included the cash out effects of extraordinary items such as restructuring and refinancing. The net cash flow from investing activities was 58 million euro negative, including 28 million euro relating to acquisitions, predominantly historically agreed earn outs. The main positive cash flow relates to the equity issue (487 million euro, net of cost).

Working capital has reduced to 10 million euro negative, compared to 106 million euro positive as at 31 December 2012. The decrease in 2013 includes the, mainly non-cash, effects of the valuation allowances in Germany, Marine and Benelux.

The non-current assets have decreased in 2013 with 150 million euro to 1,387 million euro (31 December 2012: 1,537 million euro). The decrease includes the one off downward effects of the divestment of Turkey (65 million euro), impairments relating to legacy items (29 million euro) and accelerated amortisation of the Nordic NVS brand name (14 million euro). The main upward movement relates to the acquisition of EMC (22 million euro) in January 2013.

### Other

At 31 December 2013 the balance sheet includes assets held for sale (80 million euro) and the related liabilities (60 million euro), relating to the disposal of the Turkish company. The net position of 20 million euro, reflects the amount still to be settled.

In November 2013, given the slower than anticipated recovery, we agreed a covenant holiday extension with the majority of our lenders, as part of which the first testing period was amended from 31 March 2014 to 30 September 2014. Subsequently we started a dialogue with our main lenders regarding an amendment of our financing agreements, including a covenant reset. On 17 March 2014 we have reached agreement with our main lenders to enter into a Medium Term Solution ('MTS'). The most important amendments to the financing agreements as part of the MTS can be summarised as follows:

- Amendment and alignment of the maturity dates for the revolving credit facilities (RCF), the bilateral credit agreements senior notes to 15 July 2017. However, the extension of maturity for the RCF is not yet finalised as one of the financiers under the RCF has not agreed to the financing solution. However all financiers are bound by it at least until 1 November 2015 under the terms of the RCF;
- Commitment of 1,253 million euro of credit facilities, divided between Revolving Credit Facility (non-amortising bullet term-loan of 300 million euro and revolving credit facility of 400 million euro), USPP senior notes (325 million euro) and bilateral credit facilities (228 million euro);
- Committed guarantee lines of 843 million euro (of which 50 million euro by drawings from the cash facilities) under the MTS, where previously virtually all the facilities were uncommitted;
- Covenant testing performance on quarterly intervals, starting immediately for maximum cash funding Germany & Eastern Europe, minimum consolidated net assets and committed liquidity headroom and as from 30 September 2014 onwards floors for the LTM EBITDA and LTM OCF;
- Covenant to reduce debt by 400 million euro to be realised no later than 30 June 2015. An event of default will occur if by 30 June 2015 the debt reduction is less than 250 million euro. In addition, additional indebtedness is only allowed up to 250 million euro of (subordinated) debt;
- Increased pricing of both credit and guarantee facilities.

The MTS is an important step in our financial and business recovery plan. We will intensify the debt reduction program in 2014 which enables us to meet the requirements as agreed in the MTS. To reach these goals we will work and communicate closely with our main lenders.

For our assessment of the going concern assumption we refer to note 2 to the financial statements.

### Strategy

We aim to become the preferred technology partner of our customers through delivering integrated technical solutions, which assist customers in reducing the total cost of ownership of their facilities. We take our corporate responsibility and aim to create win-win situations for the market, the environment, our employees and society.

We do that by innovating and introducing solutions that help customers achieve their goals, preserve the environment and scarce resources, enhance our employees' well-being, and engage stakeholders and support local initiatives that solve social challenges. We will continue to employ a decentralised management model as the basis for our organisation with a centralized approach towards financial control and reporting, governance and risk management. This model has proven to be suitable for the growth of our company as it supports optimal relationships with our customers by being responsive to customers' needs and stimulating local entrepreneurship. In 2013, our strategy remained intact with its three pillars: operational excellence, organic growth and acquisitions. The Imtech of today restores profitability, strengthens the organisation and targets projects that contribute to its strategy. Projects that create value for our customers and our shareholders. Projects that harness what we are good at. By adapting these targets, the company has taken a different course.

### I. OPERATIONAL EXCELLENCE

Operational excellence focuses on how we can better use our resources, plan matters better and avoid mistakes. In 2013, we assessed the best practices of operational excellence that exist within our company and introduced four principles:

- we do good work for good customers and we don't take on any work just for the sake of delivering turnover;
- we do our work well and thus prevent project losses and improve margins;
- we keep a close eye on costs at the back-end of the company by limiting overheads and cooperating more closely on shared services between the company's different parts. And last but not least;
- we manage our working capital properly: send out and collect invoices in time and monitor our expenditure.

The operational excellence program has been divided in seven main components: (a) tender procedures, (b) project management and project execution, (c) procurement processes, (d) cash and working capital management, (e) risk management, (f) governance and compliance and (g) Corporate Social Responsibility.

#### a. Tender procedures

We have reinforced our tender procedures and introduced an immediately effective measure as per 20 March 2013 that prior approval of the Board of Management is required through a Tender Review Board, which will oversee the tender procedures for all new projects with a value at or above 15 million euro. Prior approval of the Supervisory Board is required for all new projects with a value at or above 75 million euro. We updated the Riskmaster tool so that tenders can be monitored at corporate level at the commencement stage. Throughout the execution of the project life cycle risks are controlled through regular risk reporting and corporate and divisional project reviews.

#### b. Project management and project execution

As a project driven company, project management and project execution are key for realising a healthy project profitability. The increasing complexity of our projects, the associated risks and the strategic focus on operational excellence have resulted in an increased focus on the development of our project management skills. In 2013 we continued developing and training senior project managers. We will continue to focus on improving project management and project execution, and will reinforce project management programmes and continue to assess and implement best practices.

#### c. Procurement processes

Imtech's procurement strategy focuses on its objectives, namely reducing costs, working capital and risks. In order to contribute to these objectives, three key focus areas have been addressed:

- Create and implement cross-divisional framework contracts by optimally bundling of volumes across Imtech was our first key focus.
- Enhance contract and spend visibility, by increasing the usage of Imtech's systems for registering framework contracts which now cover almost all of Imtech's spend was the second key focus area.

- Increase the KPI-based performance of Procurement as well as the compliance with respect to Imtech's Procurement guidelines was the third key focus area.

#### **d. Cash and working capital management**

Within project businesses, cash and working capital management are of great importance. In 2013 working capital focus has been improved and intensified. We introduced monthly reporting and forecasting and improved working capital management in each of our divisions. We also revised our treasury manual, implemented a treasury management system and restructured our existing cash management and cash pooling arrangements. Our focus on cash collection from work in progress and trade receivables has worked well and resulted in a debt reduction of 91 million euro in the fourth quarter of 2013. We will continue to focus on our working capital and cash management with attention to customer billing and invoice payment procedures and we will keep our accounting policies tightened.

#### **e. Risk management**

In 2013, we accelerated our process of strengthening and improving our GRC policy under the direct responsibility of the Group Director GRC. A review earlier that year indicated that the development of the risk management and internal control infrastructure had not been commensurate with the increase in complexity and size of our company that resulted from the growth of the company over the last years. We therefore strengthened our risk management policy, by enhancing our tender procedures and appointing a Group Director GRC who will also be directly responsible for risk management. More detail on GRC can be found on pages 54 – 69.

#### **f. Governance and compliance**

We also reinforced the quality and effectiveness of our governance and compliance mechanisms, changing the role of the Board of Management, with a greater involvement in the business operations, adopting other governance measures and strengthened the financial and legal function. More about this process is included in the GRC chapter on pages 57 – 69.

#### **g. Corporate Social Responsibility**

At Imtech, Corporate Social Responsibility (CSR) means helping to meet the world's growing economic, environmental and social needs in

responsible ways. We do that by focusing on business related topics where we can make a difference.

In 2013 we re-examined our sustainability approach and identified the most important topics based on various analyses, including stakeholder dialogue, benchmarking, media analysis and a risks-opportunities analysis. We focused first on setting-up a reliable reporting process in order to maximise transparency and to build a solid basis for the further development of the topics. As we were committed to giving a reliable account of our performance in 2013, we broadened the scope and collected data from every Imtech business around the world. This resulted in our first separate Sustainability Report that measures the performance of the entire group. More information is included on pages 48 – 51.

## **II. ORGANIC GROWTH**

We aim to realise organic growth through four components: (a) focus on recurring revenue streams, (b) multi-site/multi-service solutions, (c) capitalising past acquisitions, and (d) scaling technologies across the group.

#### **a. Focus on recurring revenue streams**

We apply a continuous focus on securing recurring revenue streams (i.e. revenue streams from a customer who keeps returning for various services and recurring work such as multi-year maintenance contracts). We believe that leveraging our diverse customer base and contract portfolio contributes to attractive recurring revenue streams across all of its operating segments. We envisage to provide additional services to existing customers within a certain business segment, introduce new services to existing customers across business segments, and try to secure a sustainable recurring revenue stream from new customers.

#### **b. Multi-site/multi-service solutions**

As set out above, we perceive an increasing trend among our customers to outsource a wide range of technical services and seek multi-site/multi-service solutions, due to increasing technical complexity of their systems, cost pressures and a desire to devote more attention to their core businesses.

We believe that these outsourcing trends create attractive growth opportunities. We have positioned ourselves to benefit from these trends through using our wide range of multi-technology competences, logistical expertise and our dense local network in key

geographies. This allows us to provide a local or multi-national 'one-stop-shop' service offering to our customers for multi-site/multi-service offerings.

**c. Capitalising past acquisitions**

We acquired numerous companies over the last years. For some of these acquired companies the integration process has been completed or is in an advanced stage, allowing us to benefit from synergies post acquisition. For other acquired companies, integration will need to commence. For a number of more recent acquisitions, we have accelerated the integration processes, mainly through sharing best practices on execution, technology and organising back offices efficiently.

**d. Scaling technologies across the group**

We envisage to increasingly leverage our customer relationships and knowledge across the group in order to unlock additional growth potential, e.g. by sharing customer relationships, competences, notable experience or specific know-how across our company. We assessed the extent to which this approach could be used most effectively given market outlook and potential profitability. In the light thereof, we identified the following four markets in which its clusters, divisions and business units could share know-how and experiences:

- green technologies;
- water technologies;
- data centres;
- care & cure.

We are aware of the external challenge of how to provide an increasing world population with the basics of life when natural resources are dwindling. We are convinced that new, innovative technology can play a key role in finding solutions. As a technical services provider, we can make a positive contribution and our GreenTech projects are a good example of this. More about these projects is included in our separate sustainability report.

**III. ACQUISITIONS**

After the events described in the Report to Shareholders came to light, Imtech announced it would suspend its acquisition strategy. Apart from the acquisition of EMC Finland in January 2013, Imtech did not make any acquisitions in 2013 and does not anticipate making any acquisitions in the near future.

**Industry trends**

We see the following trends within the industry we operate in.

***A growing need for increasingly complex technical services***

In the end markets where we are active, we perceive an increasing use of technology, which in addition becomes more and more complex. We believe that the need for reliable design, engineering, installation and maintenance services grows correspondingly. We have experienced that customers find themselves less equipped to source the complex services as mentioned above internally and seek to outsource them to high-quality service providers in close proximity to their operations.

***Increasing regulatory and HSE requirements and an ageing asset base require external expertise***

Our end markets are facing increased regulatory requirements, an ageing asset base and (in particular for the industry market) more stringent health, safety, environmental and quality requirements. As a result, customers in these industries are increasingly focused on improving the integrity of their assets and operations, improving service levels and lowering their costs. We believe that customers will increasingly require external expertise in order to accomplish these objectives.

***Customers require one-stop-shopping***

We perceive an increasing trend among our customers to outsource a wide range of technical services, due to increasing technical complexity of their systems, cost pressures and a desire to devote more attention to their core businesses. We also observe that some of our larger customers are increasingly making outsourcing decisions at 'holding' level rather than on a facility-by-facility basis. This leads to an increasing demand for integrated technical service providers that are able to provide technical services across a broad range of technical fields, as well as in multiple locations ('multi-site/multi-service' solutions). As such, we believe there is an increasing demand for 'one-stop shopping', requiring technical service providers to be able to provide the full suite of services required in all stages of a project, including operation and maintenance of assets.

***Increasing importance of 'green technologies'***

We see that the worldwide market for green technology is growing. The driving forces in the green tech industry are five megatrends that will shape society and politics



worldwide over the decades to come: demographic change, urbanization, globalization, scarcity of resources and the challenge of climate change. These will ensure a transformation toward a green economy in which the green tech industry and other sectors work together for mutual benefit: the growing use of green tech in traditional industries promotes the development of new and refinement of existing green technology. Greater energy and materials efficiency gives the economy in general strategic benefits in light of international competition. As a technical services company we provide innovative solutions to our clients, called 'GreenTech'. More information on our 'GreenTech' projects can be found in our sustainability report ([www.imtech.com](http://www.imtech.com)).

***Retaining and attracting well-trained technical staff remains a critical success factor for technical services companies***

There is a shortage of well-trained technical staff in the technical services industry we are active in and newly-trained personnel (graduating from technical educational programmes) is also scarce. The ability to manage the impact of such shortage is a critical success factor in the technical services industry and employee recruitment and retention are strategic issues.

**Competitive strengths**

Our key competitive strengths include the following:

***A leading technical services provider with strong reputation to execute complex projects***

We have a leading position with a strong reputation for having in-depth knowledge to handle complex technical services projects. Given our knowledge and experience in various end markets, we believe we are well-positioned to benefit from cross-selling opportunities and to provide our services in all phases of project execution, i.e. 'design, engineering, build, maintain and operate'.

***Multi-disciplinary technical services provider offering its customers fully integrated solutions***

We believe that our multi-disciplinary know-how helps to position ourselves as a 'one-stop-shop' for our customers, who are increasingly seeking providers that can offer more integrated technical services solutions.

We constantly adapt our service offering to meet our customers' ever-changing needs and we roll out new and technological integrated services on an ongoing basis. For example, one of the current areas of focus is to provide solutions for improving energy efficiency and energy savings in the markets of buildings, industry

and marine, areas that we believe present attractive opportunities in 'green technologies'.

***A dense local network in the regions in which the group operates allows it to be highly responsive to its customers' needs***

The technical services industry is a 'face-to-face' business, in which we deem close proximity to customers to be essential. We therefore developed extensive branch networks in each of our core markets, with around 550 branches in Europe and 60 branches outside of Europe, mainly within our ICT, Traffic & Infra and Marine businesses. We believe that due to our extensive presence throughout certain countries in Europe, we are well situated to provide localised services within the agreed time frames/deadlines to our customers. Our dense local network further allows us to respond to the perceived growing trend among our large customers to outsource technically complex non-core service operations across their facilities over multiple sites.

***Long-term customer relationships and high customer retention***

Our close customer relationships were built through years of providing technical services for our customers' operations, resulting in detailed knowledge and understanding of our customers' production process, asset base and requirements. Our operational expertise, close collaboration with our customers and our performance and track record over many years have resulted in significant customer loyalty helping to maintain our long-term customer relationships. Relationships with hundreds of our customers date back for several years, including, amongst others, relationships with Airbus, BMW, Cepsa, Dutch Government Buildings Agency, Meyer Werft, Royal Netherlands Navy, Skanska, Shell, UK Highways Agency and Volkswagen Group.

***A predictable recurring revenue flow from a diversified customer base in different end markets***

We believe that our broad customer base of approximately 24,000 customers with limited concentration in any given end markets, long-standing customer relationships, focus on maintenance services with recurring revenue, broad service offering, as well as our small average order size, provides us predictable revenue flows. As we are not dependent on one or more customers or one particular market or sector, we believe that this mitigates our exposure to negative cyclical effects affecting such customers, markets or sectors to some extent.



## Competition

Our geographical and product/services markets in which we compete are highly fragmented and our competition ranges from smaller local competitors to large, multi-national companies. We believe that no market leader in the respective geographic markets has a significant or dominant market share. This fragmentation offers opportunities to further consolidate the market. Very complex or large projects typically have fewer (but larger) companies competing for them. Competition characteristics and intensity vary within different regions, countries and sectors. Depending on customers' desire to manage technical complexity and risk, particularly on long-term large and more complex projects, it is not unusual for them to encourage or force service providers to cooperate rather than compete, in support of the customers' objectives.

There is no single, easily identifiable like-for-like competitor that we find ourselves competing against, nor do we believe that there is any independent technical services provider that offers the same broad and deep portfolio of integrated technical services as the group. Some of our principal competitors are part of diversified, multi-national companies having a diversified geographic footprint. However, the balance of our competition is highly fragmented and varies across the geographic and business lines in which it operates.

We identify the following companies as being the largest companies in the different geographical markets (where we are active in the buildings and industrial markets) and technology divisions (where we are active in the ICT, Traffic & Infra and Marine market):

## The largest companies in the different geographical markets

Competitor	Revenue (million euro)	Part of	Benelux	Germany & Eastern Europe	UK & Ireland	Nordic	Spain	ICT	Traffic & Infra	Marine
Cegelec (Vinci Energies, Europe)	8,476	Vinci	■	■						
Cofely (GDF Suez Energy Services, Europe)	7,757	GDF Suez	■	■			■			
Bilfinger Berger (excl. construction)	5,384			■						
<b>Royal Imtech</b>	<b>4,945</b>		■	■	■	■	■	■	■	■
Spie (only Europe)	3,753		■	■	■					
Caverion	2,544			■		■				
Stork Technical Services	1,418		■							
Bravida	1,309					■				
Balfour Beatty Engineering Services	602				■					
SSE Contracting	449				■					
Grupo Cobra	1,534						■			
CGI (only Europe)	3,210							■		
Bechtle	1,394							■		
Tieto	1,671							■		
Siemens	n/a								■	■
Swarco	455								■	
Kapsch	489								■	
Wärtsilä Ship Power	1,325	Wärtsilä								■
Rolls Royce Marine	2,586	Rolls Royce								■
GE-Convertteam Marine	n/a	GE								■

Source: companies latest Annual Report.

The most relevant competitors in the geographical clusters are Cegelec, Cofely, Spie, Caverion and Bravida.

Imtech is one of the leading technical services providers in the Benelux and occupies a good position in the industry and buildings markets with widely diverse projects ranging from industrial sites, to offices, schools and care & cure premises. Our focus is on technical property management and maintenance with integrated services and solutions, such as energy efficiency and power electronics management, care & cure concepts, site health & safety applications, engineering and automation, that keep buildings and installations in optimum condition. Our Benelux division also serves customers' international needs, primarily in the chemicals and oil & gas industries and in the field of power electronics.

## Operational review

2013 was characterised by a dedicated focus on solving the performance and operational challenges reported earlier and by the streamlining of our organization to make it fit for the future. The business regained traction thanks to measures taken by the new management. These measures included improving go-to-market, margin focus and tightening operational management.

We also developed our market propositions further in order to enable us to fully realise the potential of market dynamics that have changed dramatically over the past few years. Ensuring the seamless implementation of integrated, sustainable and inventive solutions, and offering multi-year commitments for maintenance, are key elements. Recent business successes indicate that this course is paying off and that our customers continue to appreciate our employees' knowledge and dedication.

Nevertheless, 2013 resulted in an operational loss. This was mainly due to the fact that the market for technical services in the Benelux was characterized by structurally challenging conditions and fierce national and international competition, especially in the buildings market.

Revenue decreased to 683 million euro. Operational EBITDA was a loss of 17.6 million euro due to negative results in the Dutch building services business which could not offset by good performance in the industrial business. The EBITDA was 63.4 million euro negative as a result of an operational EBITDA loss, restructuring costs and valuation allowances of 15 million euro. Order intake was slightly below revenue and amounted 626 million euro.

In order to be fit for the future and in view of the ongoing tough market conditions, during 2013 additional restructuring was implemented. Our workforce decreased by 739 employees to 4,120 employees, primarily the result of the restructurings in the Dutch buildings business.

The good reputation of our employees in the market and the solution based propositions that have won us important Dutch customers make us confident that our foundations are strong. Examples of our recent successes include a technological total approach that is improving efficiency, while reducing running costs, at the IJsselland hospital, the renewal of our maintenance contract with



**Project** Shell  
**Business unit** Industrial Services (NL)  
**Descr.** Five year maintenance contract Shell

Imtech Industrial Services extended its maintenance contract with Shell for its Pernis and Moerdijk sites for another five years. Imtech has been active at these sites for more than twenty years, of which the last four years have been accident-free. The earning model in the contract involves a reward for achieving efficiency improvements for both parties.

## Key figures Benelux (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	682.8	766.1
Operational EBITDA	(17.6)	(19.1)
Operational EBITDA margin	(2.6%)	(2.5%)
EBITDA	(63.4)	(51.2)
EBITDA margin	(9.3%)	(6.7%)
Order book	845.5	972.5
Order intake	625.5	–
Number of employees (as at 31 December)	4,120	4,859



<b>Project</b>	Penitentiary Zaanstad (Dutch government)
<b>Partner</b>	Ballast Nedam
<b>Business unit</b>	Building Services (NL)
<b>Descr.</b>	Multidisciplinary services for penitentiary Zaanstad

A joint venture of Imtech and construction company Ballast Nedam won the bid for the project to design, maintain, build and operate the penitentiary Zaanstad for 25 years. Imtech provides the electrical and mechanical engineering and security, and supplies the data facilities and associated infrastructure for this most sustainable prison in The Netherlands.

Shell Moerdijk, and our role in the consortium that successfully bid for the building management of a new Zaanstad Penitentiary at Hoogtij, which involves being responsible for the technical facilities for 25 years. We are continuing to focus on offering customers integrated technological solutions and site management that improves their operations while allowing them to concentrate on their core business.

#### Market developments

Since the end of 2013 Imtech Benelux has been seeing industrial activities increasing in both its domestic (Dutch) and international markets. These increases will, in time, result in a higher demand for our industrial solutions, including food and energy related industries. The recent, and limited, economic industry recovery will not have a significant impact on our business results within the next year because existing market dynamics, such as price competitiveness and long-term investment confidence will continue to be challenging. However, Imtech's broad spectrum of industry solutions will enable it to benefit from new investment projects and maintenance activities aimed at upgrading existing industrial systems and sites. In 2014 we anticipate being able to benefit from the increasing number of capacity expansions and a growing need for our integrated technical and consulting services in the international industry markets in general and the oil and gas segments in particular.

Volume in the new construction segment remained low in 2013, especially in the Netherlands and the Brussels office market, which put pressure on this market segment. We are, however, confident that the current situation in the office market will also offer opportunities. The shift from new construction towards the optimum use of existing buildings is creating challenges in fields such as energy efficiency, so as to safeguard long-term multifunctional use, and clean air provision, for instance in schools.

Our focus will, therefore, be on segments in which customers demand higher added value for their existing buildings and industrial installations. Our solutions in this area consist primarily of energy, green technology, data centres, maintenance services and maintenance management, design & build offerings and Public Private Partnerships. In particular, we expect opportunities to arise in the care & cure sector due to the rapidly changing sector dynamics. Our 'Smart Healthcare' concept, which involves tailor-made plans for an integrated approach to energy requirements, sustainability, technical infrastructure, maintenance and ICT, is an important and differentiating offer to the market. We expect growth in the maintenance markets and are preparing our service organisation accordingly.

International business activities were solid in 2013, mainly as a consequence of attractive worldwide activity levels in the oil & gas industry. Our technological expertise enables us to export high-quality technical solutions and power electronics (the combination of power electronics and high tension). The dynamics of this industry are also changing as oil and gas companies make a major shift from their traditional focus on uncurbed growth to a focus on the cost effectiveness of their investments in growth. Our propositions are well positioned to profit from this shift.

#### Outlook

We will continue to focus on improving the quality of our organisation to anticipate on changes in the market dynamics in the Netherlands and Belgium, more in particular for the Dutch buildings services business. The good position in the industrial markets gives us the opportunity to benefit from the good market conditions for offering our industrial services.

# GERMANY & EASTERN EUROPE

We are a leading technical engineering and services provider in Germany & Eastern Europe, where we offer the buildings and industry markets a variety of services with a focus on energy savings and energy efficiency, clean-room technology, fire protection, (decentralized) power plants and systems, care & cure, data centres, airports and test solutions for the automotive industry and large commercial buildings. We operate in four regions throughout Germany and have a renowned research and development centre in Hamburg. In Eastern Europe we are active in Poland, Hungary, Austria, Romania, Russia, Czech Republic and Slovakia. A distinct feature of our market offering is the ability to integrate knowledge and experiences from different disciplines into value added solutions.

## Operational review

In early 2013 an extraordinary situation arose in the Germany & Eastern Europe division with significant write-offs and the replacement of top management in Germany and Poland.

Throughout 2013 our focus was on maintaining the confidence of our customers and employees and solving

the legacy issues reported earlier. One step towards this was to separate the legacy issues with their operational and financial problems from new, healthy business and to systematically clean up the legacy issues. Another step was to close unprofitable business locations. In 2013 this resulted in the closure of project offices and locations, the scaling down of activities in Poland and Austria, and the reversal of our build up in Romania, Russia and Hungary. All these actions were undertaken in order to realign the organisation on the basis of realistic market views.

Towards this end we also focused on reducing the workforce and achieving cost reductions. In cooperation with the German Works Council a toolbox with a clear Social Compensation plan was developed for the restructuring operation. This accelerated the effectiveness of the programme in the second half of 2013. As a result, 564 employees left this division in 2013 and a further 300 redundancies are planned in 2014.

To improve our liquidity the focus was also on working capital. Decisive actions and consistent billing and collecting led to working capital decreasing significantly towards the end of 2013.

We are very aware that the legacy of the past translates into continued major pressure on our business and resonates through our markets. The first half year of 2013 was dominated by solving the major issues that had surfaced early 2013. In addition, given the current situation of the division, operational performance remained under significant pressure well into the second half of the year. We are, however, confident that, after a thorough analysis of our project portfolio, the new management is aware of the major issues and has a tight grip on the business. Effective measures have been taken to improve transparency and integrity throughout the organization in Germany. Our confidence is also based



**Project** Skylab Heidelberg  
**Business unit** South-West (GER)  
**Descr.** Realizing new construction Skylab Heidelberg

Imtech is realizing a new construction of a building for laboratories, offices and research consisting of tower, block and spine for a total of approximately 16 million euro. Imtech is responsible for heat supply, cooling system and ventilation as well as a smoke displacement system and safety engineering.

## Key figures Germany & Eastern Europe (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	968.6	1,372.1
Operational EBITDA	(107.7)	(131.2)
Operational EBITDA margin	(11.1%)	(9.6%)
EBITDA	(327.7)	(131.2)
EBITDA margin	(33.8%)	(9.6%)
Order book	1,521.2	2,485.2
Order intake	800.6	–
Number of employees (as at 31 December)	4,740	5,479

on the support of the majority of our customers who have expressed their understanding of the situation in dialogues with our new management.

Our confidence is further underpinned by the fact that a detailed analysis of our projects has shown that the 'bad' projects originated in 2011 and 2012 and that the 2013 intake is much healthier. This indicates that our strategy for Germany & Eastern Europe, called 'Neue Imtech', will pay off. The major difference is the focus on quality growth and zero slippage in all our projects instead of historically high growth rates.

Revenue for the year amounted to 968.6 million euro. Operational EBITDA was a loss of 107.7 million euro as a result of weak project execution and a too high cost structure. Restructuring costs and valuation allowances together with operational EBITDA loss resulted in a EBITDA loss of 327.7 million euro. Order intake arrives at 800.6 million euro and was lower than revenue due to prioritising margin over volume.

In 2014 the implementation of 'Neue Imtech' will be supported by a dedicated team. The strategy includes converting from a region based organisation to a business unit based organisation in which business units are responsible for distinct market segments, and the establishing of centralised service, support and control functions while maintaining decentralised business execution.

### Market developments

Germany has proven to be a strong economy capable of withstanding the fierce economic headwind that has blown throughout Europe during the past few years.

We expect Germany will remain an attractive market in the years to come, a view supported by macro-economic growth expectations. Imtech is well positioned to benefit from German growth, especially as a consequence of three major trends that are ensuring we have strong foundations in our markets:

- The 'Energiewende' programme.  
The German government aims to continue its ambitious 'Energiewende' programme and thus shift the focus from investment in the production of renewables towards investment in energy savings. Plans also include accelerating the installation of the network infrastructure needed to handle decentralised energy generation. Over the past few years we have



**Project** Pierburg Neuss  
**Business unit** Mid-West (GER)  
**Descr.** Multidisciplinary services

The automotive supplier Pierburg constructs a new production site in Neuss and appointed Imtech a complex order including mechanical, electrical and fire-extinguishing systems as well as automation solutions. Contract value will be around 14.6 million euro.

developed into an energy implementation partner offering a wide range of services and added value in the field of energy efficiency, energy management and small (decentralised) power plants;

- High volume in commercial real estate.  
Trading volumes in commercial real estate have returned to pre-crisis levels in Germany. This offers attractive opportunities for reducing cost of ownership by implementing energy solutions as these investments typically take place when new rental contracts are signed or property is sold;
- A high level of industrial investments.  
The performance of German companies has remained at a high level and the trend towards 'green' production and office facilities is persisting. Imtech is experienced in the field of integrating building and process efficiency and is, therefore, well positioned in this market.

### Outlook

2014 is expected to be year of transition. The recovery plan 'Neue Imtech' will be rolled out further into the organisation with a focus on efficiency improvements and prioritising margin over volume. Nevertheless, the overall result in 2014 could be affected by the completion of legacy issues from 2011 and 2012. Altogether, 'Neue Imtech' will result in a strong and healthy platform for the future of Imtech Germany.

# UK & IRELAND

We are a leading technical services provider in the UK and Ireland where we are active in five work streams: engineering services, technical maintenance, system integration, infrastructure and international. Infrastructure includes water, waste-to-energy, airports and rail. Our Irish activities occupy a strong position in industrial electrical services. This provides an excellent base for serving our customers in Kazakhstan and Saudi Arabia.

## Operational review

In 2013 the construction and technical maintenance markets in the UK remained under pressure both in London and other regions. The effect of this was most apparent in the commercial sector and retail. Despite this we achieved a satisfactory operational performance.

Revenue remained stable at 738 million euro, including a negative currency impact of 27.9 million euro. Operational EBITDA was 30.7 million euro, reflecting the margin pressure in the UK engineering services business and a currency impact of 1.0 million euro negative.



**Project** Waterstones  
**Business unit** Inviron (Imtech UK's Technical Facilities Management business)  
**Descr.** Maintenance for 288 Waterstones stores.

Imtech won a contract for the technical facilities of Waterstones' UK portfolio. This involves planned and reactive mechanical, electrical and building fabric maintenance by a national dedicated team. Next to servicing the contract, they will also offer advice relating to energy efficiency. Inviron's bespoke DNA software will be utilised to monitor and manage the contract, providing real-time information to the client.

Order intake ended somewhat below revenue at 674 million euro. The continued focus on streamlining the business to market conditions and order book resulted in a decrease of 202 FTEs. Total number of employees at year-end amounted to 3,396 FTEs.

Following our growth in recent years we have achieved the number one position in the 'Construction News' Top 100 ranking of companies active in Mechanical & Electrical services (M&E). We continued to perform well in the water, waste-to-energy and systems integration markets.

Although the Irish economy was, in general, weak, our portfolio of services – with a focus on electrical services and solutions – enabled us to capitalise on attractive opportunities in a number of markets including pharma, high-tec and data centres. Operations in Kazakhstan and Saudi Arabia – served from our Ireland base – were solid. A key milestone in 2013 was the integration of the Imtech companies operating in the UK market. Our position in the UK has been built up primarily through seven acquisitions in recent years and, to further strengthen our market offerings, we implemented a new organisation structure based on five core work streams: engineering service, technical maintenance, systems integration, infrastructure and international.

The new structure has simplified and clarified the organisation on the commercial side of our operations and makes the size, strength and capability of Imtech UK overall as well as each business unit clear to customers. We are confident that these changes will result in an organisation that is fit for future challenges.

## Key figures UK & Ireland (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	738.0	750.6
Operational EBITDA	30.7	44.6
Operational EBITDA margin	4.2%	5.9%
EBITDA	28.2	44.2
EBITDA margin	3.8%	5.9%
Order book	526.4	575.0
Order intake	673.7	–
Number of employees (as at 31 December)	3,396	3,598

Market developments

In general, markets were challenging in 2013 with some improvements becoming apparent in the fourth quarter. Low activity levels meant margins were under pressure as a consequence of fierce competition for projects.

We are continuing to monitor very closely opportunities for innovation and new market niches. An example of this is the development of energy contracting services, which we believe will offer attractive opportunities in the future UK market. During the year we also strengthened our mobile delivery of maintenance activities capability, which allowed us to enter the ‘distributed assets’ sector. This has enabled us to support retailers with large portfolios of property spread over a wide geographic area by taking over the mechanical, electrical and building maintenance of their network of stores. A new contract with Waterstones - covering nearly 300 stores - proves the added value of this proposition and fits within our strategy of aiming for larger long-term projects in technical maintenance.

Outlook

Although markets in general showed some signs of recovery towards the end of 2013, it is too early to be confident of a major economic recovery. We will respond to this outlook in the short term by aiming for solid organic growth in every work stream rather than focusing specifically on achieving an increased market share in any one of our current markets.



Project	London Legacy Development Corporation
Business unit	Imtech Engineering Services Central
Descr.	Transformation of former Olympic Stadium

Imtech is transforming the former Olympic stadium, within the Queen Elizabeth Olympic Park, into a high quality, multi-use facility for football and athletics and also concerts. Imtech’s scope involves upgrading the electrical and mechanical infrastructure, including HVAC, low voltage distribution, general, sports and emergency lighting and controls, small power, data, fire alarm and security systems.

# NORDIC

Imtech Nordic is one of the Scandinavian largest technical services providers. The focus was on Sweden and Norway until, following the acquisition of EMC Talotekniikka Oy at the beginning of 2013, Finland became our third home market in the Nordic region. In these markets we offer all the knowledge and capabilities that come with being a leading technical services company offering specialist competences. Our main services are in the areas of electric engineering, heating & cooling, plumbing and ventilation.

## Operational review

In 2013 our performance was adversely affected by the less than optimum integration of our business operations and weaker market conditions. Operational EBITDA amounted to 29.8 million euro due to weak project results in both Sweden and Finland, and some margin pressure in the market. Revenue increased to 892 million euro as a result of the acquisition of the Finnish company EMC in January 2013 with 102 million euro revenue. Order intake was in line with revenue and amounted to 888 million euro. The increase of the number of employees by 469 FTEs in 2013 is primarily the result of the acquisition of EMC.

To reap the maximum benefits from our large and small acquisitions in the Nordic region since 2008, in 2013 we began an integration programme aimed at improving our profitability. To increase our visibility, during the first half of the year all the companies started trading under the same brand name – Imtech Nordic. We restructured our business by closing unprofitable branches and integrating the remaining branches. This reduced our headcount by 143 FTEs at the end of the year. Other important components of the integration programme included streamlining operating processes by integrating back offices for finance, control, procurement and HR.

## Market developments

For the past few years the overall economy in the region has been weak, with hesitant investment behaviour, particularly in the buildings market which is an important part of our business. Despite reduced market volumes we have managed to stabilise our overall revenue. Margins have been under pressure due to fierce competition in markets with overcapacity.

Towards the end of 2013 the first signs of a market recovery became visible in Sweden and Finland. We expect the demand from the buildings market to pick up, but are uncertain about when it will happen. Our position in the air conditioning business remains very solid, as does our proposition to the care & cure segment.

## Outlook

The results of the integration programme are promising in terms of better market visibility, greater operational efficiency and faster back office processes as well as the optimum integration of our disciplines for more complex projects. All-in-all we expect the benefits of this investment to become visible in 2014.



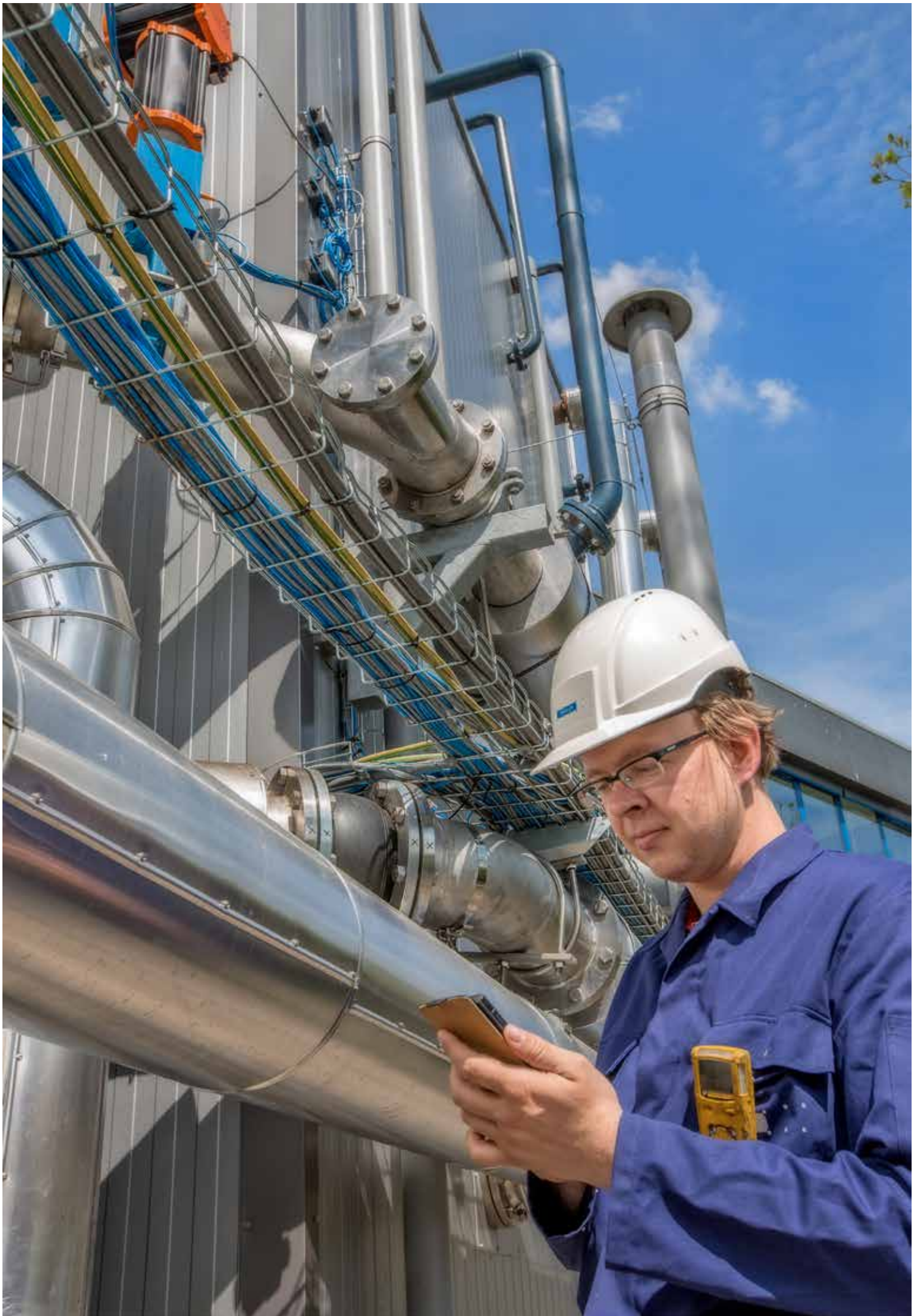
<b>Project</b>	Oslo Tunnel
<b>Business unit</b>	Imtech Spesialprosjekt (NOR)
<b>Descr.</b>	Fire Proofing Tunnel

It has been dubbed a mission impossible to fire proof the Oslo Tunnel, one of the oldest and busiest tunnel systems in the country. Following higher requirement on fire safety, the decision to improve fire safety, including the installation of new water piping has led to a contract for Imtech. Imtech is now underway to secure the tunnel which is the spine of the capital's train system.

## Key figures Nordic (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	891.6	804.9
Operational EBITDA	29.8	59.6
Operational EBITDA margin	3.3%	7.4%
EBITDA	25.0	60.4
EBITDA margin	2.8%	7.5%
Order book	822.1	760.7
Order intake	888.1	–
Number of employees (as at 31 December)	5,406	4,937





# SPAIN

Imtech Spain offers technical services in the industry and buildings markets. We integrate various technical disciplines in order to offer solutions for complex challenges. Our portfolio includes both work on new projects and maintenance services on existing objects. Besides offering our services in the Spanish market we also service the needs of Spanish customers in Morocco and Chile.

## Operational review

2013 was a challenging year, mainly as a consequence of the drastic economic downturn that continued to put pressure on our markets. The ongoing economic headwind forced us to streamline our activities to align our operations with the new economic reality. This resulted in a far reaching restructuring of our organisation and a loss of 249 FTEs.

Revenue decreased by 19% to 127 million euro due to challenging economic conditions in the markets for both

building projects as well as industry projects. Operational EBITDA was loss of 2.3 million euro as a result of fierce competition and delays in execution. Order intake in 2013 was in line with revenue, particularly driven by securing maintenance contracts at the end of the year. The number of employees decreased to 1,560 FTEs mainly as a result of the restructuring of our organisation.

The main reason behind the lower work volumes was the postponement of new projects in both the industrial and building segments. We are confident that in the coming years these markets will recover from their current bare minimum level and took this into account when considering the nature and impact of our restructuring efforts. The focus was on improving our cost base while keeping key capabilities and competences in place to safeguard the quality of our future offering. The restructuring involved reducing our network of branches in Spain while respecting regional differences in business and culture.

Although the fundamental aspects of our market offering and internal processes have proven to be up to standard in recent years, to maintain full control of operations we have further improved our risk management, tender processes, company culture and project governance. We have also emphasised the need for strict working capital management throughout the organisation. Despite the measures, we realised a relatively small negative operational EBITDA.

## Market developments

The financial crisis has had severe consequences for the building market in Spain. Across all the segments the market has decreased by 40% in the last couple of years, with the new-build projects segment being hit hardest. We believe the markets have now reached the bare minimum and, as a result, are faced with fierce competition and margin erosion. Market conditions



<b>Project</b>	Anfaplage (Four Season Hotel, Casablanca / Morocco)
<b>Business unit</b>	Imtech Projects (SP)
<b>Descr.</b>	Mechanical installations Four Season Hotel Casablanca

The new Four Season Hotel will be a new landmark in Casablanca. It will have 184 rooms, plus a beach club with swimming pool on the beach. The building will be part of the Anfaplace Living Resort, which occupies an area of 9.3 hectares and includes apartments, commercial areas, offices, entertainment and financial club. Imtech is responsible for mechanical installations: HVAC, sanitation and plumbing, ventilation, fire extinction and centralized control installations.

## Key figures Spain (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	126.9	156.1
Operational EBITDA	(2.3)	(0.8)
Operational EBITDA margin	(1.8%)	(0.5%)
EBITDA	(3.0)	(5.3)
EBITDA margin	(2.4%)	(3.4%)
Order book	190.8	203.0
Order intake	122.6	–
Number of employees (as at 31 December)	1,560	1,809



**Project** Cepsa  
**Business unit** Imtech Industry (SP)  
**Descr.** Integral maintenance contract Cepsa

Imtech is in charge of the mechanical, electrical and instrumentation maintenance for a five-year period, of the 'Guadarranque' chemical plant in San Roque (Cádiz), the high-pressure and low-pressure fuel plant in 'La Rábida' refinery in Palos de la Frontera (Huelva), and the chemical plant in Palos de la Frontera (Huelva). The project involves about 150 technicians/year.

for our building maintenance segment are slightly better. We have a good reputation for handling (technically) complex challenges and are convinced that this market offers opportunities. One of our key segments in this respect is the care & cure sector in which complexity and quality standards are high. Being a market leader in this segment we expect to be able to profit from future sector dynamics.

In the industrial market we offer both project execution and maintenance services. Our customer base includes large companies in the oil & gas, energy, steel and harbour infrastructure sectors. In these sectors the level of investment in new facilities has been low and the volume of work related to shut downs and regular maintenance has not increased. Our volume of work outside Spain – Morocco and Chile – showed attractive growth in 2013.

#### Outlook

Thanks to the implemented restructuring we are well positioned to meet the challenges of the new economic reality. We expect a slight improvement in demand in the industrial markets and a flat market in buildings. We will concentrate on extending our portfolio of maintenance contracts.

Imtech ICT supplies services to approximately 7,000 customers in the Netherlands, Germany, Austria, Sweden, Belgium, Switzerland, the UK and the Philippines. The major differences between the maturity of the IT landscape and the attitude towards innovative IT concepts necessitates tailor-made approaches in each of these markets. In every geographic region our market success is based on a combination of a deep understanding of the specific needs of our customers and sectors, and knowledge of and access to state-of-the-art products and solutions in the IT industry. We match the products of global technology leaders to the specific requirements of customers, regions or sectors. The result of our services is that customers can count on the smooth and reliable performance of their IT-solutions and infrastructures.

## Operational review

2013 resulted in double digit top line growth and satisfying profitability. Revenue amounted to 740 million euro, positively impacted by a number of one-off projects initiated by our main vendors at the

end of the year. Operational EBITDA was 36.9 million euro reflecting some margin pressure in some of our businesses. EBITDA amounted to 32.7 million euro as a result of some restructuring costs for streamlining the business. Order intake during the year was good and was above revenue. The number of employees ended slightly lower at 2,380 FTEs mainly as a result of improving our efficiency and streamlining the business.

Our partnerships with worldwide technology leaders such as Cisco, IBM, Microsoft, Juniper and SAP are a key factor of our business strategy. During 2013 we invested in further strengthening these long-standing relationships which give us a stable position within the Imtech group. Cooperation with these technology leaders has become more intense and has led to more joint initiatives.

Our business strategy is built on five key portfolio items: cloud solutions, managed services, business analysis, collaboration solutions and business solutions. In 2013 these focus areas, defined several years ago, still proved to be 'appropriate'. The findings of research into international IT trends indicate further growth in these areas and considerable potential for concepts such as Big Data, the unfolding Internet of Things and Cloud computing. We are well positioned to offer our customers reliable and high-quality solutions in this area. More and more customers are wanting to be unburdened when it comes to their applications and infrastructure and this fits seamlessly with our portfolio of services.

During 2013 we invested in operational excellence in all the countries in which we operate and further strengthened our finance, compliance and risk management processes. A relatively high employee turnover is normal in this business and ensures the continuous inflow of new knowledge. We realise that managing talent and retaining the best people is the key to our sustained success.



**Project** Spar (supermarkets)  
**Business unit** ICT Austria  
**Descr.** Big Data Solution for SPAR

Converting big data into business value in real time is one of the strategic priorities of SPAR – a leading food and non food retailer. Meeting this target, Imtech implemented the new SAP HANA in-memory architecture for SPAR's national and international business data warehouses. SPAR decided for an OPEX sourcing model with turnkey solution delivery and management of the HANA platform by Imtech for the period 2014 to 2018.

## Key figures ICT (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	740.1	667.0
Operational EBITDA	36.9	43.8
Operational EBITDA margin	5.0%	6.6%
EBITDA	32.7	43.8
EBITDA margin	4.4%	6.6%
Order book	218.8	186.1
Order intake	777.6	–
Number of employees (as at 31 December)	2,380	2,422





**Project** Municipality of Utrecht  
**Business unit** ICT Netherlands  
**Descr.** Innovative workplace concept city of Utrecht

The city Utrecht has commissioned Imtech the realization of an innovative workplace concept called 'U-Cloud'. Imtech is responsible for the design of the infrastructure, the implementation and overall management, responding to the highest demands on flexibility, availability and continuity. We offer a total solution for network, security, desktop technology and the data center infrastructure to realise this concept for 4000 users.

One of the initiatives to achieve this is to challenge our top talent intellectually by setting up strategy teams for each of the five focus areas. The mission of these teams is to keep our strategy up-to-date by closely monitoring developments in their focus area. These international teams meet on a regular basis and create valuable cross-border synergy within the group.

#### **Investigations in Fritz&Maczoi Switzerland**

At the beginning of 2014, we were confronted with allegations in the Swiss media of unethical business behavior by former management of our company Fritz & Maczoi in Switzerland. This company has annual revenue of approximately 25 million euro and employs 45 employees. Allegations include excessive gifts and entertainment in return for orders from clients in the Swiss public sector. We directly started extensive forensic investigations with external support from lawyers and accountants and we will fully cooperate with the Swiss authorities. These investigations are still ongoing.

#### **Market developments**

In 2013 the economic headwind and negative market sentiment resulted in difficult markets. The Dutch market was challenging and investment hesitant, the German market was more attractive and the UK market showed a significant recovery towards the end of the year.

Our geographical diversity mitigates the risks and is one of the reasons why Imtech ICT's business case continues to be both predictable and profitable. Although most of our key customers are medium-sized companies in various industries, the number of large-sized customers is increasing. There is a consistent market trend towards more managed services, which offers us potential for the coming years. From an international perspective, the Swedish IT market is seen as the front runner in IaaS (IT as a Service) and PaaS (Platform as a Service) and, therefore, continues to be an interesting market for us. Expertise in this field is shared actively within the organisation.

#### **Outlook**

Our strategy, aimed at the creation of high added value services and focused on recurring services and increasing internal knowledge sharing, has been successful in recent years. We are confident that this strategy will continue to pay off in the coming years.

# TRAFFIC & INFRA

Imtech Traffic & Infra is a leading traffic and infrastructure technology provider in Europe. We supply our services through a network of branches in our key markets: the Netherlands, Belgium, the United Kingdom, Finland, Sweden and a number of other countries. We design and build innovative and reliable integrated solutions that enhance our customers' domains. Global market knowledge, business and safety expertise combined with our technical solutions and our own unique products guarantee optimum results. Our key markets are: urban, inter-urban, rail, objects (tunnels, locks, traffic management centres), energy & high voltage, communication networks and parking. Our key services include advice & consultancy, design, engineering, execution, maintenance and asset management.

## Operational review

A combination of factors resulted in 2013 being an extraordinary year for Imtech Traffic & Infra. A large restructuring programme was completed and resulted in the loss of approximately 243 FTEs. The main objective of the restructuring was to create a sharper focus on high value propositions by ceasing non-strategic activities with lower complexity and correspondingly lower margins.

At the same time, some of our important markets remained under pressure. Our business is largely dependent on governmental budgets – our key customers include the Dutch Ministry of Infrastructure and Environment, the UK Highways Agency and Transport for London. Governmental budgets have been constrained in recent years, especially in the Netherlands. This resulted in lower activity levels. Our performance in the UK and Ireland and in the parking business was fairly good and Belgium also performed well thanks to some major project wins.



<b>Project</b>	Stedin
<b>Business unit</b>	Imtech Traffic & Infra Netherlands
<b>Descr.</b>	Network maintenance and inspections for Stedin

Network operator Stedin works with various contractors to carry out maintenance and inspections, resolve faults or construct new networks. Stedin awards these activities in the eastern section of the Province of Utrecht to Imtech. It is evidence of our chosen concept's quality and our professionalism. The arrival of new energy concepts will bring further market developments.

Altogether, revenue increased to 385 million euro and the operational EBITDA was positive, although EBITDA was a loss of 8.4 million euro due to substantial restructuring cost in the Netherlands. Order intake of 362 million euro was slightly below revenue. The number of employees decreased by 243 FTEs due to restructuring of the Dutch infra business in the first half-year.

## Market developments

We expect a slight recovery in the Netherlands in 2014 and are encouraged by the growth opportunities in the UK and Scandinavia.

Several important project wins are further evidence of the relevance of our solutions and the strength of our offering. One of these deserves special mention as it involves a new addition to our range of services: Network operator Stedin chose Imtech as its service provider. We will organise and carry out maintenance and inspections, resolve faults and construct new networks in a dedicated area of the Netherlands.

## Key figures Traffic & Infra (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	384.6	346.0
Operational EBITDA	12.0	11.6
Operational EBITDA margin	3.1%	3.4%
EBITDA	(8.4)	5.8
EBITDA margin	(2.2%)	1.7%
Order book	427.3	423.7
Order intake	361.5	–
Number of employees (as at 31 December)	2,072	2,315

We will continue pursuing opportunities in this area, such as the roll-out of smart meters in energy grids, and believe we can create value for our customers through the solid and efficient organisation of these complex operations.

Even more important, the underlying market foundations are strong. Technology will be a key factor in creating a sustainable society: a society that is far more efficient, safe, environmentally friendly and affordable for its residents. Imtech Traffic & Infra, together with its customers in the traffic and infrastructure domains, is helping to achieve this objective.

The smart use of data in connected systems will result in improved mobility. The business case for investment in these data driven traffic solutions is generally more favourable than for investment in extra roads. The potential of these solutions can put Imtech in an excellent position. Imtech offers a complete package of solutions ranging from traffic management to optimised roadside equipment and parking systems. The integration of data from different sources through innovative solutions results in optimised traffic flows and reduced CO<sub>2</sub> emissions and net travel time. One good example of the high-tec adaptive traffic management systems we have developed in-house is ImFlow. This system is the next step in real time traffic management. It reduces traffic jams and lost vehicle hours and offers options that include paying special attention to heavy goods vehicles ('eco driving') and the emergency services. Another example is ImCity, which fulfils the growing need for proactive city management through the integration of traffic and other data and can, for example,

guide traffic from both outside and within the city to available parking spaces. A third example is ImPark - a new approach to Parking Management Systems which offers car park operators a broad spectrum of new possibilities and functionality for optimising revenues, reducing operating costs and improving customer experience.

In 2013 we also introduced an Energy Regeneration Unit for the (light) rail market which can result in significant energy usage reduction. This very promising and innovative solution is easy to install, even within existing installations.

### Outlook

Based on the growth opportunities in some of our markets and our improved efficiency due to the reorganisation, we are good positioned to anticipate on market developments.



<b>Project</b>	Total / Antwerp
<b>Partner</b>	Joulz
<b>Business unit</b>	Imtech Traffic & Infra Belgium
<b>Descr.</b>	Two indoor high-voltage substations Total

Total is seeking to optimise its refinery in Antwerp and the new substations are needed to feed the planned improvement and expansion of the process units. Joulz and Imtech join forces in a consortium to build two high-voltage substations on the site. Imtech is responsible for the 36kV GIS, the constructional engineering and the building-based facilities.



# MARINE

Imtech Marine is active in the global maritime market, operating as a full-service provider and system integrator of tailor-made, innovative and sustainable technology solutions covering the whole ship. We specialise in automation, navigation, communication and connectivity solutions, propulsion systems, power generation and distribution, HVAC (heating, ventilation and air conditioning), ship motion control, information technology, AV entertainment and port services. We provide innovative systems and reliable maintenance services around the world and throughout the entire life of a ship. Our network of nearly 100 offices in 30 countries extends along the global shipping routes and close to shipbuilding centres. We serve customers in a variety of segments, including naval, cargo, offshore, cruise and yachts with total solutions based on the combination of systems and capabilities and service and maintenance via our network of offices.



**Project Partner** Royal Navy Netherlands  
Nevesbu and Verebus, Nedinsco, Technovia and the research institute TNO

**Business unit** Imtech Marine Netherlands

**Descr.** Multi-year contract modernisation of submarines

Imtech won a contract for the execution of the capability upkeep program Walrus-class submarines (IP-W) of the Royal Netherlands Navy to ensure that the submarines will remain effectively operational in service until at least 2025. The contract includes the mechanical, engineering and electrical upgrade works on board the submarines. The assignment will be carried out at the Naval base in Den Helder and will run until 2020.

## Operational review

Solving the problems in our Marine business reported earlier, which resulted in valuation allowances of approximately 25 million euro, was one of the major focal points for the newly installed management during 2013 and included constructive dialogues with our major customers to re-establish relationships.

In the second half of 2013 a new management team was appointed and decisive and consistent measures were taken to stabilise the company and regain the trust of our customers by working on their issues and claims and improving our performance. One important component was the adoption of a new organisation structure that ensures clearly divided processes for maintenance and services on the one hand, and projects in the new-build market on the other hand. This will allow for more focus, efficiency and customer orientation. Another component was a restructuring plan to bring our organisation and cost structure more in line with market conditions and secure the continuity of our company.

In total, 118 employees in the USA, Canada, Asia and Europe had to be made redundant. At the end of 2013 several performance improvement projects were started and, as a result of a strategic review of opportunities, we also decided to close down our Shanghai workshop.

In 2013 Imtech Marine experienced a decrease of 15% in revenue to 416 million euro, which resulted in operational EBITDA loss of 9.9 million euro. Due to restructuring costs and valuation allowances EBITDA loss amounted to 61.5 million euro. We are, however, confident that the measures we have taken will prove to be the building blocks for a strong company. This confidence is underpinned by the level of trust and cooperation we received from customers during our restructuring process and an order intake of 476 million euro (which is above revenue), greater project execution efficiency and customer focus.

## Key figures Marine (in millions of euro, unless otherwise indicated)

	2013	2012
Revenue and other income	415.9	491.7
Operational EBITDA	(9.9)	(0.5)
Operational EBITDA margin	(2.4%)	(0.1%)
EBITDA	(61.5)	(9.3)
EBITDA margin	(14.8%)	(1.9%)
Order book	814.5	814.3
Order intake	476.2	–
Number of employees (as at 31 December)	2,410	2,528



**Project** Heerema  
**Business unit** Imtech Marine Netherlands  
**Descr.** Technical partner for wind energy project HelWin2.

Imtech will provide the Offshore Wind Energy project HelWin2 with all Heating, Ventilation and Airconditioning. The platform connects a giant wind park cluster in the German part of the North Sea. The project is a sustainable development and we support this with innovative solutions. The work will be carried out in an close partnership with Heerema.

Some key fundamental aspects of our business remained strong. Our business in Turkey and the HVAC division performed well. Our service network grew to more than 100 offices through a service partnership in Australia, which has strengthened our unparalleled geographical service coverage.

#### Market developments

In general, four business trends influence our business:

- the development of the global economy. The growth of ocean going fleets is closely linked to trends in world trade and currently has resulted in overcapacity. Investment in the exploration and production of offshore energy facilities remains high;
- a focus on the total cost of ownership by customers offers opportunities for maintenance and remote monitoring & maintenance;
- the drive to innovate leads to demand for smarter ICT, automation and integrated solutions;
- regulations and growing awareness call for green solutions and safe working environments.

#### New-build

The luxury yacht business continues to be an attractive market. The cargo segment is an international business and in recent years has been adversely affected by overcapacity. This market is showing signs of a modest recovery. The naval segment is characterised by long lead times, high-end technology and complex decision making. Budget cuts have led to new-build plans being postponed. Demand for special vessels in the offshore industry is solid and closely related to the large investments in offshore energy facilities around the world. In general there is an increasing demand for hybrid vessels and systems. In Turkey the market is promising. The cruise market remains an attractive sphere of activity for Imtech Marine.

#### Services

Despite the competitive market conditions in the new-build market our revenue from service activities is increasing. We offer unparalleled service coverage in the major ports on every continent, the range of services offered by a number of our service centres has expanded and the early remote diagnosis and solution of technical problems we offers via our global technical service centres in Rotterdam, Houston and Singapore results in a more efficient exploitation of a ship. We support over 5,000 ships via managed services contracts. Signals of a recovery in the global economy lead us to anticipate increasing mileage in the cargo business which, in the coming years, will lead to increased maintenance work for ship owners aiming for uninterrupted operation in order to recover revenue.

#### Outlook

Our goal is to recapture a leading position in the global maritime market. The restructuring program 2013, decisive and consistent measures by the new management team together with a solid order intake is a platform for recovery in 2014 and bring Imtech Marine 'Back to the Top' in the coming years.

# CORPORATE SOCIAL RESPONSIBILITY

To Imtech, Corporate Social Responsibility (CSR) means helping to meet the world's growing economic, environmental and social needs in responsible ways. We do that by focusing on business related topics with which we can make a difference. This year, we have a separate sustainability report that accounts for the performance of our divisions on the non-financial issues (see website: [www.imtech.com/csr](http://www.imtech.com/csr)).

In 2013 we re-examined Imtech's entire CSR approach in order to further align it with our strategy and we identified our most relevant issues, based on a stakeholder dialogue, benchmark, media analysis and a risks-opportunities analysis. In our re-examination of the materiality of our topics, we discussed the financial impact of the topics on the business value drivers for our company with our management. We are looking for win-win situations, linking sustainability factors with value drivers. For instance, lowering energy consumption in our operations results in significant cost-saving opportunities and has a direct impact on our bottom line. This focus on the most financially relevant sustainability factors is essential, given our mission to become the preferred technology partner of our customers through delivering integrated technical and sustainable solutions, which assist our customers in reducing the total cost of ownership of their facilities.

Our sustainability approach has been discussed intensely with many stakeholders. Based on those discussions, we have reassessed and revised our topics, KPIs, results and targets so our CSR programme is now more suited to the current situation at Imtech. We have decided to focus first on implementing a reliable reporting process, supported by the entire group, that will ensure a solid basis for the further development of the topics.

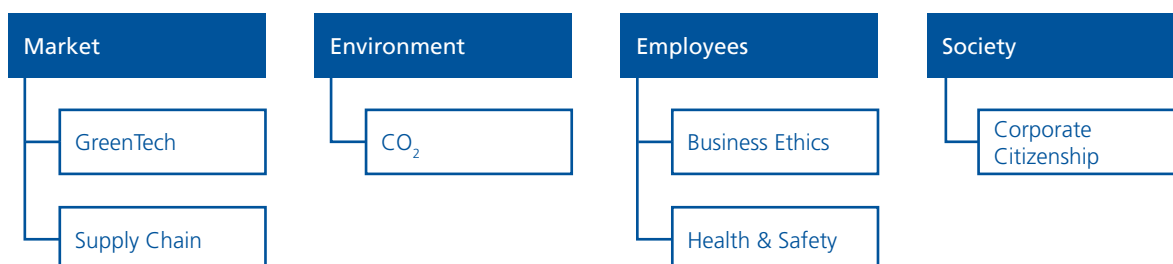
## CSR Mission

We are committed to deliver integrated technical solutions in a responsible manner for customers in our markets, the environment, our employees and the society in which we operate.

- **Market:** By developing and offering new, innovative solutions we help our customers achieve their sustainability goals. By introducing our Code of Sustainable Supply we influence the supply chain in which we are a link and contribute towards a responsible chain;
- **Environment:** By measuring our own CO<sub>2</sub> emissions we gain insight into the impact of our operations and can formulate realistic goals for reducing the negative effect on the environment;
- **Employees:** By facilitating a safe work environment and developing a proactive safety culture, we support our employees' health. And by introducing clear guidelines on ethical behaviour we create an open and transparent culture in which responsibility is accepted;
- **Society:** By communicating with our stakeholders we strengthen our corporate citizenship and maintain our social license to operate, and by offering our resources, such as expertise and technology, to society we are able to help solve social challenges.

## CSR Strategy

In line with Imtech's overall strategy in which operational excellence is one of the cornerstones, the CSR strategy is designed to ensure we obtain complete and reliable data about the non-financial topics we consider most critical for Imtech. We have defined four domains in which we want to create win-win situations: market, environment, employees, and society. In those domains



we have identified six topics, each with some key performance indicators that will enable us to measure our performance accurately and report these results. The CSR strategy has been developed at a corporate level in close cooperation with our divisions. Our divisions will be responsible for its implementation in their specific situation at a local level.

### CSR Ambition

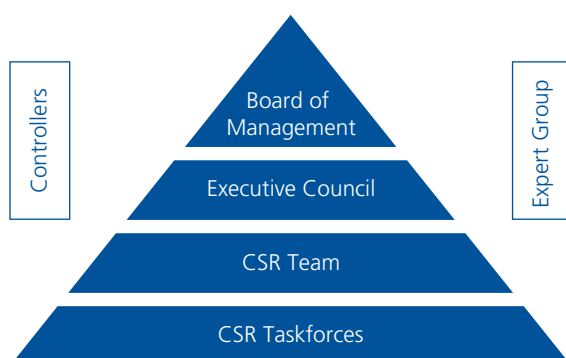
We aim to create win-win situations for the market, the environment, our employees and society by innovating and introducing solutions that help customers achieve their sustainability goals, preserve the environment and scarce resources, enhance our employees' well-being, engage stakeholders and support local initiatives that solve social challenges.

### CSR Responsibilities

The Board of Management is responsible for the sustainability targets and performance. A newly-appointed CSR Director reports to the CEO and works closely with the directors of the divisions (Executive Council) and Imtech's international CSR Team. Each division has appointed a senior manager as a contact person and a member of the international CSR Team. This team formed divisional taskforces which are responsible for collecting the required data. Once the data has been collected the controllers play an important role - they verify and validate the figures and results. In addition to the CSR Team there are various other international teams within Imtech that focus on Health & Safety, Human Resources, Communication, Control & Risk and Compliance and Procurement. Together with the Director Investor Relations they form the Expert Group that provides input for the sustainability topics.

### CSR Results, KPIs and targets

In 2013 we measured the key performance indicators of six topics. In the table on the next pages, you will find a summary of the topics, key performance indicators, results and targets. More information on the results and ambitions can be found in our sustainability report 2013.



## Summary of the CSR data 2013

CSR topics	KPIs 2013
<b>Market</b>	
<b>GreenTech</b>	Percentage of total revenue of our most material projects (in size and risks) with a GreenTech label. *
<b>Supply Chain</b>	<p>Percentage of cross-divisional framework contracts with a signed Code of Sustainable Supply (CoSS).</p> <p>Percentage of divisional framework contracts that include the Code of Sustainable Supply (CoSS).</p>
<b>Environment</b>	
<b>Carbon footprint (CO<sub>2</sub>)</b>	Total carbon footprint (kton / per FTE).
<b>Employees</b>	
<b>Business Ethics</b>	<p>Percentage of top management that participated in an integrity training programme.</p> <p>Number of reports relating to (alleged) violations of the code of conduct.</p> <p>Number of reports that lead to dismissal(s).</p>
<b>Health &amp; Safety</b>	<p>Number of fatal injuries.</p> <p>Number of Lost Time Injuries (LTI).</p> <p>Number of injuries not leading to absence.</p> <p>Severity Rate (SR).</p> <p>Injury Frequency index (IF).</p>
<b>Society</b>	
<b>Corporate Citizenship</b>	Number of community investment initiatives.

\* The figures of 2012 and 2013 are not comparable. In 2012 we estimated the GreenTech percentage of our total revenue by assessing partially collected data resulting in an extrapolated figure. In 2013 we redefined GreenTech and its criteria and we limited the scope to our most material projects (in size and risks) which are subject to the assessment of the Tender Board and are included in Imtech's Risk Management System.

	Results 2013	Results 2012	Strategic targets 2014 - 2015
	50%	30%	<ul style="list-style-type: none"> <li>■ 10% annual increase of GreenTech projects.</li> <li>■ Increase awareness of GreenTech solutions.</li> </ul>
	46.6%	36%	<ul style="list-style-type: none"> <li>■ Increase the percentage of cross-divisional framework contracts with signed Code of Sustainable Supply (CoSS) to 60%.</li> <li>■ Increase the percentage of divisional framework contracts that include the CoSS to 60%.</li> <li>■ Auditing suppliers that signed the CoSS.</li> <li>■ Publish an updated version of the CoSS in 2015.</li> </ul>
	35%		
	95.7 kton (3.7 ton per FTE)	103 kton (3.5 ton per FTE)	<ul style="list-style-type: none"> <li>■ 5% reduction of the CO<sub>2</sub> footprint per FTE compared to 2013.</li> </ul>
	100%		<ul style="list-style-type: none"> <li>■ 100% participation of employees in Imtech divisions in an integrity training programme.</li> <li>■ 100% roll out of the GRC programme in Imtech divisions.</li> </ul>
	29		
	7		
	0	1	<ul style="list-style-type: none"> <li>■ Implement and specify key targets in divisional H&amp;S plans.</li> <li>■ Gain insight in divisional actions and management systems.</li> <li>■ Structure the H&amp;S reporting process.</li> <li>■ Implement safety principles in GRC programme.</li> <li>■ Assess each division in 2014 (using our self-assessment tool).</li> <li>■ Share best-practises and progress on safety performance in 4 cross-divisional groups and meetings.</li> </ul>
	472		
	697		
	116.2		
■ Netherlands	3.4		
■ Belgium	24		
■ Luxembourg	26.4		
■ Germany & Eastern Europe	20.1		
■ UK & Ireland	2.9		
■ Nordic	11.2		
■ Spain	10.2		
■ ICT	0.2		
■ Traffic & Infra	5.9		
■ Marine	6.9		
	103		<ul style="list-style-type: none"> <li>■ Defining a stakeholder engagement strategy.</li> <li>■ Development of a new sponsoring approach.</li> <li>■ Development of a mechanism to share best-practices.</li> </ul>

# HUMAN RESOURCES

2013 was a turbulent year for many Imtech employees. Most of our divisions had to adapt to difficult market conditions in some areas of our business, which resulted in the loss of 2,300 jobs. In addition, the irregularities in some parts of our organisation that came to light at the beginning of 2013 and put our reputation under pressure, also affected our employees. During the year we further strengthened the HR-principles that form the basis of our HR policy, including mutual trust, personal development, leadership, the right people in the right place, employment conditions and work safety.

## Mutual trust

In line with this principle that promotes openness, respect, cooperation and the maxim 'agreed is agreed', we introduced the Integrity Training & Awareness programme on business ethics (page 55 'Risk Management'). The objective of this programme, which applies to all our employees, is to create a common understanding of the subject of integrity throughout the organisation, including the cultivation of knowledge and understanding of our corporate values and rules of conduct. It includes the introduction and implementation of the 'Governance, Risk & Compliance framework that will lead to a better management and control of our organisation in terms of behaviour, attitude and compliance with rules and procedures.

## Personal development

We believe that the personal growth of our employees leads to the growth of our company. One of the ways to empower our employees is through the project management programme. As, in general, Imtech is a project organisation, project management skills are key for its success. The increasing complexity of our projects, the associated risks and the strategic focus on operational excellence have resulted in an increased focus on the development of our project management skills. In 2013 we offered a training programme based on the principles

of the International Project Management Association (IPMA). The support and involvement of our senior management in this programme is crucial for the implementation of the newly-acquired skills.

## Leadership

One of Imtech's HR principles is the continuous improvement of its leadership. In 2013 not only was Imtech's complete Board of Management replaced and expanded from two to four members, but 60% of its senior management also changed. In addition, the Corporate staff was strengthened with new Directors of Governance, Risk & Compliance, Corporate Communication and CSR, Internal Audit and Corporate Finance.

In 2013 we continued our management trainee programme. This programme combines personal development, (technical) skills development and a good understanding of our organisation's structure and activities. A regular inflow of young management potentials with a good grasp of the business world is important to ensure our long-term continuity. In 2013 several divisions participated in this programme.

## The right people in the right place

Imtech is a people business, which means that its human capital is one of the most important aspects to be addressed. Job losses and restructuring plans in most divisions are bringing teams in-line with the market situation. The Board of Management plays an important role in top management appointments. The goal of Imtech's HR policy for executives (HR Executives Principles) is a clear and consistent process in respect of the career development of the members of the top management. This starts with the recruitment procedure and ends with dismissal procedures and includes clearly formulated do's and don'ts regarding the Board of Management, Executive Council members and HR.

## HR key figures

	2013	2012
Number of FTE's as at 31 December	26,168	28,022
Number of employees aged 30-44 (%)	39.6%	41.6%
Average age	40.7	41.1
Retention age	91.8%	92.0%
Average length of service per employee (in years)	8.3	9.4
Percentage of female employees	11.9%	11.5%
Average sick leave per employee (%)	3.3%	3.1%



### Employment conditions

Imtech has a focus on decentralised entrepreneurship with many responsibilities, duties and powers of authority being delegated to local management levels. Our employment conditions package is market-competitive and aimed at optimum individual performance and personal development. The divisions develop and implement their own strategies within the Corporate framework. Although the businesses are autonomous they have similar strategic and functional agendas. The group promotes and facilitates synergy across the businesses and coordinates and supports the business units' target setting. One important initiative implemented during 2013 was the development of a new remuneration programme for senior and top management that is in-line with the new reality within Imtech. To achieve more transparency the new system concentrates more on tangible results, with a sharp focus on cash conversion and EBITDA.

### European Works Council and representative bodies

The European Works Council and other representative bodies play an important role in Imtech's employment conditions. Every division has its own representative structure with forms of participation and consultation. To a great extent the local representative structures echo those of the European Works Council (EWC). The EWC's agenda is, to a degree, determined by the priorities of our various Councils and HSE and CSR policies. The Central Works Council (CWC) forms a natural bridge to the EWC. The central elections for the Works Council in the Netherlands will be organised in April 2014.

### Work safety

Employee Health and Safety (H&S) is a critical topic at Imtech and a top priority in our daily work. The target is zero fatalities and no incidents that harm people, or put our neighbours or facilities at risk. We want to become an organisation in which people take responsibility for their own and other's safety. In line with our strategic objectives of operational excellence, rebuilding our reputation and building for the future, in 2013 we reviewed our safety culture, set new goals and reassessed our H&S working method and approach.

### Health & Safety working method

The Board of Management is responsible for Health & Safety within Imtech. The directors of the divisions in the Executive Council (EC) are responsible for the achievement of the goals in the divisions. The HSS managers of the divisions (H&S Team) implement the goals in their divisional plans. The H&S Team meets three times a year to align tools and systems, share best practices and provide feedback on progress. In 2013, we reinforced the Health & Safety targets and we report on our performance in the sustainability report, available at our website: [www.imtech.com/csr](http://www.imtech.com/csr).

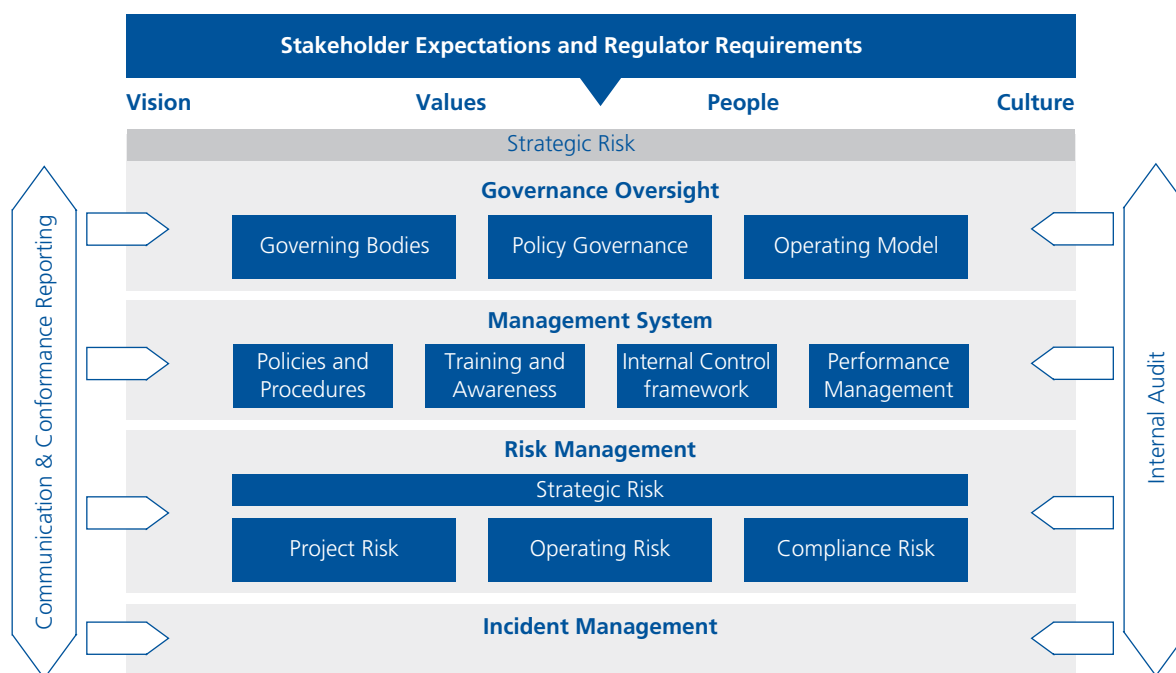
To improve our performance and develop a proactive safety culture the working method has been reinforced as follows:



### HR in 2014

2013 was a year of transition with several restructuring programmes being implemented. In 2014 we will reassess our HR principles, tools and approach so as to further strengthen human resource management within Imtech.

# GOVERNANCE, RISK & COMPLIANCE



Imtech has expanded rapidly during the past 10 years, driven by acquisitions. In 2013 Imtech's management concluded that its Governance, Risk & Compliance (GRC) framework was no longer in proportion with the size and complexity of its business. The discovery, in early 2013, of irregularities within Imtech also made it clear that Imtech's governance and business controls were not sufficiently effective. These are the reasons why Imtech has strengthened its GRC framework.

Imtech has defined the scope of GRC in its GRC framework as shown in the chart above.

The GRC framework reflects three levels: (1) the enhanced GRC approach required to fulfil Imtech's stakeholders' expectations and regulatory obligations, (2) the executive level that sets Imtech's strategy and aligns Imtech's vision, values, people and culture, and (3) the GRC organisation within Imtech, which is based on the following principles:

- **Governance Oversight:** sets the structure for the ongoing operation of the governance framework and provides the hierarchy for reporting and monitoring in line with Imtech's decentralised management model;

- **Management System:** embeds the governance principles into day-to-day business activities by setting clear and simple policies that support training activities, the quality of business controls and performance requirements;
- **Risk Management:** sets the organisation's risk acceptance levels in respect of strategic, project, operating and compliance risks and aligns behaviour with Imtech's strategy and expectations; and
- **Incident Management:** prevents and deters misconduct within the organisation by supporting the appropriate reporting of and timely and adequate handling of all matters that may cause harm or damage to the organisation's reputation.

Furthermore, these GRC principles are completed by Internal Audit, which enables independent assurance on defined objectives, risks and controls, communication and conformance reporting, which focuses on monitoring the progress of GRC at the organization, including taking corrective actions if necessary.

During 2013 these areas were clearly defined and covered in implementation plans drawn-up for the group and each of the divisions. Significant progress in various areas was made in 2013 and further implementations will be effected in 2014. During 2013, being a transitional year, our GRC framework has not yet been at the desired level.

An important element of the enhancement of the GRC framework is the identification of its core values. Imtech has taken and will continue to take the necessary actions to direct Imtech's culture towards a right mix of integrity, loyalty and critical thinking.

### **Integrity**

Imtech sets great store by being a true and trustworthy partner and carries out its activities in a responsible manner that protects the interests of everyone involved with Imtech, as well as public interests. We expect all our employees to treat each other and our customers, business partners (suppliers, intermediaries, subcontractors, etc.) and competitors fairly, respect their rights and be truthful in their business dealings.

### **Loyalty**

Every employee has a duty to act in the best interests of Imtech and its stakeholders. Imtech's Code is a statement of legal and ethical principles that is applicable to every situation in which business is conducted on behalf of Imtech. Imtech strives to create customer loyalty by acting honestly at all times. We strive for relationships with customers and third parties that are built on the fundamental conditions of cooperation and long-term vision.

### **Critical thinking**

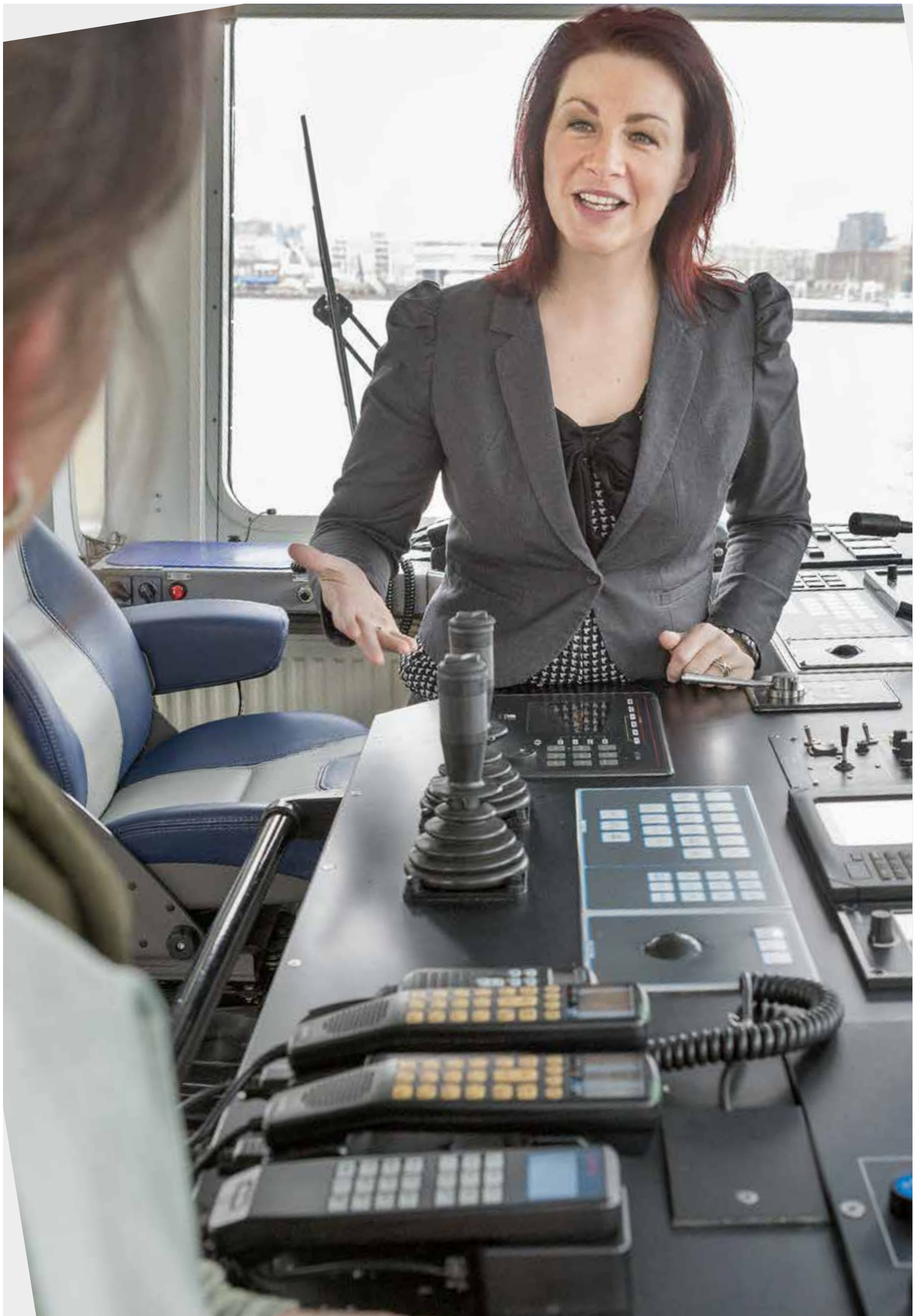
An attitude of constructive criticism towards each other should be a component of our focus on integrity, loyalty and quality, which should consistently be assessed and enhanced. We encourage and respect critical thinking and the voicing of any criticisms or concerns from all levels within Imtech.

These core values are reflected in the Code of Conduct, which was revised in 2013. It is intended to help every employee understand and follow relevant compliance and integrity rules and know when and where to ask for advice or report a breach of the Code of Conduct (see also the revised Whistleblower).

Creating a new culture is not a quick fix and requires permanent attention of top management (tone at the top) as well as open discussion on dilemmas. In addition Imtech has extended its policy framework with amongst others an anti-bribery and corruption policy and revised competition policy.

These new policies are available on the company's public website: [www.imtech.com/corporategovernance](http://www.imtech.com/corporategovernance).

Intensive training programmes for Imtech employees on these topics is set up and being rolled out together with strong support by the Board of Management and leading by example.



## GOVERNANCE



Imtech is a large company (under a mitigated regime in accordance with Article 155 of Book 2 of the Dutch Civil Code). Imtech is managed by a Board of Management ('BoM') under the supervision of a Supervisory Board ('SB') (a so-called two-tier management structure) and also has a Central Works Council ('CWC') and a Annual General Meeting of Shareholders ('AGM').

The objectives of Corporate Governance are good business practices (honest and transparent dealings by the management) and good supervision of (and accountability for) this management. The Dutch Corporate Governance Code is applicable to Imtech and is formulated in principles and best practices, which Imtech fully endorses. The principles and best practices of the Code have been implemented in regulations, Articles of Association, charters and other rules and codes and have been made public via this Annual Report, the CSR Report, the Remuneration Report and the website.

### Board of Management

The Board of Management ('BoM') is entrusted with managing and representing Imtech. The BoM is responsible for the achievement of the targets, strategy (with related risk profile), financing, development of the results and Corporate Social Responsibility. The BoM is also responsible for the internal risk management and control systems related to business activities and for compliance with all relevant legislation and regulations.

It has specified its responsibilities, composition, and working method within the BoM in the Board of Management Charter. The BoM submits all relevant information to the SB and/or its Committees in good time and is accountable to the SB and the AGM. In accordance with the Articles of Association, certain decisions of the BoM are subject to the approval of the SB and the AGM. The areas requiring approval by the SB were expanded in 2013.

The BoM notifies the SB and/or its Committees of the main lines of the strategic policy, the general and financial risks and the internal risk management and control systems. The BoM submits to the SB for approval:

- the operational and financial targets;
- the strategy for achieving these targets;
- the parameters to be applied in executing the strategy, for example in respect of the financial ratios;
- the relevant aspects of Corporate Social Responsibility.

The internal risk management and control instruments applied by Imtech are:

- risk analyses of the financial and operational targets;
- guidelines for the preparation of financial reports and for the procedures to be followed;
- a monitoring and reporting system;
- a Code of Conduct with various policies, including a whistleblower policy.



The BoM determines, with the approval of the SB, which portion of the profit will be reserved. The remaining profit is at the disposal of the AGM. The dividend policy is to distribute 40% of the net profit excluding exceptional items to shareholders and, depending on the choice of the shareholder, to make this dividend available in either ordinary shares or cash charged to the reserves.

By virtue of its designation by the AGM, the BoM, with the approval of the SB, is authorised to issue ordinary and/or financing preference shares and to limit or exclude the shareholders' preferential subscription rights (10% of the issued shares plus an additional 10% relating to an acquisition). By virtue of its authorisation by the AGM the BoM is also authorised to purchase Imtech shares. This designation and/or authorisation is requested from the AGM for the therein specified number of shares for a period of eighteen months. The BoM is authorised to sell the purchased Imtech shares, with the prior approval of the SB.

Pursuant to the Articles of Association the BoM may not, without the prior approval of the SB, participate in the capital of other companies, or invest in enduring manufacturing tools and real estate, if that participation or investment involves an amount of exceeding 10 million euro.

An amendment of the Articles of Association which obliges the BoM to obtain the prior approval of the SB before accepting projects of a nature and size to be specified by the SB was approved by the Annual General Meeting (AGM) of 28 June 2013. Further limitations may be applicable in accordance with Imtech's authorisation schedule. Other BoM decisions subject to the approval of the SB are listed in Article 164 paragraph 1 of Book 2 of the Dutch Civil Code. Rules have been introduced governing the functioning of the BoM in the Board of Management Charter (see website).

### **Supervisory Board**

The task of the SB is to supervise the management of the BoM and the general course of business within Imtech with regard to the design and efficiency of the internal risk management and control systems, risks inherent to the business activities and compliance with laws, regulations and internal rules from a Governance Risk & Compliance (GRC) function perspective.

The SB also advises the BoM. The SB members perform their tasks with the interests of Imtech and its

stakeholders in mind, including the Corporate Social Responsibility aspects relevant for Imtech.

The standard topics discussed within the Supervisory Board were: (i) the forecasted and actual operational and financial progress compared to the budget and other targets, (ii) next year's budget, (iii) strategy and market development, (iv) internal control and risk control, (v) management development, organisational structure and the functioning and remuneration of the Board of Management, (vi) relevant social aspects of business operations, (vii) Corporate Social Responsibility and (viii) the Supervisory Board's composition, profile and own functioning.

The SB draws up a profile that includes its composition and size taking into account the nature of Imtech, its activities and the desired expertise and background of the SB's members. The SB strives for a diverse composition including in respect of its members' age and gender (see also below in 'Appointment and remuneration of members of the SB'). The SB discusses the profile and every amendment to the profile with the AGM and with the CWC. The profile can be found on Imtech's website ([www.imtech.com](http://www.imtech.com)). The function summary of the SB is included on page 20 of this Annual Report.

The SB has formed four committees from amongst its members - an Audit Committee, an HR & Remuneration Committee, a Governance & Nomination Committee and a Past Events Committee (introduced in 2013) - and has specified the division of tasks and working method of the SB and its committees in charters (which were updated in 2013 to better reflect the respective committee's functions). Each Committee has a delegated authority. It advises the SB in respect of certain parts of its stipulated tasks and prepares the relevant decision making of the SB. The charters can be found on Imtech's website.

The Audit Committee focuses specifically on internal risk management and control systems, the internal audit process and the supervision of compliance with relevant legislation and regulations. The tasks of the Audit Committee are the supervision of:

- financial reporting and procedures;
- the policy in respect of tax planning;
- corporate financing;
- the application of information and communication technology;
- the functioning of internal risk management and control systems;



- the internal and external audit process, including compliance with recommendations and the following-up of remarks;
- the functioning and independence of the external auditor; and
- compliance with legislation and regulations and the functioning of internal guidelines.

The tasks of the HR & Remuneration Committee are:

- the BoM remuneration policy, including:
  - the share scheme for the BoM;
  - the performance criteria and their application;
  - the amount of the fixed and variable salary and the number of shares to be awarded;
  - the amount of pension rights, redundancy schemes and other remuneration; and
  - the Remuneration Report (see website).
- to review the terms of employment and total compensation of employees directly reporting to the BoM and certain other specified employees;
- to periodically evaluate the functioning of the training programmes for employees to encourage a high level of awareness of Imtech's rules and regulations and the need for strict compliance, and to stimulate an appropriate company culture within Imtech; and
- annual review and specification of the targets for the variable income (both short-term and long-term) of each member of the BoM.

Via the HR & Remuneration Committee the SB is advised by an external advisor regarding changes in market conditions with respect to all salary components. This advisor does not advise the BoM on the remuneration of its members.

The tasks of the Governance & Nomination Committee are:

- the selection criteria and nomination procedures in respect of the SB and BoM members;
- the profile, size and composition of the SB and BoM and the regular evaluation of the size and composition of the SB and BoM;
- the functioning of the SB and BoM members and the regular evaluation of this functioning;
- to agree employment conditions with respect to individual supervisory and managing directors;
- to review plans for the development, retention and succession of SB and BoM members and to submit proposals for (re)appointments of SB and BoM members; and

- supervision of the policy in respect of the selection criteria and appointment procedures for higher management.

The Past Events Committee advises the SB regarding its tasks and prepares the SB's decision-making process in respect of the actions Imtech has taken and may take in order to reduce Imtech's risk profile. During 2013 certain events, including fraudulent actions, came to light which have had a serious financial impact on Imtech and its stakeholders.

These events are described in the Report to Imtech's shareholders, which was published on 18 June 2013 ('Report to Shareholders'). In order to limit the financial and operational impact of these events as much as possible and to avoid such events reoccurring in the future, the tasks of the Past Events Committee are to:

- monitor and periodically evaluate the (results of the) corrective actions and remedial actions taken in respect of, but not limited to, Imtech's strategy, business model and governance;
- periodically evaluate whether additional actions should be taken in order to reduce Imtech's current and future risk profile; and
- evaluate the best practices and practical do's and don'ts rolled-out by the BoM throughout Imtech.

#### **External auditor**

The SB appoints an external auditor to audit the financial statements proposed by the BoM, report on these financial statements and issue an independent auditor's report (unless the AGM has made such an appointment). The appointment may be withdrawn at any time by the AGM. The Audit Committee and the BoM report to the SB on the functioning of the external auditor and his independence on an annual basis. At least once every four years the Audit Committee and the BoM assess the performance of the external auditor and report the main conclusions of their findings to the AGM.

#### **Appointment of members of the Board of Management**

The SB specifies the number of BoM members. The BoM members are (re)appointed and dismissed by the AGM. A BoM member is appointed for a period of four years and may, in principle, be reappointed. The (re)appointment takes place on the basis of a binding recommendation by the SB, following the advice of the Governance & Nomination Committee. The AGM can reject the binding recommendation by an absolute

majority of the votes cast, if such majority represents at least one third of the issued share capital.

#### Updates to the Board of Management in 2013

1 January	Mr. G.J.A. van de Aast	Appointed as member of the BoM by AGM in 2012
8 February	Mr. B.R.I.M. Gerner	Stepped down as CFO
11 February	Mr. J. Turkesteen	Appointed as CFO
27 February	Mr. G.J.A. van de Aast	Appointed ad Chairman of the BoM (CEO) by SB
	Mr. R.J.A. van der Bruggen	Stepped down as CEO
28 June	Mr. J. Turkesteen	Appointed as member of the BoM by AGM
16 September	Mr. P.C. van Gelder	Appointed as member of BoM
8 October	Mr F.N.E. Colman	Appointed as member of BoM per 8 October by EGM

#### Remuneration of members of the Board of Management

The BoM remuneration policy and amendments to this policy are proposed by the SB, adopted by the AGM and made available to the CWC for inspection. The remuneration of individual BoM members (including the awarding of shares) is determined by the SB within the framework of the remuneration policy and on the recommendation of the HR & Remuneration Committee. The Remuneration Report comprises a report of the manner in which the remuneration policy has been implemented in the preceding financial year and a summary of the remuneration policy the SB intends applying in the coming and subsequent years.

The most important conditions of the service agreements with the current members of the BoM, Mr. Van de Aast, Mr. Turkesteen, Mr. Van Gelder and Mr. Colman, are published on Imtech's website. In compliance with the Dutch Corporate Governance Code and the introduction of claw back legislation, the service agreements contain provisions related to claw back and public offering consequences.

In 2013 the HR & Remuneration Committee concluded that it was necessary to reassess Imtech's remuneration policy as adopted by the AGM on 7 April 2009 and align it with Imtech's revised strategy as described above, with special attention being paid to the operational performance of the business in general and project management, working capital management and cash generation in particular. Upon recommendation of the HR & Remuneration Committee the SB proposed amendments to the remuneration policy during the AGM held on 28 June 2013. The AGM approved the following

main salary components of the remuneration policy for the members of the BoM.

The base salary of the members of the BoM is set at around the median level of the reference market for directors of large Dutch companies. The base salary of the CEO is 750,000 euro per year and the base salary of the CFO is 600,000 euro. The other members of the BoM receive a base salary of 550,000 euro.

The variable short-term income of the members of the BoM is established on the basis of a combination of the achievement of the groups' financial objectives and personal goals. Achievement of the short-term targets is rewarded by an annual cash bonus. The amount of the variable income depends on the achievement of targets specified in advance and can, if achieved ('at target') add 135% to the base salary of the CEO and 100% to the base salary of the other members of the BoM. Around 40% of the targets for the members of the BoM are focused on the short-term (one year) and approximately 60% on the long-term (three years). The short-term variable income targets are in the areas of EBITA growth (40%), cash conversion (30%) and personal goals (30%).

In accordance with the share scheme approved in the Extraordinary General Meeting of Shareholders (EGM) held on 10 December 2012, the members of the BoM receive a long-term incentive (performance period of three years) through the conditional awarding of shares. The 'at target' level of the long-term incentive is 80% of the base management fee for the CEO and 60% for the other members of the BoM. The long-term variable income targets are in the areas of cash conversion (40%) and Total Shareholder Return (TSR) compared with a peer group (60%). The TSR number is calculated on the basis of the average ranking over three years of the annual share price increase plus dividends paid by comparable companies. The peer group comprises the companies in the Midkap index of NYSE Euronext Amsterdam.

The HR & Remuneration Committee evaluates the degree to which targets have been met and advises the SB regarding the number of shares to be awarded unconditionally. For this purpose performance is calculated as the average performance over three annual periods.

The HR & Remuneration Committee may, per target, deviate from the variable income in cash or shares set for 'at target' (100%). For excellent performance the variable income may amount to a maximum of 150% of the 'at target' amount of cash or number of shares. This percentage may be reduced to zero for non-achievement of the targets. The measurement method is based on a sliding scale within a graduated classification.

Lastly, the members of the BoM also receive general fringe benefits.

The SB paid specific and ample attention to the organisational structure and the succession planning for senior management. The SB also evaluated the functioning of the BoM in the absence of the BoM.

#### **Appointment and remuneration of members of the Supervisory Board**

The SB members are nominated by the SB on the basis of the profile and appointed by the AGM. Nominations are announced to the AGM and the CWC. The AGM and (for one-third of the number of members of the SB) the CWC may recommend to the SB persons to be nominated for membership of the SB. The AGM may

reject a nomination with a qualified majority of the votes cast if such majority represents at least one-third of the issued share capital. A SB member resigns after a term of four years and may, in principle, be reappointed. A SB member may not be a member of the SB for longer than twelve years. The remuneration of SB members is proposed by the SB and adopted by the AGM.

At the end of the AGM held on 28 June 2013 Mr. R.J.M. van der Meer retired from the SB. At the end of the EGM held on 2 August 2013 Mr. A.H. van Tooren and Mr. E.A. van Amerongen also retired from the SB. Earlier on in 2013 Imtech was shocked by the sudden and sad decease Mr. A. Baan, who was an appreciated member of the SB since 2008. We would like to thank Mr. Van der Meer, Mr. Van Tooren and Mr. Van Amerongen for their many years of service and, in particular, for their efforts during the turbulent first half of 2013.

During the EGM held on 2 August 2013 Mr. C.J.A. van Lede and Mr. F.J.G.M. Cremers were appointed as members of the SB. The SB appointed Mr. Van Lede as the new Chairman of the SB.

Mr. Cremers was appointed Vice-chairman of the SB and Chairman of the Audit Committee. The SB intends to elect Mr. Cremers Chairman of the SB following the departure of Mr. Van Lede as Chairman of the SB after the AGM to be held in 2015.

During the AGM on 28 June 2013 shareholders were informed (i) that there would be at a minimum two vacancies in the SB during the AGM in 2014 and (ii) that the AGM and the CWC have the right to recommend persons for appointment as member of the SB. The SB nominates Mr. B. van der Veer, Ms. M.E. van Lier Lels (upon the recommendation of the CWC) and Mr. J.J. Beeton for appointment as a supervisory director in the AGM to be held in 2014. These nominations are supported by the CWC.

The composition of the SB is such that the combination of experience, expertise and independence of its members satisfies the requirements laid down in its profile and enables the SB to properly and effectively carry out its duties vis-à-vis Imtech and its stakeholders.

All the members of the SB are independent of Imtech in accordance with the Dutch Civil Code.

The remuneration of the SB as of 2 August 2013 was adjusted during the EGM held on 2 October 2013.

### Conflict of interest

Each BoM member is required to immediately report any potential conflict of interest to the Chairman of the SB and to the other BoM members and provide them with all relevant information. Each SB member is required to immediately report any potential conflict of interest to the Chairman of the SB and to provide him with all relevant information. The Chairman determines whether there is a conflict of interest. If a SB member or BoM member has a conflict of interest with the company, this member may not participate in the discussion and/or decision-making process in respect of subjects or transactions relating to the conflict of interest.

In 2013, there have been no transactions involving a conflict of interest of members of the BoM or SB. No loans, advances or guarantees have been provided to the members of the BoM or SB.

### Annual General Meeting (AGM)

The powers of the AGM are stipulated in legislation and Articles of Association and can be summarised as follows:

- approval of a major change to the identity or character of Imtech or its business;
- appointment and dismissal of BoM members;
- adoption of the BoM remuneration policy;
- approval of the BoM share scheme;
- appointment of SB members;
- motion of no confidence in the SB;
- adoption of Imtech's financial statements;
- approval of the profit appropriation (insofar as this is at the disposal of the AGM);
- approval of the dividend proposal; and
- approval of decisions to amend the Articles of Association or dissolve Imtech.

The following are also discussed with the AGM:

- the BoM remuneration policy;
- Imtech's Annual Report;
- changes to the reserves and dividend policy;
- changes to the SB profile;
- changes to the Corporate Governance structure.

At least one Annual General Meeting ('AGM') is convened each year. Extraordinary General Meetings ('EGM') are convened as often as the SB or BoM deems necessary. The BoM and SB provide the AGM/EGM with all the information requested, unless this would be seriously detrimental to Imtech's interests.

A decision to amend the Articles of Association or to dissolve Imtech may only be taken by the AGM if it is proposed by the BoM with the approval of the SB.

### Shares

Imtech's authorised capital comprises registered shares divided into ordinary shares, convertible cumulative financing preference shares and cumulative preference shares. Each share entitles the holder to cast one vote. Regarding financing preference shares voting rights may be based on the actual value of the capital contribution in case this value deviates from the stock quotation of ordinary shares at time of issuance. The subscribed capital consists of ordinary shares that are fully paid-up and that are traded via the giro-based securities transfer system. In addition, in 2013 financing preference shares were issued that are fully paid up. Following approval in the EGM held on 8 October 2013, such shares became convertible. No preference shares are outstanding. The shares Imtech holds in its own capital do not count when calculating the amount to be distributed on shares or the attendance at a AGM and are non-voting shares. Please see page 162 for result appropriation and the dividend proposal.

### Share scheme, purchase of shares

Imtech operates a share scheme whereby ordinary shares are being awarded conditionally to members of the BoM and senior management (see above). Each year the SB determines, on the recommendation of the HR & Remuneration Committee and in accordance with the remuneration policy, the number of shares to be awarded to each member of the BoM conditionally, the related long-term targets, and upon achievement of such long-term targets, such number of shares unconditionally vesting.

Similarly, shares are awarded conditionally to senior management at the discretion of the BoM with the approval of the SB with regard to the total number of shares. As announced last year, the share scheme replaces the stock option plan for senior management, which Imtech operated up to 2012. Any remaining rights there under will be settled in accordance with their terms.

To hedge the obligations arising from options granted (fully) and shares awarded conditionally (at target) Imtech purchases shares.

### Rules regarding inside information

Within Imtech rules regarding the reporting and regulation of transactions in Imtech securities (and possibly other so designated securities) are applicable for the SB, BoM, Executive Council and other designated persons (including corporate employees, the management of the large operating companies and a number of permanent consultants).

### Stichting Imtech

Imtech has granted Stichting Imtech (the 'Stichting') an option on cumulative preference shares in its share capital (currently up to a maximum of 180 million), with the provision that it may only take cumulative preference shares up to a total number equal to the total number of all ordinary shares and convertible cumulative financing preference shares outstanding at the time the option right is exercised. Imtech has also notified the Stichting that it is willing, in principle and by agreement, to grant the Stichting the right to instigate an enquiry, as understood in Article 345 of Book 2 of the Dutch Civil Code, when the occasion arises should this, in the opinion of both parties, be desirable or imperative in the context of the Stichting's objectives.

The Stichting is a separate foundation that functions independently of Imtech. The Stichting's objectives are to act in the interests of Imtech in such a manner that these interests are secured as far as possible and to avert as far as possible influences contrary to such interests that could impair Imtech's continuity or independence. The option can be exercised if, at the exclusive discretion of the Stichting: (i) the independence or continuity of Imtech is threatened; or (ii) an (impending) action by one or more people is (or could be) contrary to the interests of Imtech, including its (other) shareholders, employees and/or other stakeholders. In such instances the option of taking preference shares may be utilised. At the discretion of the Stichting such instances do not necessarily have to be limited to a hostile takeover. Imtech will not endeavour to use the preference shares to expand its financing sources.

If it has taken up its full option the Stichting may cast a maximum of 50% of the votes in a shareholders' meeting, assuming the total issued share capital is represented. The Stichting must deposit 25% of the nominal amount on subscription of preference shares, for which it has a credit facility at its disposal. In addition, within two years of the shares being subscribed a

proposal to withdraw the preference shares must be put before the AGM.

In accordance with Article 24.3 of Imtech's Articles of Association, the Stichting, as the holder of preference shares, is entitled to a primary dividend to enable it to pay its interest obligations to the bank. If and to the extent that the profit is insufficient to pay out this primary dividend the shortfall may be paid out of the reserves and/or future profit.

In the year under review no preference shares were outstanding with the Stichting. The Stichting's Board comprises Messrs. J.H. Holsboer (Chairman), M.P. Nieuwe Weme and D.D.P. Bosscher.

### Accountability Code

In 2013 Imtech applied the principles and best practices of the Code with the exception of the following deviations:

Although the SB strives for a diverse composition in order to achieve the desired balanced composition, including in terms of gender and age, the profile of the SB may deviate in this respect from Clause III.3.1. The required expertise and experience, as well as the availability of the right candidates, are decisive when proposing candidates for (re)appointment. As a result, although Imtech pays close attention to gender diversity in the profiles of new BoM and SB members in accordance with Article 2:166 section 2 of the Dutch Civil Code, Imtech does not strictly follow the recommendation for an explicit target on gender diversity and has not yet formulated concrete targets in this respect.

No self-assessment of the functioning of the SB and its committees was carried out in 2013. It is anticipated that the annual self-assessment will be reinstated in 2014.

### Corporate Governance declaration

This declaration is included pursuant to Article 2a of the Decree regarding further stipulations for the content of Annual Reports dated 1 January 2010 (the 'Decree'). For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree please see the relevant sections of this Annual Report. The following should be understood to be inserts to and repetitions of these statements:

- the shareholders' equity structure of Imtech (pages 128 and 162);
- Compliance with the provisions and best practice principles of the Code (see above);

- the most important characteristics of the management and control systems in connection;
- with Imtech's financial reporting process (see above);
- the functioning of the AGM and its primary authorities and the rights of shareholders and how they can be exercised (see above);
- the composition and functioning of the BoM (see above as well as page 21 'Function summary Supervisory Board and Board of Management');
- the composition and functioning of the SB and its Committees (see above as well as page 20 'Function summary Supervisory Board and Board of Management');
- the regulations regarding the appointment and replacement of BoM members and SB members (pages 59 and 61);
- the regulations related to amendment of Imtech's Articles of Association (see above);
- the authorisation of BoM members or SB members in respect of the issue or purchase of shares (see above);
- the change of control stipulations in major contracts (see above and page 26 and page 67 'Operational risks');
- transactions with related parties (pages 147 and 148 'Related parties').

### **Governance Risk & Compliance function**

During 2013 the GRC function was strengthened significantly.

The BoM's operational GRC responsibility is delegated to the Director GRC. The Director GRC is responsible for Risk Management, Internal Audit and Compliance at group level.

### **Internal Audit**

The establishment of an Internal Audit Department ('IAD') was one of the initiatives taken after the events reported by Imtech early 2013.

The objective of the IAD is to provide independent objective assurance services in order to add value to and improve Imtech's operations.

It monitors compliance with Imtech's policies, standards and procedures, and applicable laws and regulations.

It also conducts reviews, including the valuation of work in progress and overdue receivables. When instructed to do so by the BoM, the Audit Committee or the Ethics Committee the IAD carries out ad hoc special-purpose assignments.

During the year under review the IAD conducted a number of reviews regarding valuation of work in progress and carried out various ad-hoc special-purpose assignments including following up (suspected) breaches of the Code of Conduct.

### **Ethics Committee**

The Ethics Committee facilitates the enforcement of the Code of Conduct and other compliance activities and also focuses on critical compliance and ethics misconduct. When suspected misconduct is reported to the Ethics Committee, the investigation is conducted under its guidance.

The Ethics Committee is chaired by the Director GRC and comprises senior executives (at minimum: Corporate Secretary and Head of Internal Audit).

### **Risk Council**

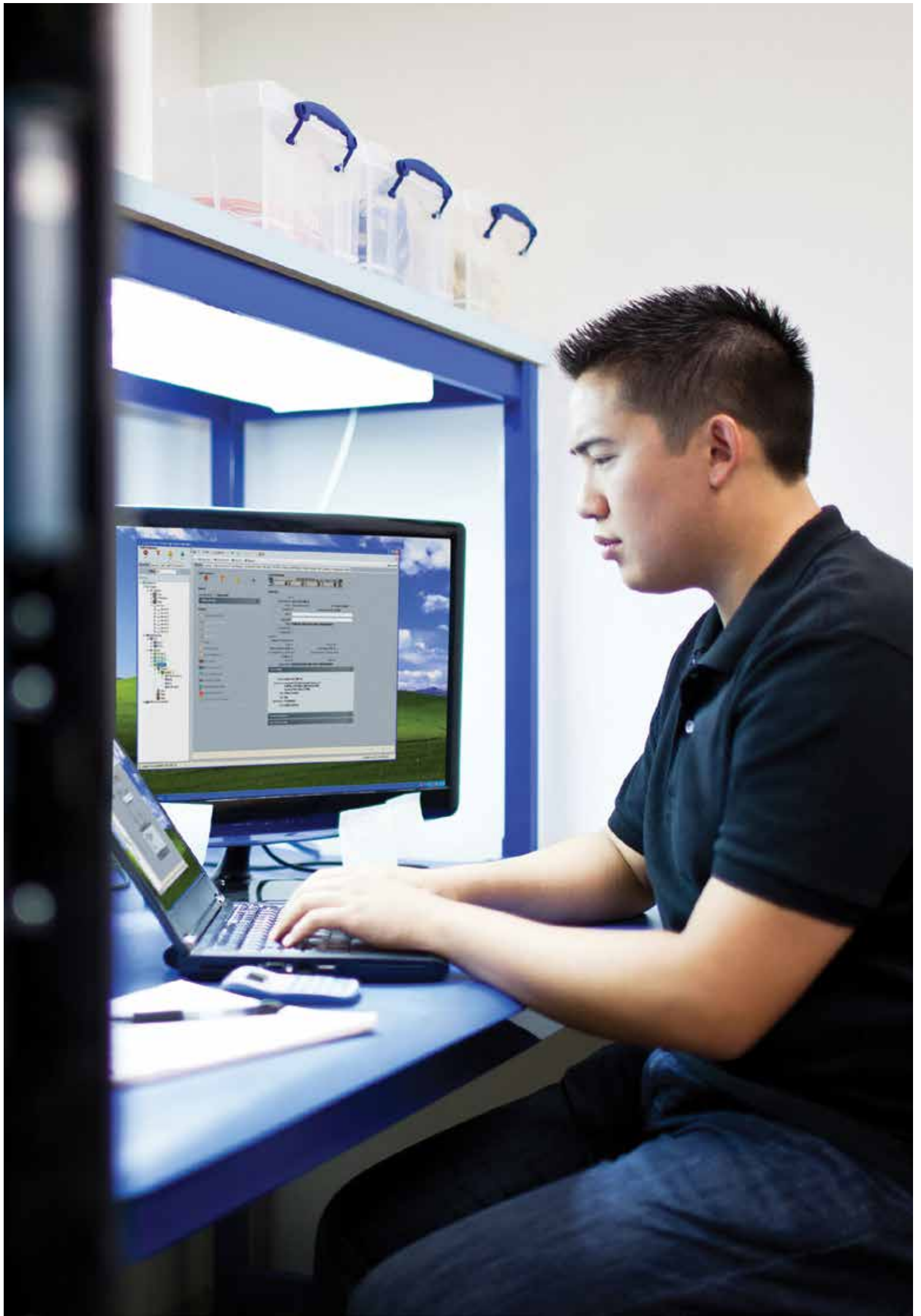
The Risk Council coordinates and aligns Imtech's risk management with its common practices. The Risk Council evaluates the Risk Management Process and discusses the interpretation of the Risk Management Policy, Division Risk Manuals and related Risk Management procedures as and when necessary.

The Risk Council is chaired by the Director GRC and comprises the group Risk Managers and division Risk Managers. The Risk Council meets on a regular basis.

### **Tender Review Board**

The Tender Review Board oversees the tender procedures for new projects and approves projects above a certain contract value as defined in the authorisation schedule. In principle, all projects with a value of over 15 million euro are subject to review by the Tender Review Board. The Tender Review Board at group level includes a BoM member and the Director GRC.





## RISK

The developments related primarily to Poland and Germany that are explained in depth in our Report to Shareholders dated 18 June 2013 led us to the conclusion that strengthening the quality and effectiveness of our business controls was necessary. Subsequent findings in the Benelux, Spain and Turkey confirmed this conclusion.

Our group has achieved robust growth in recent years mainly driven by acquisitions. But although our systems and procedures for risk management and internal reviews of projects by our group risk managers were revised and improved, they did not keep up with this growth. As a result, a discrepancy arose which raised our risk profile. The situation was exacerbated by our involvement in more and more large and/or complex projects and the increased frequency of contractual risk sharing, which meant the risks we (were forced) took grew in both number and size.

### Risk identification & measures

This section describes a selection of the risks that have been identified and for which mitigating measures and controls have been and are being established as part of the company's Governance Risk & Control (GRC) practices.

However diligently the risk identification process is conducted, risk, by definition, involves uncertainty - expectation and reality are not always the same.

Imtech's GRC framework, established and developed in 2013, has led to short-term improvements and laid the foundations for a mature risk management policy and practice.

Building on past experience, the company's risk management and internal controls specifically target project related risks as well as financial control and reporting.

### Operational risks

#### Monitoring

Imtech operates a system of regular internal reporting and a budgetary cycle that follows standard procedures and detailed guidelines. The financial reports are evaluated centrally and compared with the approved budgets. Forecasts are checked quarterly and, where necessary, adjusted. There are standard procedures for investments and disposals and also for the evaluation and approval of acquisitions.

The implementation and use of certain internal control systems in the various companies is investigated on the basis of risk analysis. The findings are discussed with the relevant companies and, when necessary, improvements are made. The follow-up of these improvements is reported by the companies and paid particular attention to by the Board of Management during regional visits.

### Business-continuity risks

On 27 February 2013 Imtech announced the following measures:

- reinforcement of shareholders' equity through a 500 million euro rights issue;
- a revision of the formulated revenue and margin targets for 2015;
- more stringent operational implementation of the business processes with a special focus on project management, working capital and cash generation;
- no acquisitions until 2015;
- reinforcement of the quality and effectiveness of the business controls through a more stringent authorisation schedule, tighter management and monitoring of larger projects and the strengthening of the financial function and reporting;
- revision of the management targets and the related variable income component in order to bring these in line with the new priorities and strategy;
- strengthening of the Board of Management's operational role by expanding the number of members.

These measures were set in motion and, to a large extent, completed in 2013. External expertise is being used to further strengthen our business controls through the GRC programme.

### Project Management risks

The Project Risk Management system focuses on measures to mitigate risks or the consequences of risks. This Project Risk Management system will continue to be used, and will be applied more stringently, during the period of transition to the new, higher, standard of risk management and business controls that are a component of the new GRC framework.

Imtech follows a pro-active project risk management policy aimed at ensuring the proper functioning of risk management and internal control systems.

The responsibility for risk management rests with the Board of Management.

The objective is to estimate, and as far as possible control, the major risks to which the group is or could be exposed, to facilitate the reliable achievement of operational and financial goals and to ensure compliance with applicable legislation and regulations.

Such systems can neither provide absolute assurance that our objectives will be attained, nor entirely prevent material errors, loss, fraud and contraventions of legislation and regulations. Such systems do highlight which (potential) risks are present so that control measures can be implemented. Both the central and decentralised risk managers are members of the Risk Council which, on the basis of the priorities determined by the Executive Council, formulates the risk policy. The objective is to meet the central risk management objectives while reinforcing the decentralised risk management function in order to embed risk awareness at a low level in the organisation.

The number of larger and more complex projects in the form of performance contracts and DBMF-orders (Design, Build, Maintain and Finance - via third parties - in various combinations) in the market is increasing. As a result we are increasingly taking over responsibilities from customers. This type of project, which is generally carried out as a participant in a construction consortium or other form of cooperation, has a higher risk profile and is more complex in legal terms than traditional specification-based projects. Some contracts also include so-called change of control clauses. Our Risk, Legal and Insurance departments work together at a decentralised level with the ultimate aim being an integral risk management approach based on 'Enterprise Risk Management'. This way of working, which in 2013 was enforced in every division and operating company, will mean all the project risks we could face are specified clearly and are taken into consideration when deciding whether or not to accept a project.

At a group (holding) level our risk management includes specific Corporate Guidelines including a stepped authorisation schedule.

All projects with an order value higher than 4 million euro, or that are located geographically outside the country in which the Imtech company concerned is based, or that involve a partnership with third parties, or that have an extra high risk profile (complex projects or special contracts), must be registered centrally.

Projects that meet certain criteria require prior approval by the BoM (> 15 million euro) and in certain instances also the SB (> 75 million euro). As indicated above, this procedure was reinforced with additional measures in 2013.

Our decentralised risk management approach to operational risks is based on a web application (Riskmaster®) and a special risk analysis method (GRIP®), both of which were developed in-house. Our divisions and companies use these methods to compile their own risk assessments. This enables us to carry out bid reviews, draw-up clear risk assessments covering a range of aspects including the customer, contract, project location, design, technology, materials, price structure, timescale, safety and cooperation, and implement risk mitigation plans. The Risk Council supports this process and, in consultation with (divisional) lawyers, proposal managers and/or contract managers, evaluates the risk management measures. All large project contracts are also examined during the tender phase and specifications are subjected to further risk analysis. Once a project has been awarded the risk plan should be checked regularly using 'early warning' systems and project reviews/audits. When a project is large or complex a Contract Manager is added to the project management team.

### **Safety, health and environmental risks**

The aim of our HSE (Health, Safety and Environment) policy, see page 53, is to ensure all our employees and any involved third parties are properly protected so that the risks of job-related accidents, and claims that might arise from such accidents, are limited.

### **Financial and reporting risks**

#### **Liquidity risk**

We strive to limit our liquidity risk by ensuring that adequate credit facilities and bank guarantee facilities are available to support our operational activities. See 'Financial result 2013' on pages 24 – 26.

#### **Market risks**

Doing business involves risks, which are not the same for all the markets in which we are active. Our combination of technologies, our geographical spread and our presence in diverse markets and product/market segments make us less dependent on fluctuating market conditions. Market risks include economic, political and social risks.

### **Pension risks**

For most of our employees, pension plans are based on defined contribution schemes. The pension provisions for most of our activities, including since 2012 the supplementary pension scheme for Dutch higher and middle management, are placed with industrial pension funds and insurance companies. There is no legal or constructive obligation for the group to pay further contributions in case the pension fund or insurance company fails to maintain a certain level of assets for pension benefits. The pension risks for these schemes are limited and, depending on the specific arrangements, will only consist of increased levels of pension premiums.

Defined benefit plans are applicable for groups of employees in the Netherlands, Germany, Belgium, Sweden, Norway, Austria, Switzerland and Turkey. A (conditional) indexing of pension payments is applicable for some plans. With respect to the defined benefit plans, performance, interest movements and longevity risks could have an impact on the results of the group and its financial position. Around 75% of the net defined liability relates to plans in Germany which are self-administered. These plans have a duration of on average 15 years and are no longer open for new employees.

To the extent possible, Imtech is transferring defined benefit to defined contribution schemes by either transfers and by admitting new employees to defined contribution plans only.

### **Debtor risk**

As we serve around 24,000 customers varying from large to small, our debtor risk is very widely spread. To reduce the individual debtor risk we use various banking products (bank guarantees, letters of credit, etc.) and advance payments. In certain cases credit information supplied by specialist institutions helps us to better assess debtor risks.

### **Currency exchange rate risk**

Currency exchange rate risks play a limited role because our cash flows are predominantly in euro, the British pound and the Swedish kroner. Currency exchange rate risks arising from the purchase or sale of materials abroad are hedged through forward foreign exchange contracts. The amount involved is several tens of millions of euro. It is our policy to reduce currency translation risks by financing our foreign subsidiaries - where possible - in local currency.

### **Interest risks**

The objective of our interest rate coverage policy is to hedge at least 50% of the interest rate profile of our net debt position as at 31 December. To this end we use interest rate swaps with terms that correspond as far as possible with the terms of the (bank) credit facilities.

### **Legal and compliance risks**

#### **Compliance risks**

All our employees are regulated by the new Code of Conduct and related policies and during 2013 we were not the subject of any substantial fines and/or sanctions related to non-compliance in the context of fraud, antitrust, environmental legislation, etc. During 2013 29 incident reports were received (some of them submitted under the Whistleblower's regulation). These reports have been investigated and dealt with. The increase in number of incidents in comparison to previous years demonstrates the positive development towards a speak-up culture.

### **Risk finance**

#### **Corporate insurance**

Towards the end of 2013 the corporate insurance function was added to Imtech's Governance Risk & Control framework. The mission of corporate insurance is to ensure that the balance sheet and profit and loss account of Royal Imtech N.V. and its subsidiaries are protected by the most efficient and cost-effective risk financing programme.

In 2013 Imtech's insurance protection was based on a mix of centrally managed master policies and local insurance policies. Imtech's strives for comprehensive coverage aligned with the risk profiles of the group, the divisions and local entities, taking into account the wide range of specific activities.

The insurance programmes target risk transfer to insurers above working deductibles at a level where further self-insurance would not lead to significant premium discounts.

## INTERNAL CONTROL FRAMEWORK

Operating companies and business units carry out self-assessments using web-based questionnaires and an analysis model based on the COSO Enterprise Risk Management Integrated Framework. During 2013 a revised Internal Control Framework that focuses key controls on the accuracy and reliability of the financial reporting was developed and implemented.

The self-assessments are analysed by group Control and discussed with the Board of Management. The findings are then discussed with the divisional management and used to improve the risk management process. To check the quality of the self-assessments they are reviewed on a regular basis by an independent advisor.

The main lines of the internal control, self-assessments and reviews, as well as the proposed measures and follow-up to these measures, are discussed and evaluated regularly with the Audit Committee in the presence of the auditor. The Supervisory Board is kept informed. In view of the events that have come to light it is clear that our risk management and internal control systems had not functioned at an adequate level. Shortcomings in project control, oversight and culture have been determined. As of early February 2013, the Board of Management has initiated various corrective actions with the support of external expert advisors. These actions have been discussed with the Audit Committee and the Supervisory Board. The Board of Management has significantly increased its control over the group and further increases are envisaged in order to achieve a level of control appropriate for the size and risk profile of our company.

Following indications of possible irregularities in early February 2013, the Board of Management, in close consultation with the Supervisory Board, ordered various investigations by external experts (legal, forensic, financial and tax). These experts focused mainly on Poland and Germany. Our overall priority was to produce reliable financial information for the 2012 financial statements.

To ensure the reliability of the financial information we also conducted thorough investigations in the other countries in which we operate, including the Netherlands, the UK & Ireland, Spain, Turkey, Sweden and Austria. These actions were carried out by our internal auditor, other Imtech employees and staff loaned from a reputable accounting firm. The investigations included a process during which the responsible general and financial management were given a one-time-only opportunity to confess any irregularities of which they were aware. The regime of close monitoring and controls continued throughout 2013 to ensure the financial information with respect to 2013 would be reliable. Where necessary we conducted additional investigations.

Taking the above into account, the Board of Management is of the opinion that, to the best of its knowledge, the above actions and investigations provide a reasonable degree of assurance that the financial statements for 2013 are free of material misstatements.

## STATEMENT OF THE BOARD OF MANAGEMENT

In accordance with Article 5:25c paragraph 2 sub c of the Financial Supervision Act, we confirm that, to the best of our knowledge,

1. the financial statements in this Annual Report 2013 give a true and fair view of our assets and liabilities, our financial position as at 31 December 2013, and the results of our consolidated operations for the financial year 2013; and
2. the Report of the Board of Management includes a fair review of the position as at 31 December 2013 and the development and performance during the financial year 2013 of Royal Imtech N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Royal Imtech N.V. faces.

Gouda, 17 March 2014

Board of Management

# FINANCIAL GLOSSARY

## **Adjusted earnings per share**

Adjusted net result divided by the weighted average number of ordinary shares outstanding during the period.

## **Adjusted net result**

Net result for shareholders before amortisation and impairment on intangible assets.

## **Basic earnings per share**

Net result for shareholders divided by the weighted average number of ordinary shares outstanding during the period.

## **Capital employed**

Non-current assets plus working capital plus assets held for sale.

## **Capital expenditure (Capex)**

Sum of expenditure on property, plant, and equipment, and other intangible assets (e.g. software and technology). Part of cash flow from investing activities.

## **Cash conversion**

Operating cash flow divided by EBITA.

## **Diluted earnings per share**

Net result for shareholders divided by the weighted average number of ordinary shares outstanding during the period, diluted. Ordinary shares with dilutive potential arise from share-based payment arrangements.

## **EBIT**

See operating result.

## **EBITA**

EBITA is operating result plus amortisation and impairment on intangible assets.

## **EBITDA**

EBITDA is EBITA plus depreciation on property, plant and equipment.

## **EBITDA margin**

EBITDA as a percentage of total revenue.

## **EBITDA growth**

Growth of EBITDA over a period with respect to the previous comparable period (including the impact of organic growth, acquisitions and divestments of operations, discontinued operations and, where applicable, currency effects).

## **Interest coverage**

Calculated as the ratio between operational EBIT and net interest result (including net change in fair value of cash flow hedges transferred from equity). In the loan documentation, this ratio will be included as covenant from 31 December 2016 onwards.

## **Leverage ratio**

Net interest-bearing debt plus restricted cash divided by operational EBITDA. In the loan documentation, this ratio will be included as covenant from 31 December 2016 onwards.

## **Net interest-bearing debt**

Sum of loans, borrowings and bank overdrafts minus derivatives at fair value, payment in kind reserve, contingent considerations (deferred acquisition payments) and cash and cash equivalents.

## **Net interest result**

Interest received or receivable from third parties (interest income) less interest paid or due to third parties (interest expense).

## **Net result**

Result for the period

## **Net result for shareholders**

Result for the period attributable to the holders of ordinary shares of Royal Imtech N.V.





### **Non-operational items**

Non-operational items relate to expenses arising that, given their size or nature, are clearly distinct from the ordinary activities of Imtech, such as restructuring costs, acquisition expenses, some refinancing costs, write offs legacy items, and results from divestments of operations.

### **Operating result**

Result from operating activities.

### **Operating cash flow**

Operational EBITDA plus or minus operational movements in working capital minus capex and plus or minus changes to operational provisions and accruals.

### **Operational EBIT**

EBIT adjusted for non-operational items in EBIT.

### **Operational EBITDA**

EBITDA adjusted for non-operational items in EBITDA.

### **Operational EBITDA margin**

Operational EBITDA as a percentage of total revenue.

### **Solvency**

Total equity as a percentage of the balance sheet total (total non-current assets plus total current assets).

### **Working capital**

Current assets, excluding cash and cash equivalents and assets held for sale, less current liabilities, excluding bank overdrafts, loans and borrowings, provisions and liabilities held for sale.



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## **FINANCIAL STATEMENTS**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euro

	2013	2012 <sup>1</sup>
<b>Continuing operations</b>		
Revenue	4,936.3	5,336.3
Other income	8.6	18.6
<b>5, 7 Total revenue and other income</b>	<b>4,944.9</b>	<b>5,354.9</b>
Raw and auxiliary materials and trade goods	1,815.9	1,820.8
Work by third parties and other external expenses	1,166.7	1,312.7
<b>8 Personnel expenses</b>	<b>1,772.0</b>	<b>1,707.8</b>
<b>14 Depreciation of property, plant and equipment</b>	<b>40.5</b>	<b>39.6</b>
<b>15 Amortisation of intangible assets</b>	<b>56.1</b>	<b>37.4</b>
<b>14, 15 Impairment property, plant and equipment and intangible assets</b>	<b>28.8</b>	<b>23.3</b>
<b>9 Other expenses</b>	<b>614.2</b>	<b>587.9</b>
Total operating expenses	5,494.2	5,529.5
<b>Result from operating activities</b>	<b>(549.3)</b>	<b>(174.6)</b>
Finance income	20.2	20.0
Finance expenses	(125.2)	(82.0)
<b>10 Net finance result</b>	<b>(105.0)</b>	<b>(62.0)</b>
<b>16 Share in results of associates, joint ventures and other investments (net of tax)</b>	<b>(5.7)</b>	<b>2.8</b>
<b>Result before income tax</b>	<b>(660.0)</b>	<b>(233.8)</b>
<b>11 Income tax expense</b>	<b>20.4</b>	<b>(1.8)</b>
<b>Result from continuing operations</b>	<b>(639.6)</b>	<b>(235.6)</b>
<b>Discontinued operations</b>		
<b>13 Result from discontinued operations (net of tax)</b>	<b>(57.0)</b>	<b>(4.9)</b>
<b>Result for the year</b>	<b>(696.6)</b>	<b>(240.5)</b>
Attributable to:		
Shareholders of Royal Imtech N.V. (net result)	(701.2)	(247.2)
Non-controlling interests	4.6	6.7
<b>Result for the year</b>	<b>(696.6)</b>	<b>(240.5)</b>
<b>Basic earnings per share from continuing and discontinued operations</b>		
<b>24 From continuing operations (euro)</b>	<b>(2.15)</b>	<b>(1.26)</b>
<b>24 From discontinued operations (euro)</b>	<b>(0.19)</b>	<b>(0.03)</b>
<b>From result attributable to shareholders of Royal Imtech N.V. (euro)</b>	<b>(2.34)</b>	<b>(1.29)</b>
<b>Diluted earnings per share from continuing and discontinued operations</b>		
<b>24 From continuing operations (euro)</b>	<b>(2.15)</b>	<b>(1.26)</b>
<b>24 From discontinued operations (euro)</b>	<b>(0.19)</b>	<b>(0.03)</b>
<b>From result attributable to shareholders of Royal Imtech N.V. (euro)</b>	<b>(2.34)</b>	<b>(1.29)</b>

<sup>1</sup> Restated, see note 3.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*In millions of euro*

	2013	2012 <sup>1</sup>
<b>Result for the year</b>	<b>(696.6)</b>	<b>(240.5)</b>
<b>Other comprehensive income</b>		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit liability	6.3	(56.4)
Related tax	<u>(1.6)</u>	<u>15.8</u>
	4.7	(40.6)
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences – foreign operations	(9.8)	17.1
Foreign currency translation differences – non-controlling interests	(0.4)	(0.2)
Net result on hedge of net investment in foreign operations	–	(8.3)
Effective portion of changes in the fair value of cash flow hedges	6.9	(7.0)
Net change in fair value of cash flow hedges reclassified to profit or loss	1.4	5.2
Related tax	<u>(2.1)</u>	<u>(2.9)</u>
<b>Other comprehensive income for the year, net of tax</b>	<b><u>(4.0)</u></b>	<b><u>3.9</u></b>
<b>Total comprehensive income for the year</b>	<b>(695.9)</b>	<b>(277.2)</b>
Attributable to:		
Shareholders of Royal Imtech N.V.	(700.1)	(283.7)
Non-controlling interests	<u>4.2</u>	<u>6.5</u>
<b>Total comprehensive income for the year</b>	<b>(695.9)</b>	<b>(277.2)</b>

<sup>1</sup> Restated, see note 3.

## CONSOLIDATED BALANCE SHEET

In millions of euro

	31 December 2013	31 December 2012 <sup>1</sup>	1 January 2012 <sup>1</sup>
<b>Assets</b>			
14 Property, plant and equipment	161.0	170.8	192.4
15 Goodwill	1,032.8	1,081.6	998.0
15 Other intangible assets	149.0	218.1	189.5
16 Investments in associated companies and joint ventures	2.5	3.7	2.0
17 Non-current receivables and other investments	21.9	28.8	24.8
18 Deferred tax assets	19.9	34.0	11.8
<b>Total non-current assets</b>	<b>1,387.1</b>	<b>1,537.0</b>	<b>1,418.5</b>
19 Inventories	72.8	80.0	75.5
20 Due from customers	443.9	572.8	604.1
21 Trade receivables	859.3	1,132.1	1,141.9
21 Other receivables	134.0	190.5	130.4
12 Income tax receivables	8.9	13.3	5.4
22 Cash and cash equivalents	296.4	385.1	425.8
	<b>1,815.3</b>	<b>2,373.8</b>	<b>2,383.1</b>
13 Assets held for sale	79.9	27.6	–
<b>Total current assets</b>	<b>1,895.2</b>	<b>2,401.4</b>	<b>2,383.1</b>
<b>Total assets</b>	<b>3,282.3</b>	<b>3,938.4</b>	<b>3,801.6</b>

<sup>1</sup> Restated, see note 3.



## CONSOLIDATED BALANCE SHEET

In millions of euro

	31 December 2013	31 December 2012 <sup>1</sup>	1 January 2012 <sup>1</sup>
<b>Equity</b>			
Share capital	373.8	75.2	74.2
Share premium reserve	397.1	208.6	209.6
Other reserves	234.9	478.2	459.9
Unappropriated result	(701.2)	(247.2)	95.8
<b>23 Equity attributable to shareholders of Royal Imtech N.V.</b>	<b>304.6</b>	<b>514.8</b>	<b>839.5</b>
Non-controlling interests	8.7	9.7	6.3
<b>Total equity</b>	<b>313.3</b>	<b>524.5</b>	<b>845.8</b>
<b>Liabilities</b>			
<b>25 Loans and borrowings</b>	<b>907.3</b>	<b>42.7</b>	<b>680.3</b>
<b>26 Employee benefits</b>	<b>207.1</b>	<b>209.8</b>	<b>139.7</b>
<b>27 Provisions</b>	<b>35.8</b>	<b>13.0</b>	<b>8.1</b>
<b>18 Deferred tax liabilities</b>	<b>45.9</b>	<b>62.9</b>	<b>75.7</b>
<b>Total non-current liabilities</b>	<b>1,196.1</b>	<b>328.4</b>	<b>903.8</b>
<b>22 Bank overdrafts</b>	<b>106.2</b>	<b>314.3</b>	<b>214.3</b>
<b>25 Loans and borrowings</b>	<b>39.7</b>	<b>825.9</b>	<b>110.1</b>
<b>20 Due to customers</b>	<b>275.2</b>	<b>308.0</b>	<b>297.8</b>
<b>28 Trade payables</b>	<b>756.5</b>	<b>890.8</b>	<b>846.6</b>
<b>28 Other payables</b>	<b>476.4</b>	<b>652.9</b>	<b>541.6</b>
<b>12 Income tax payables</b>	<b>20.3</b>	<b>30.8</b>	<b>33.5</b>
<b>27 Provisions</b>	<b>38.8</b>	<b>37.7</b>	<b>8.1</b>
	<b>1,713.1</b>	<b>3,060.4</b>	<b>2,052.0</b>
<b>13 Liabilities held for sale</b>	<b>59.8</b>	<b>25.1</b>	<b>–</b>
<b>Total current liabilities</b>	<b>1,772.9</b>	<b>3,085.5</b>	<b>2,052.0</b>
<b>Total liabilities</b>	<b>2,969.0</b>	<b>3,413.9</b>	<b>2,955.8</b>
<b>Total equity and liabilities</b>	<b>3,282.3</b>	<b>3,938.4</b>	<b>3,801.6</b>

<sup>1</sup> Restated, see note 3.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euro

	Attributable to shareholders of Royal Imtech N.V.									
	Share capital	Share premium-reserve	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappropriated result	Total	Non-controlling interests	Total equity
As at 1 January 2012, as previously reported	74.2	209.6	(1.6)	(5.6)	(88.8)	533.2	95.8	816.8	6.3	823.1
Impact of change in accounting policy	—	—	—	—	—	22.7	—	22.7	—	22.7
Restated as at 1 January 2012	74.2	209.6	(1.6)	(5.6)	(88.8)	555.9	95.8	839.5	6.3	845.8
<b>Total comprehensive income for the year (restated)</b>										
Appropriation of result	—	—	—	—	—	64.1	(64.1)	—	—	—
Result for the year	—	—	—	—	—	—	(247.2)	(247.2)	6.7	(240.5)
Total other comprehensive income	—	—	8.9	(4.8)	—	(40.6)	—	(36.5)	(0.2)	(36.7)
Total comprehensive income for the year (restated)	—	—	8.9	(4.8)	—	23.5	(311.3)	(283.7)	6.5	(277.2)
<b>Transactions with owners of the Company, recognised directly in equity</b>										
<b>Contributions by and distributions to owners of the Company</b>										
Dividends to shareholders	1.0	(1.0)	—	—	—	—	(31.7)	(31.7)	(2.5)	(34.2)
Repurchase of own shares	—	—	—	—	(24.7)	—	—	(24.7)	—	(24.7)
Share options exercised	—	—	—	—	10.5	—	—	10.5	—	10.5
Share-based payments	—	—	—	—	1.9	3.9	—	5.8	—	5.8
Total contributions by and distributions to owners of the Company	1.0	(1.0)	—	—	(12.3)	3.9	(31.7)	(40.1)	(2.5)	(42.6)
<b>Changes in ownership interests in subsidiaries</b>										
Acquisition of non-controlling interests without change in control	—	—	—	—	—	(0.9)	—	(0.9)	(0.6)	(1.5)
Restated as at 31 December 2012	75.2	208.6	7.3	(10.4)	(101.1)	582.4	(247.2)	514.8	9.7	524.5

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euro

	Attributable to shareholders of Royal Imtech N.V.									
	Share capital	Share premium-reserve	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappropriated result	Total	Non-controlling interests	Total equity
Restated as at 1 January 2013	75.2	208.6	7.3	(10.4)	(101.1)	582.4	(247.2)	514.8	9.7	524.5
<b>Total comprehensive income for the year</b>										
Appropriation of result	–	–	–	–	–	(247.2)	247.2	–	–	–
Result for the year	–	–	–	–	–	–	(701.2)	(701.2)	4.6	(696.6)
Total other comprehensive income	–	–	(9.8)	6.2	–	4.7	–	1.1	(0.4)	0.7
Total comprehensive income for the year	–	–	(9.8)	6.2	–	(242.5)	(454.0)	(700.1)	4.2	(695.9)
<b>Transactions with owners of the Company, recognised directly in equity</b>										
<b>Contributions by and distributions to owners of the Company</b>										
Issue of shares	298.6	188.5	–	–	–	–	–	487.1	–	487.1
Dividends to shareholders	–	–	–	–	–	–	–	–	(5.2)	(5.2)
Repurchase of own shares	–	–	–	–	0.4	–	–	0.4	–	0.4
Share-based payments	–	–	–	–	–	2.4	–	2.4	–	2.4
Total contributions by and distributions to owners of the Company	298.6	188.5	–	–	0.4	2.4	–	489.9	(5.2)	484.7
As at 31 December 2013	373.8	397.1	(2.5)	(4.2)	(100.7)	342.3	(701.2)	304.6	8.7	313.3

## CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euro

	2013	2012 <sup>1</sup>
<b>Cash flow from operating activities</b>		
Result for the year	(696.6)	(240.5)
Adjustments for:		
14 Depreciation of property, plant and equipment	41.1	39.9
14, 15 Amortisation and impairment of property, plant and equipment and intangible assets	92.1	66.9
9 Impairment loss on trade receivables	78.0	106.2
10 Net finance result	105.0	64.5
16 Share in results of associates, joint ventures and other investments	5.7	(2.8)
7 Result on disposal of property, plant and equipment	(1.1)	(12.2)
13 Loss on sale of discontinued operations (net of tax)	40.8	–
8 Share-based payments	2.4	5.8
11 Income tax expense	(20.4)	0.7
<b>Operating cash flow before changes in working capital and provisions</b>	<b>(353.0)</b>	<b>28.5</b>
Change in inventories	7.7	0.4
Change in amounts due from/to customers	67.9	36.0
Change in trade and other receivables	241.7	(103.9)
Change in trade and other payables	(254.9)	113.8
Change in provisions and employee benefits	20.5	41.7
	<b>82.9</b>	<b>88.0</b>
<b>Cash flow from operating activities</b>	<b>(270.1)</b>	<b>116.5</b>
Interest paid	(69.9)	(64.8)
Income tax paid	12.5	(43.4)
<b>Net cash flow from operating activities</b>	<b>(327.5)</b>	<b>8.3</b>

<sup>1</sup> Restated, see note 3.

## CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euro

	2013	2012 <sup>1</sup>
<b>Net cash flow from operating activities</b>	<b>(327.5)</b>	<b>8.3</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of property, plant and equipment and other non-current assets	17.9	29.5
Interest received	2.0	4.7
Dividends received	1.8	1.8
<sup>13</sup> Disposal of discontinued operations (net of cash disposed of)	9.6	–
<sup>6</sup> Acquisition of subsidiaries (net of cash acquired)	(27.7)	(104.2)
Acquisition of property, plant and equipment	(40.7)	(56.8)
<sup>15</sup> Acquisition of intangible assets	(16.7)	(23.2)
(Purchase) sale of associates, joint ventures and other investments	(6.9)	0.5
Payments related to settlement of derivatives	–	(6.4)
Issue less repayment of non-current receivables	2.9	(2.3)
<b>Net cash flow from investing activities</b>	<b>(57.8)</b>	<b>(156.4)</b>
<b>Cash flow from financing activities</b>		
<sup>23</sup> Proceeds from issue of share capital (net of expenses)	487.1	–
<sup>23</sup> Proceeds from the exercise of share options	–	10.5
Proceeds from loans and borrowings	528.5	212.7
Repayment of loans and borrowings	(449.7)	(153.1)
Transaction costs related to loans and borrowings	(51.0)	–
<sup>23</sup> Sale (repurchase) of own shares	0.4	(24.7)
Acquisition of non-controlling interests	–	(1.5)
Payments of finance lease liabilities	(2.0)	(1.9)
<sup>23</sup> Dividend paid	(5.2)	(34.2)
<b>Net cash flow from financing activities</b>	<b>508.1</b>	<b>7.8</b>
Net change in cash, cash equivalents and bank overdrafts	122.8	(140.3)
Cash, cash equivalents and bank overdrafts on 1 January	70.8	211.5
Effect of exchange rate differences on cash, cash equivalents and bank overdrafts	(3.4)	(0.4)
<b><sup>22</sup> Cash, cash equivalents and bank overdrafts on 31 December</b>	<b>190.2</b>	<b>70.8</b>

<sup>1</sup> Restated, see note 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*In millions of euro unless indicated otherwise*

### **1 General**

Royal Imtech N.V. ('the Company') is a company listed at the Dutch stock exchange, with its headquarters in Gouda, the Netherlands. The Company has its corporate seat in Rotterdam.

The Company's consolidated financial statements for the financial year 2013 include the accounts of Royal Imtech N.V. and its subsidiary companies (together referred to as 'the Group'). A list of Group companies and other investments compiled in accordance with Article 379, Book 2 of the Netherlands Civil Code has been filed at the Commercial Registry Office in Rotterdam. Article 402, Book 2 of the Netherlands Civil Code is applied, which allows a simplified company profit and loss account in the Company financial statements in the event that a comprehensive profit and loss account is included in the consolidated Group financial statements.

The operating activities of the Group are reported in the segments Benelux, Germany & Eastern Europe, UK & Ireland, Nordic, Spain, ICT, Traffic & Infra and Marine.

The financial statements were authorised for issue by the Board of Management on 17 March 2014.

### **Selected financial items**

The result before income tax 2013 includes various items with a specific nature, such as restructuring, refinancing, valuation allowances and accelerated amortisation. These items and related amounts have been disclosed in our interim financial statements respectively trading updates with respect to 2013.

As a matter of reference this note includes the reconciliations between the above mentioned publications and the financial statements 2013. As such, this note only includes selected information and should not be seen as a comprehensive analysis of 2013 performance.

#### *Restructuring 2013*

The total cost of the restructuring program 2013 amount to 103.8 million euro, of which 98.9 million euro is included in personnel expenses. Reference is made to note 8. The remainder of 4.9 million euro, relating to, amongst others, fees to indemnify car lease contracts and legal and advisory cost, is included in other expenses. Reference is made to note 9.

#### *Refinancing 2013*

The total expenditures with respect to the refinancing are specified as follows:

Other expenses	22.3
Other finance expenses	23.9
Allocated to equity	41.5
Capitalised financing cost	22.9
<b>Total</b>	<b>110.6</b>

Reference is made to note 9 Other expenses, note 10 Net finance result, note 23 Equity and note 25 Loans and borrowings.

#### *Disposal of AE Arma Elektropanç*

In the trading update of 17 January 2014 Imtech announced the disposal of AE Arma-Elektropanç, after finalising the strategic review in Turkey. It was estimated that this transaction would result in a non-cash write down of approximately 40 million euro. The final amount included in the 2013 result is 40.8 million euro, relating to the sale of discontinued operations. Reference is made to note 13.

In 2013 the following changes in management accounting estimates have been applied.

#### *Accelerated amortisation NVS brand name division Nordic*

In the half year 2013 figures, as published on 27 August 2013, Imtech announced the acceleration of amortisation of the NVS brand name, resulting from the rebranding into the name Imtech Nordic. The effect of this acceleration in 2013 amounts to 14.2 million euro and is included in the amortisation of intangible assets.

#### *Write offs HY1 2013 divisions Benelux and Marine*

In the trading update of 18 July 2013 Imtech announced valuation allowances and expected project losses in the divisions Benelux (15 million euro) respectively Marine (25 million euro), mainly resulting from changes in management accounting estimates. These amounts are included in the result from operating activities.

#### *Legacy items Q4 2013*

In the trading update of 4 February 2014 Imtech announced valuation allowances, mainly in Germany, ranging from 200 – 230 million euro. These valuation allowances mainly result from changes in management accounting estimates, based on a different approach by prioritising closure of issues and cash-in. Included in the 2013 result is an amount of approximately 230 million euro, of which 225 million euro in operating expenses and 5 million euro in result of other investments. Of the 225 million euro included in operating expenses 29 million euro relates to impairment losses on (in)tangible assets.

The legacy items that remain in the balance sheet as at 31 December 2013 amount to approximately 82 million euro.

## **2 Going concern assumption**

Following the revelation of the financial irregularities in Germany and Poland early 2013, the Group reached agreement with its main financiers regarding an amendment to the financing structure on 15 June 2013. As part of this agreement the Group has taken several initiatives to structurally improve its financial position, including a 500 million euro rights (plus 30 million euro preference share) issue. Further the main financiers agreed to allow the Company a stabilisation period by postponing the first testing date for (new) financial covenants until 31 March 2014. On 7 November 2013 the Group indicated that it had started discussions with its main financiers on an amendment of these finance agreements. Further on 11 November 2013 the Group announced a postponement of the covenant testing date until 30 September 2014. In Q4 2013, on the basis of updated financial forecasts, the Group expected that it would not be able to meet the financial covenants under its financing arrangements as of 30 September 2014 and re-entered into negotiations with its main financiers.

Following completion of these discussions, on 17 March 2014, the Group and a quorum of its main financiers entered into a standstill ('lock-up') agreement and a binding term sheet to enter into a Medium Term Solution ('MTS'), providing the Group with financial stability for the next few years. The lock-up agreement, term sheet and ancillary documentation contain undertakings from all but one party to enter into full legal and binding documentation and not to frustrate implementation of the MTS, but the commitments of the financiers towards the MTS (and the funding stability) will require final legal documentation before the MTS takes effect. If one or more parties do not agree to the final documentation, the Company together with the financiers who do sign the documentation have undertaken to pursue legal opportunities available to them to ensure that the MTS becomes binding on all financiers as necessary.



One of the main conditions of the MTS is the extension of the commitments under the Revolving Credit Facilities ('RCF' or 'syndicated bank loans') the bilateral credit facilities, and certain of the USPP notes ('senior notes'), in each case to 15 July 2017, combined with a shortening of the duration of the USPP notes originally expiring after 15 July 2017, to that date. Since the extension of the commitments under the RCF requires all RCF lenders to agree, a two-stepped approach is necessary because one RCF lender will not sign the full legal documentation. In that two-stepped approach, the MTS will first have a maturity date of 1 November 2015 (the original maturity date of the RCF) which the Group will, through the consummation of a scheme of arrangement under English law, propose to be extended to 15 July 2017. Furthermore, the MTS provides for significant amounts of committed guarantee lines, where formerly virtually all of the Group's guarantee facilities were available on an uncommitted basis. Total committed facilities amount to 1,253 million euro for credit facilities (including USPP notes) and 843 million euro for guarantee facilities (of which 50 million euro needs to be cash-backed, so would require drawings under the credit facilities).

Other key terms of the MTS are:

- Amended covenants for all financiers, comprising:
  - Minimum Consolidated Last Twelve Months ('LTM') operational EBITDA ('EBITDA floor') as from the first testing date on 30 September 2014, to be replaced by a Senior Leverage Ratio and a Total Leverage Ratio as from 31 December 2016;
  - Minimum Consolidated LTM OCF ('OCF floor') as from the first testing date on 30 September 2014, to be supplemented by an Interest Cover Ratio as from 31 December 2016;
  - Cap on additional cash funding of Germany & Eastern Europe for the period 1 January 2014 to the maturity of the facilities;
  - Consolidated net assets having at least a positive value; and
  - The monthly testing of sufficient committed liquidity headroom, all subject to definitions as further agreed in the term sheet.
- The Company committed to reduce its debt by 400 million euro, either from operational cash flow, reductions in working capital or any other means, by no later than 30 June 2015. An event of default will occur if by 30 June 2015 the debt reduction is less than 250 million euro. For as long as the Company has achieved debt reduction of between 250 million euro and 400 million euro, the Company will pay additional fees to the financiers (in kind and through issuance of warrants);
- EBITDA and OCF floor testing done on quarterly intervals as from 30 September 2014 and immediate testing for maximum cash funding Germany & Eastern Europe, minimum consolidated net assets and committed liquidity headroom;
- Increased pricing for credit facilities and guarantee facilities, consisting of increased margins and one off fees, all partly paid in cash and in kind. The margin on the RCF and bilateral credit facilities and the guarantee fees are subject to reduction based on a leverage ratio grid. This new pricing is described in more detail in note 33.

As from the effective date of the MTS, the Group is bound to:

- Limitations on the incurrence of additional indebtedness up to 250 million euro of (subordinated) debt;
- No acquisitions and disposals without lender consent; and
- Information undertakings, amongst others on progress made on restructuring programs such as the German 'Neue Imtech' program.

For the Group to operate as a going concern, it is clear that the revised covenants will need to be met. Extensive effort has been put into evaluating budgets and forecasts and continuously updating budgets and forecasts based on the most recent available market and performance information. This process has been reviewed in detail by external professional advisers. The budgets and forecasts underlying the going concern assessment anticipate a recovery of the profitability in the segments Germany & Eastern Europe, Benelux and Marine from 2014 onwards.

This improvement needs to be achieved, amongst others, by restructuring programs executed in 2012 and 2013 and reinforcement of management and operating procedures in these divisions. The related forecasted cash flows are however sensitive to external market circumstances and the speed of recovery of the business performance in most of our segments and specifically in Germany & Eastern Europe.

The Group has now also agreed on a OCF floor covenant. Due to the seasonality of the business and mainly the underlying working capital movements, it was agreed with the financiers to report on LTM (last twelve months) basis. Achieving the OCF floor covenant requires that the budgets and forecasts are met not only for profitability, but also working capital and capital expenditure. It should be noted that due to the large swings in working capital, the sensitivity for this covenant is by nature high. This is also applicable for the cap on cash funding of the Germany & Eastern Europe division. Whether the capped amount of funding is sufficient will to a large extent depend on the recovery of the business performance both on profitability and working capital.

The covenant that consolidated net assets need to have at least a positive value may, if performance deteriorates beyond the safety margins built in the forecasts, require that the Company calls on the capital markets for additional equity.

The Group has committed to a debt reduction by no later than 30 June 2015. The Group is anticipating taking additional measures to fulfil this requirement. The Group has various options available that, if timely realised, are sufficient to mitigate the risk of a financial covenant breach including but not limited to (i) disposal of assets, business units or divisions, (ii) accessing the capital markets to attract additional equity and (iii) issuance of subordinated debt. The Group has not taken a decision to implement any of these potential additional measures. There is a risk that the execution of these options, once related decisions have been taken, may not be achievable within the available timeframe. Also, some of the potential measures available to the Group are subject to approval of the financiers. There can be no assurance that such approval would be obtained.

Management believes that it has taken into account appropriate safety margins between budgets, forecasts and limits set by the covenant requirements. Meeting the requirements is particularly dependent on realising the budgets and targets for working capital improvements, combined with the recovery of the operational performance of mainly the segments Germany & Eastern Europe, Benelux and Marine.

Despite these safety margins there remains a risk that this recovery and these operational improvements do not occur at a sufficient pace due to deteriorating market conditions, delay in order intake or slower than expected business performance recovery, e.g. if restructuring measures do not pay off timely. Furthermore, there is a risk that the anticipated working capital improvements are not achieved or are not sustainable. If these risks, either separately or combined, occur, there is a more than remote risk that the safety margins taken into account are insufficient, which if materialised, may result in a covenant breach. This situation indicates the existence of uncertainties which may cast significant doubt about the Company's ability to continue operating as a going concern.

In light of the above, the Group has assessed the going concern assumption on the basis of which the financial statements 2013 have been prepared. Going concern is mainly dependent on meeting budgets and forecasts within the boundaries set by the covenant requirements from the Group's lenders. Whether these budgets and forecasts will be achieved is largely dependent on the timely recovery of the Group's operational and cash flow performance. Furthermore going concern is dependent on timely implementation of measures such as disposal of assets, business units or divisions in order to meet the agreed debt reduction. Management is of the opinion though that the application of the going concern assumption for the 2013 financial statements is appropriate, based on the following facts and circumstances:

- Current business forecasts indicate sufficient liquidity and guarantee facilities to operate the business without interruption and adequate covenant headroom under the amended agreements with our financiers.
- In a scenario that future performance and cash flow developments are less favourable than current business forecasts, management believes the Group has various and sufficient options available to (if successful) address such adverse circumstances and remedy covenant breaches.

- These options include but are not limited to further improvements in working capital management, renegotiating creditor terms and conditions as and when necessary, accessing the capital markets and disposals of assets, business units or even divisions. Some of the options available to the Group are subject to external factors, including approval of the financiers. As a result it is uncertain if these measures can be implemented timely.
- Should the above measures be insufficient, the Group may be able to renegotiate the financing terms and conditions as set out in the MTS.

### 3 Restatement of comparative figures

The Group has adopted the revised IAS 19 Employee benefits (IAS 19R) as per the financial year 2013. IAS 19R must be applied retrospectively with a restatement of comparative figures for 2012. For further details reference is made to note 4 (b) (i).

The Group has decided to dispose of its 80% shareholding in AE Arma-Elektropanç (Arma). As a result, these activities are classified as discontinued operations. The comparative consolidated profit and loss account 2012 has been restated to show the discontinued operations separately from continuing operations. In the balance sheet as per 31 December 2013 the related assets and liabilities are classified as held for sale. Reference is made to note 13 on Discontinued operations.

### 4 Significant accounting policies for financial reporting

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as at 31 December 2013. The statements also comply, as far as applicable, with the financial reporting requirements included in Section 9 of Book 2 of the Netherlands Civil Code.

#### (b) Changes in accounting policies

Amendments to standards applied:

##### (i) Revised IAS 19 Employee benefits

The Group has adopted the revised IAS 19 Employee benefits (IAS 19R) as per the financial year 2013. IAS 19R must be applied retrospectively with a restatement of comparative numbers for 2012.

IAS 19R no longer allows the deferred recognition of actuarial gains and losses and past service cost. Consequently, the restatements regarding 2012 include the retrospective recognition of actuarial gains and losses. Secondly, the interest cost and expected return on assets are replaced with a net interest amount that is calculated by applying the discount rate to the net defined liability (asset).

Consequently, the net interest on the net defined liability (asset) now comprises interest cost on the defined benefit obligation, interest income on plan assets; and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. Further, under IAS 19R it is no longer allowed to include future administration costs in the net defined benefit liability.

The presentation of pension cost within operating expenses and net finance result has not changed.

New standards applied:

##### (ii) IAS 1

As a result of an amendment to IAS 1, the Group has modified the presentation of items of other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those items, that would never be reclassified to profit or loss.

(iii) *IFRS 13 Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. The change had no significant impact on the measurements and disclosures of Imtech's assets and liabilities valued at fair value (financial instruments and assets/liabilities held for sale).

(c) **Basis of preparation**

(i) *Basis of measurement*

The financial statements have been prepared on the basis of historical cost, with the exception of derivative financial instruments, financial instruments classified as available-for-sale, assets held for sale and defined benefit obligations.

(ii) *Functional currency and presentation currency*

The financial statements are presented in euro, which is the Company's functional currency, rounded-off to the nearest million with one decimal.

(iii) *The use of estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the amounts shown in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results can differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 15 – determination of the recoverable amount of cash-generating units;
- note 18 – valuation of deferred tax assets and liabilities;
- note 20 – valuation of amounts due from/to customers and related revenue recognition (including valuation of claims);
- note 26 – valuation of the liability related to defined benefit plans;
- note 27 / 32 – valuation of claims and restructuring related provisions;
- note 29 – valuation of trade receivables and derivative financial instruments.

The Company monitors some of the above judgements periodically and others on a more ongoing basis (e.g. the valuation of amounts due from/to customers, claims and trade receivables). The accounting policies set out below have been applied consistently for all the periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group companies.

(d) **Basis of consolidation**

(i) *Business combinations*

Business combinations are accounted for using the acquisition method at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Subsequent changes relating to an acquisition prior to 2010 are adjusted to goodwill.

#### (iii) *Acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### (iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary the accounting policies of subsidiaries have been adapted to the accounting policies applied by the Group.

#### (iv) *Loss of control*

Upon loss of control the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) *Associates*

Associates are those entities in which the Group has a significant influence, but not control, over the financial and operating policies. Associates are initially recognised at cost. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred a legal or constructive obligation or has made payments on behalf of an associate.

#### (vi) *Joint ventures*

Joint ventures are those entities over whose activities the Group, together with other parties, has control established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounting basis, from the date that joint control commences until the date that joint control ceases.

(vii) *Other investments*

Other investments are those entities in which the Group has no significant influence neither control over the financial and operating policies. Other investments are stated at cost.

(viii) *Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication for impairment.

(e) **Foreign currencies**

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currency at the foreign exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are translated into the functional currency at the exchange rate prevailing on that date. Foreign exchange differences arising on translation are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing on the date of the transaction.

(ii) *Financial statements of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euro at the foreign exchange rates prevailing on the balance sheet date. The revenue and expenses of foreign operations are translated into euro at rates approximate to the rates prevailing on the dates of the transactions. Foreign exchange rate differences arising on re-translation are recognised in other comprehensive income and presented in a translation reserve, a separate component of equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(f) **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operating, financing and investing activities. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. In accordance with its treasury policy the Group neither holds nor issues derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are, however, accounted for as trading instruments.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Where, however, derivative financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)).

**(g) Hedging**

**(i) *Cash flow hedges***

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset, liability, or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset, when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

**(ii) *Hedging of monetary assets and liabilities***

When a derivative financial instrument is used as an economic hedge against the exposure to the foreign exchange risk of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

**(iii) *Hedging of a net investment in a foreign operation***

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss.

**(h) Property, plant and equipment**

**(i) *Owned assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (n)). The cost of self-produced assets comprises the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the assets and restoring the site at which the assets were located, and any other costs directly attributable to bringing the assets to a working condition for their intended use and interest. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**(ii) *Leased assets***

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Non-current assets acquired by way of a finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (n)). Lease payments are accounted for as described in accounting policy (w).



(iii) *Subsequent expenditure*

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be assessed reliably. All other costs are recognised in profit or loss as and when they are incurred.

(iv) *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lifetime of each component of an item of property, plant and equipment. Land is not depreciated.

Estimated useful lifetimes for the current and comparative years are as follows:

■ buildings	10 – 30 years;
■ machinery and equipment	10 – 12 years;
■ fixtures and fittings	3 – 5 years.

Useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) **Goodwill and other intangible assets**

(i) *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually or when a triggering event is assessed (see accounting policy (n)). In case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

For the measurement of goodwill at initial recognition, see note c (i).

(ii) *Brands*

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Brands are amortised over the estimated useful life of the brand.

(iii) *Customer-related and contract-based intangibles*

Customer-related and contract-based intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Customer-related and contract-based intangibles acquired as part of a business combination are valued at fair value, those acquired separately are measured at cost. Customer-related and contract-based intangibles are amortised over the remaining useful life of the customer relationships or the period of the contractual arrangements.

(iv) *Research and development*

Expenditure for research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in profit or loss when the expense is incurred.

Expenditure for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The capitalised expenditure (included in the categories software and technology) comprises the costs of materials, direct labour and an appropriate portion of overhead. Other development expenditure is recognised in profit or loss when the expense is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy (n)).

(v) *Other intangible assets*

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy (n)). Other intangibles assets relate to software and technology.

(vi) *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as and when the expense is incurred.

(vii) *Amortisation*

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lifetime of intangible assets, unless this lifetime is indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lifetimes for the current and comparative years are as follows:

■ software	3 – 10 years;
■ customer relationships/contracts	2 – 15 years;
■ capitalised development costs	3 – 5 years;
■ technology	3 – 10 years;
■ brands	1 – 12.5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the course of normal business less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in-first-out principle and comprises the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of manufactured inventories and work in progress includes an appropriate share of overhead based on normal operating capacity.

(l) **Due from/to customers**

Construction contracts in progress (Work in Progress) for third parties are stated at cost plus profit recognised to date (see accounting policy (v)), less a provision for foreseeable losses and less progress billings. Cost comprises all expenditure directly related to specific projects, plus an allocation of fixed and variable overhead incurred during the Group's contract activities based on normal operating capacity plus capitalised interest.

Construction contracts in progress are presented as due from customers in the consolidated balance sheet for all contracts in which costs incurred plus recognised results exceed progress billings. If progress billings exceed costs incurred plus recognised results, then the balance is presented as due to customers in the consolidated balance sheet.

(m) **Trade and other receivables**

Trade and other receivables are initially stated at fair value plus any directly attributable transaction costs. Subsequently, trade and other receivables are valued at amortised cost less impairment losses (see accounting policy (n)).

(n) **Impairment**

(i) *Non-derivative financial assets*

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired 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 that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, revaluation of the expected recoverability of trade receivables due to disputes and or claims, revised expectations about the progress or finalisation of projects, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

#### *(ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets, excluding inventories (see accounting policy (k)), work in progress (see accounting policy (l)), an asset arising from defined benefit plans (see accounting policy (r) (iii)) and deferred tax assets (see accounting policy (x)) are reviewed on each reporting date to determine whether there is any indication of impairment. If any such indication exists the recoverable amount of the asset is estimated (see accounting policy (n) (iii)). Goodwill, intangible assets with an indefinite useful lifetime and intangible assets that are not yet available for use are tested annually for impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. In that case, assets are grouped together into cash-generating units, the smallest group of assets that generates largely independent cash inflows. Goodwill acquired in a business combination is allocated to the (group of) cash-generating units that are expected to benefit from the synergies of the business combination, representing the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Impairment losses recognised in respect of cash-generating units (or groups of units) are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (or groups of units) and then to reduce the carrying amount of the other assets in the unit (or group of units).

#### *(iii) Calculation of recoverable amount*

The recoverable amount of the Group's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at the initial recognition of these financial assets). Receivables with a short remaining term are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to dispose and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset or cash-generating unit. In determining fair value less cost to dispose, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

#### *(iv) Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed via profit or loss.

If the fair value of a debt instrument classified as available for sale increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) **Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and deposits that can be withdrawn on demand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash balances held in cash pools are presented on a net basis where there is the intention and the legally enforceable right for the Group to settle these outstanding balances on a net basis. Where there is no such right, balances are presented separately under cash and cash equivalents and bank overdrafts.

(p) **Share capital**

(i) *Issue of share capital*

At the issue of new shares, the proceeds less directly attributable costs are recognised in equity within share capital at par value and, if applicable, within the share premium reserve.

(ii) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as own shares and presented as a deduction from total equity.

(iii) *Dividend*

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

(q) **Interest-bearing loans and borrowings**

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised as profit or loss over the period of the loans using the effective interest method.

(r) **Employee benefits**

The Group makes financial contributions towards various pension plans. These plans include both defined contribution plans and defined benefit plans. Defined benefit plans are applicable for groups of employees in the Netherlands, Germany, Belgium, Sweden, Norway, Austria, Switzerland and Turkey.

(i) *Defined contribution plans*

A defined contribution plan is a plan related to post-retirement payments for which the Group pays fixed contributions to a separate entity and has no legally enforceable or constructive obligation to pay additional contributions. Obligations related to contributions to defined contribution pension plans are recognised as an expense in profit or loss when services are rendered.

(ii) *Defined benefit plans*

Defined benefit plans are all plans related to post-retirement payments other than defined contribution plans.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield on the balance sheet date on high quality corporate bonds with maturity dates approximate to the terms of the Group's obligations. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) *Long-term service benefits*

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield on the balance sheet date on high quality corporate bonds with maturity dates approximate to the terms of the Group's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) *Share-based payments*

Imtech granted share options to a number of selected group employees and grants performance shares to its members of the Board of Management and senior management on an annual basis. The share option scheme allows a number of selected group employees to acquire shares in the Company. The performance shares are awarded conditionally and may become unconditional after a three-year period upon the achievement of Total Shareholders' Return compared to the peer group (60%) and cash conversion (40%).

The fair value of awarded share options and performance shares is recognised as an employee expense, with a corresponding increase in equity. The fair value is determined on the grant date and is spread over the period during which the selected group employees (share options) and the members of the Board of Management and senior management (performance shares) respectively become unconditionally entitled to the share options or shares.

The fair value of the awarded share options is determined using a binomial lattice model, taking into account the terms and conditions upon which the share options were awarded. The fair value of the awarded performance shares is determined using a Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were awarded. The amount recognised as an expense is adjusted annually to reflect the actual number shares that will likely vest based on the related service and non-market performance conditions.

(s) **Provisions**

A provision is recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and this obligation can be estimated reliably. If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

(i) *Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

(ii) *Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. No provision is made for future operating costs.

(iii) *Onerous contracts*

A provision for onerous contracts is recognised when the benefits expected to be derived by the Group from a contract are lower than the unavoidable cost of meeting its contractual obligations.

(t) **Trade and other payables**

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

(u) **Recognition, derecognition and offsetting non-derivative financial instruments**

The Group initially recognises loans and receivables on the date they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) **Total revenue**

(i) *Construction contracts*

Contract revenue and expenses are, as soon as the outcome of construction contracts can be estimated reliably, recognised in profit or loss in proportion to the stage of completion of the contract. In general it is assumed that profit cannot be estimated reliably during the early stage, such early stage usually being determined as the period in which cost incurred do not exceed 15% of the expected total cost of the project.

This is typically the case with projects exceeding a contract value of 2 million euro. Costs incurred up to that moment are recognised in the period in which they are incurred and revenue is only recognised to the extent of contract costs incurred that it is probable will be recoverable. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. An expected loss on a contract is recognised immediately in profit or loss.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. For certain construction contracts, there are unrecognised contingent receivables from customers arising from claims. The financial outcome of these claims can only be estimated within a broad band width and are assessed on a regular basis. The determination of the profit in proportion to the stage of completion and the provision for losses is based on estimates of the costs and revenues of the relating projects. These estimates are uncertain by nature.

(ii) *Services rendered*

Revenue from services rendered is recognised in profit or loss 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.

(iii) *Goods sold*

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or if there is a continuing management involvement with the goods.

(iv) *Other income*

Other income includes, amongst others, the result from the disposal of property, plant and equipment, the result on the sale of other non-current assets and government grants. Grants to compensate the Group for expenses incurred are recognised systematically as other income in profit or loss in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised systematically as other income in profit or loss throughout the useful lifetime of the asset.

(w) **Expenses**

(i) *Raw and auxiliary materials and trade goods*

Raw and auxiliary materials and trade goods consist of the cost price of the materials used during the reporting period. These expenses include, among others, use of own equipment and assets utilisation costs, cost of operational leases, general overhead costs and other results, but excludes external expenses, personnel expenses, amortisation and depreciation.

(ii) *Work by third parties and other external expenses*

Work by third parties and other external expenses includes (project) related work which is performed by parties other than companies included in the Group.

(iii) *Operating lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are linearly recognised in profit or loss as an integral part of the total lease expense.

(iv) *Finance lease payments*

Minimum lease payments are apportioned between the financing charge and the reduction of the outstanding liability. The finance charge is allocated to each period of the total lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

(v) *Net finance result*

The net finance result includes:

- interest expense on borrowings calculated using the effective interest rate method;
- interest capitalised on qualifying assets;
- interest cost on defined benefit obligation and other provisions;
- interest income and interest income on plan assets;
- change in fair value of contingent consideration;
- dividends received;
- foreign currency exchange rate differences;
- gains and losses on hedging instruments recognised in profit or loss (see accounting policy (g)); and
- other finance expenses (including, amongst others, costs of guarantees and costs of refinancing).

Interest income is recognised in profit or loss as it accrues using the effective interest method.

Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established which, for quoted securities, is the date the dividend is payable.

The interest expense on borrowings and component of the finance lease payments is recognised in profit or loss using the effective interest method.



(x) **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or equity respectively, in which case the income tax is recognised in other comprehensive income or equity as well.

Current tax is the expected tax payable (recoverable) on the taxable result for the year, calculated using tax rates enacted or substantially enacted on the balance sheet date, and any adjustments to tax payable or recoverable in respect of previous years.

The provision for deferred tax liabilities is formed using the balance sheet liability method whereby a provision is formed for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- taxable temporary differences arising on the initial recognition of goodwill;
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of the provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted on the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

(y) **Operating segments**

An operating segment is a component of the Group that carries out business activities that can result in revenue and expenses, including revenue and expenses related to transactions with other group components. The (operational) EBITDA, working capital, operating cash flow and order intake of an operating segment are regularly reviewed by the Board of Management to make decisions about resources to be allocated to the segment and to evaluate the performance based on the available financial information.

(z) **Discontinued operations and assets and liabilities held for sale**

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs upon disposal or, if this is earlier, when the operation meets the criteria for classification as held for sale. A disposal group that is to be abandoned may also qualify.

Immediately before classification as held for sale, the carrying amount of the asset (and of all the assets and liabilities of a disposal group) is measured in accordance with the Group's accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of the then determined carrying amount and the fair value less costs to dispose.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

(aa) **New standards and interpretations not yet adopted**

The Group has not opted for early adoption of the standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and revised standards IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. These standards were issued during 2011 and are required to be adopted, with retrospective effect, by 2014.

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

**5 Operating segments**

Imtech is a European technical services provider in the field of electrical services, information and communication technology and mechanical services. Information is divided into segments, based on the Group's management structure and internal reporting structure. Resulting from the changes in the Board of Management, and the related changes in responsibilities and reporting lines, the Group has adjusted its segmental reporting, which is now aligned with its divisional structure. The activities relating to Infra, which were previously reported in the segment Benelux, are now reported in the segment Traffic & Infra. Furthermore, Marine and Spain, which were previously included in the segment Other, are now shown as separate segments.

The new reporting segments are:

- Benelux;
- Germany & Eastern Europe;
- UK & Ireland;
- Nordic;
- Spain;
- ICT;
- Traffic & Infra; and
- Marine.

Further, some corporate staff functions, previously reported under Benelux, are now reported within group management / eliminations. In line with the above, the comparative figures 2012 have been adjusted.

The activities of the segments, except for ICT, mainly relate to projects comprising local-for-local business and installation and maintenance activities. The segment ICT carries out activities that are of a technological nature in the area of ICT.

The table on the following pages summarises the financial information of each of the reportable segments.

The performance is assessed on the basis of performance indicators such as the (operational) EBITDA, working capital, operating cash flow and order intake as recognised in the internal management reports reviewed by the Board of Management.

The prices for transactions between and within segments are determined at arm's length.

The Group management / eliminations relate to group management costs and include corporate items such as cash and cash equivalents, bank overdrafts and loans and borrowings.

Segments

	Segments									
	Benelux		Germany & Eastern Europe		UK & Ireland		Nordic		Spain	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Information profit and loss account</b>										
Revenue from transactions with third parties	682.6	761.1	967.5	1,359.7	737.6	750.4	887.6	804.6	126.8	156.1
Inter-segment revenue	1.1	2.1	0.4	–	0.1	–	1.1	0.3	–	–
Other income	0.2	5.0	1.1	12.4	0.4	0.2	4.0	0.3	0.1	–
<b>Total revenue and other income</b>	<b>683.9</b>	<b>768.2</b>	<b>969.0</b>	<b>1,372.1</b>	<b>738.1</b>	<b>750.6</b>	<b>892.7</b>	<b>805.2</b>	<b>126.9</b>	<b>156.1</b>
EBITDA <sup>1</sup>	(63.4)	(51.2)	(327.7)	(131.2)	28.2	44.2	25.0	60.4	(3.0)	(5.3)
Depreciation	(5.9)	(3.5)	(9.5)	(11.6)	(1.7)	(1.6)	(9.8)	(9.5)	(0.9)	(1.0)
Amortisation	(2.7)	(2.6)	(2.7)	(1.9)	(3.2)	(3.4)	(24.7)	(10.0)	(0.1)	(0.2)
Impairment losses on property, plant and equipment and intangible assets	(4.8)	(2.3)	(20.9)	–	–	–	–	–	–	(20.0)
<b>Result from operating activities (EBIT)</b>	<b>(76.8)</b>	<b>(59.6)</b>	<b>(360.8)</b>	<b>(144.7)</b>	<b>23.3</b>	<b>39.2</b>	<b>(9.5)</b>	<b>40.9</b>	<b>(4.0)</b>	<b>(26.5)</b>
Net finance result										
Share in result of associated companies, joint ventures and other investments	0.1	–	(4.2)	(0.6)	–	–	(2.7)	1.2	–	–
<b>Result before income tax</b>										
Income tax expense										
<b>Result from continuing operations</b>										
Loss from discontinued operations (net of tax)										
<b>Result for the year</b>										
Capital expenditure <sup>1</sup>	6.9	9.8	14.2	17.6	1.8	2.5	16.4	15.3	0.3	0.8
Number of employees as at 31 December	4,120	4,859	4,740	5,479	3,396	3,598	5,406	4,937	1,560	1,809
<b>Information balance sheet</b>										
Segment assets	366.8	394.0	540.9	824.9	392.6	490.7	781.3	835.6	109.2	177.9
Assets held for sale	–	–	–	27.6	–	–	–	–	–	–
Investments in associated companies and joint ventures	0.3	0.1	1.1	0.9	–	–	–	–	–	–
<b>Total assets</b>	<b>367.1</b>	<b>394.1</b>	<b>542.0</b>	<b>853.4</b>	<b>392.6</b>	<b>490.7</b>	<b>781.3</b>	<b>835.6</b>	<b>109.2</b>	<b>177.9</b>
<b>Total liabilities</b>	<b>372.1</b>	<b>455.3</b>	<b>711.7</b>	<b>903.7</b>	<b>281.2</b>	<b>346.3</b>	<b>677.4</b>	<b>695.8</b>	<b>95.7</b>	<b>115.5</b>

<sup>1</sup> See financial glossary for definitions.

	Segments									
	ICT		Traffic & Infra		Marine		Group management / eliminations		Consolidated continued operations	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Information profit and loss account</b>										
Revenue from transactions with third parties	739.4	667.0	383.4	345.8	414.9	491.1	(3.5)	0.5	4,936.3	5,336.3
Inter-segment revenue	6.6	7.9	3.0	2.9	3.0	2.4	(15.3)	(15.6)	–	–
Other income	0.7	–	1.2	0.2	1.0	0.6	(0.1)	(0.1)	8.6	18.6
<b>Total revenue and other income</b>	<b>746.7</b>	<b>674.9</b>	<b>387.6</b>	<b>348.9</b>	<b>418.9</b>	<b>494.1</b>	<b>(18.9)</b>	<b>(15.2)</b>	<b>4,944.9</b>	<b>5,354.9</b>
EBITDA <sup>1</sup>	32.7	43.8	(8.4)	5.8	(61.5)	(9.3)	(45.8)	(31.5)	(423.9)	(74.3)
Depreciation	(5.4)	(5.1)	(2.2)	(2.3)	(4.5)	(4.0)	(0.6)	(1.0)	(40.5)	(39.6)
Amortisation	(11.4)	(9.2)	(5.1)	(4.9)	(4.9)	(3.5)	(1.3)	(1.7)	(56.1)	(37.4)
Impairment losses on property, plant and equipment and intangible assets	–	–	–	(1.0)	(3.1)	–	–	–	(28.8)	(23.3)
<b>Result from operating activities (EBIT)</b>	<b>15.9</b>	<b>29.5</b>	<b>(15.7)</b>	<b>(2.4)</b>	<b>(74.0)</b>	<b>(16.8)</b>	<b>(47.7)</b>	<b>(34.2)</b>	<b>(549.3)</b>	<b>(174.6)</b>
Net finance result									(105.0)	(62.0)
Share in result of associated companies, joint ventures and other investments	–	–	0.4	0.2	1.1	1.4	(0.4)	0.6	(5.7)	2.8
<b>Result before income tax</b>									(660.0)	(233.8)
Income tax expense									20.4	(1.8)
<b>Result from continuing operations</b>									(639.6)	(235.6)
Loss from discontinued operations (net of tax)									(57.0)	(4.9)
<b>Result for the year</b>										
Capital expenditure <sup>1</sup>	15.6	18.2	2.1	5.3	6.2	9.7	(1.5)	2.9	62.0	82.1
Number of employees as at 31 December	2,380	2,422	2,072	2,315	2,410	2,528	84	75	26,168	28,022
<b>Information balance sheet</b>										
Segment assets	635.7	463.0	317.6	222.6	302.2	338.4	(246.4)	73.6	3,199.9	3,820.7
Assets held for sale	–	–	–	–	–	–	79.9	–	79.9	27.6
Investments in associated companies and joint ventures	–	–	–	0.6	1.1	1.5	–	0.6	2.5	3.7
<b>Total assets</b>	<b>635.7</b>	<b>463.0</b>	<b>317.6</b>	<b>223.2</b>	<b>303.3</b>	<b>339.9</b>	<b>(166.5)</b>	<b>74.2</b>	<b>3,282.3</b>	<b>3,852.0</b>
<b>Total liabilities</b>	<b>339.0</b>	<b>336.1</b>	<b>201.6</b>	<b>173.9</b>	<b>195.6</b>	<b>255.3</b>	<b>94.7</b>	<b>48.4</b>	<b>2,969.0</b>	<b>3,330.3</b>

<sup>1</sup> See financial glossary for definitions.

## 6 Acquisition of subsidiary

On 18 January 2013 the Group acquired a 100% interest in EMC Talotekniikka (EMC) in Finland, a company active in the technical services market, employing 580 employees and with an annual revenue of approximately 100 million euro.

The total purchase consideration amounts to 11.6 million euro (including a contingent consideration based on the results 2012). Between the date of acquisition and 31 December 2013 EMC contributed 101.8 million euro to the consolidated total revenue and a loss of 1.4 million euro to the consolidated net result. EMC has been included in the Nordic segment.

The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, the goodwill on and cost of acquisition and net outflow of cash, cash equivalents and bank overdrafts was as follows:

	EMC
Non-current assets	4.3
Current assets	22.8
Non-current liabilities	(11.2)
Current liabilities	(21.7)
Net identifiable assets and liabilities	(5.8)
Goodwill on acquisition	17.4
Total consideration	11.6
Of which contingent consideration	(2.9)
Acquired cash, cash equivalents and bank overdrafts	(4.2)
Net outflow of cash, cash equivalents and bank overdrafts	4.5
Adjustments related to acquisitions in previous years	0.2
Paid contingent consideration related to acquisitions in previous years	23.0
<b>Net outflow of cash, cash equivalents and bank overdrafts arising from acquisition of subsidiaries through business combinations</b>	<b>27.7</b>

The accounting for the acquisition of EMC as stated above is final. The acquisition of EMC will enable the Group to strengthen its position in Finland. The goodwill is attributable mainly to the skills and technical talent of the work force and the synergies expected to be achieved from executing the strategic plan of the Group. None of the goodwill recognised is deductible for income tax purposes. The fair value of the trade and other receivables does not differ significantly from the present value of the receivables.

The initial accounting for SSR and Polar, acquired in 2012, was completed in 2013.

### Contingent considerations

In general the contingent considerations relating to (historic) acquisitions are based upon targets with respect to (future) performance, mostly EBIT(A) related and in combination with multiples and thresholds. As per 31 December 2013 the total amount of contingent considerations ranges between nil and 5.9 million euro (undiscounted). Included in the balance sheet is an amount of 1.3 million euro.

The movements in the contingent considerations during the years were as follows:

	Note	2013	2012
As at 1 January		44.3	54.0
Acquisitions		2.9	10.3
Assumed in a business combination		1.0	–
Reversals against goodwill		(2.3)	(6.3)
Change in fair value of contingent consideration	10	(14.3)	(6.1)
Payments		(23.0)	(8.5)
Reclassification to liabilities held for sale		(6.9)	–
Unwind of discount		0.2	–
Effect of movement in exchange rates		(0.6)	0.9
As at 31 December		1.3	44.3
Non-current		–	17.6
Current	28	1.3	26.7
		1.3	44.3

The change in fair value of contingent consideration results from below target performance of (historic) acquisitions. The payments relate to the achievements of (historically agreed) performance targets. Due to the disposal of Arma, the related contingent consideration of 6.9 million euro has been reclassified to liabilities held for sale.

The Group incurred acquisition-related costs of 0.5 million euro comprising external legal fees and due diligence costs, mainly related to the acquisition of EMC (2012: 3.8 million euro). The legal fees and due diligence costs have been included in other expenses in the Group's consolidated profit and loss account.

<b>7 Total revenue and other income</b>	<b>2013</b>	<b>2012</b>
Construction contracts	3,072.8	3,427.3
Services rendered	1,270.1	1,353.4
Sale of goods	593.4	555.6
Revenue	4,936.3	5,336.3
Result from the disposal of property, plant and equipment	1.1	12.2
Government grants	2.6	1.2
Other	4.9	5.2
Other income	8.6	18.6
<b>Total</b>	<b>4,944.9</b>	<b>5,354.9</b>

Other income 2013 includes, amongst others, the result from disposal of non-current assets. In 2012 other income included the reversal of impairments on vendor loans for 4.9 million euro related to the sale of subsidiaries in previous years.

### Geographical information

In presenting information on the basis of geographical areas, segment revenue is based on the location of the entity that contracted the construction contract or service. Segment non-current assets are based on the location of the entity that owns the asset.

<b>Total revenue</b>	<u>2013</u>	<u>2012</u>
Germany	1,337.6	1,735.9
The Netherlands	973.0	1,039.9
Sweden	743.7	751.0
The UK	702.6	711.1
Belgium	206.0	208.5
Finland	128.0	25.3
Ireland	127.7	78.9
Spain	122.7	156.7
Norway	108.8	109.9
Other countries	494.8	537.7
<b>Total</b>	<b>4,944.9</b>	<b>5,354.9</b>

There are no customers that account for more than 10% of annual total revenue.

<b>Non-current assets</b>	<u>2013</u>	<u>2012</u>
Germany	162.2	157.2
The Netherlands	259.1	294.7
Sweden	559.5	602.7
The UK	203.4	215.7
Belgium	20.6	15.7
Finland	31.6	11.8
Ireland	1.5	1.6
Spain	30.0	81.3
Norway	10.4	12.3
Other countries	108.8	144.0
<b>Total</b>	<b>1,387.1</b>	<b>1,537.0</b>

The increase in Finland relates to the acquisition of EMC in January 2013. The decrease of the non-current assets in Spain relates to the reclass of the goodwill of Arma to assets held for sale. Reference is made to note 13.



## 8 Personnel expenses

	2013	2012
Wages and salaries	1,331.8	1,304.9
Social security expenses	284.9	285.0
Contributions to defined contribution plans	45.0	40.3
Costs in respect of defined benefit plans	8.9	23.2
Restructuring	98.9	47.7
Share-based payments	2.4	5.8
Costs in respect of jubilee benefits	0.1	0.9
<b>Total</b>	<b>1,772.0</b>	<b>1,707.8</b>

### Restructuring

The total restructuring costs incurred in 2013 amount to 103.8 million euro, of which 98.9 million euro is included in personnel expenses and 4.9 million euro is included in other expenses (relating to, amongst others, fees to indemnify car lease contracts and legal and advisory costs). The restructuring mainly relates to the divisions Benelux, Germany & Eastern Europe, Traffic & Infra and Marine and resulted in approximately 2,300 FTE's to be redundant, for which expenses relating to approximately 300 FTE's will be incurred in 2014.

### Share-based payments

Until 2012 key staff were granted share options to ordinary shares in Royal Imtech N.V. The exercise price of these options was based on the share price at the time the share option rights were granted, i.e. the first day that the Imtech shares were quoted ex-dividend. The share options have a term of seven years and are conditional for the first three years. The vesting period is three years continuing service.

On termination of employment with the Company the conditional share option rights within the vesting period will in principle lapse and the other share option rights must be exercised within three months. On a change of control all conditional share option rights become unconditional.

The number of share options granted to (former) employees, as well as the changes during the period, are summarised below.

	Granted in							
	Total	2012	2011	2010	2009	2008	2007	2006
Number	7,355,705	1,146,500	1,194,000	1,188,500	1,234,500	1,193,455	722,250	676,500
Exercise price (in euro)		22.00	25.68	23.60	11.27	16.91	18.50	13.80
Outstanding on								
1 January 2013	4,827,210	1,116,500	1,109,000	1,036,000	606,000	537,710	336,000	86,000
Forfeited	(1,175,000)	(283,000)	(276,500)	(213,000)	(152,500)	(104,000)	(60,000)	(86,000)
Outstanding on								
31 December 2013	3,652,210	833,500	832,500	823,000	453,500	433,710	276,000	–
Exercisable on								
31 December 2013	1,986,210	–	–	823,000	453,500	433,710	276,000	–

In 2013 no share options have been granted and no share options have been exercised. On 31 December 2013 the weighted average remaining term of the outstanding share options was 3.4 years (31 December 2012: 4.4 years) and no share options were in the money.

### Remuneration of the (former) Board of Management

In 2013 the remuneration of members of the (former) Board of Management amounted to 2,746,287 euro (2012: to 3,103,699 euro) and can be specified as follows:

	Base salary		Variable salary <sup>1</sup>		Settlement	
	2013	2012	2013	2012	2013	2012
<i>In euro</i>						
G.J.A. van de Aast, since 1 January 2013	750,000	–	–	–	–	–
J. Turkesteen, since 11 February 2013	536,207	–	–	–	–	–
F.N.E. Colsman, since 1 September 2013	183,333	–	–	–	–	–
P.C. van Gelder, since 16 September 2013	162,261	–	–	–	–	–
R.J.A. van der Bruggen, until 2 April 2013	189,653	736,050	–	555,192	–	–
B.R.I.M. Gerner, until 31 December 2013 <sup>2</sup>	514,500	514,500	–	282,240	50,000	–
<b>Total</b>	<b>2,335,954</b>	<b>1,250,550</b>	<b>–</b>	<b>837,432</b>	<b>50,000</b>	<b>–</b>

	Pension and social security expenses		Share based payments		Total	
	2013	2012	2013	2012	2013	2012
<i>In euro</i>						
G.J.A. van de Aast, since 1 January 2013	149,191	–	54,985	–	954,176	–
J. Turkesteen, since 11 February 2013	119,610	–	32,991	–	688,808	–
F.N.E. Colsman, since 1 September 2013	25,518	–	30,242	–	239,093	–
P.C. van Gelder, since 16 September 2013	26,460	–	30,242	–	218,963	–
R.J.A. van der Bruggen, until 2 April 2013	–	202,582	(203,707)	322,628	(14,054)	1,816,452
B.R.I.M. Gerner, until 31 December 2013 <sup>2</sup>	221,313	205,455	(126,512)	285,052	659,301	1,287,247
<b>Total</b>	<b>542,092</b>	<b>408,037</b>	<b>(181,759)</b>	<b>607,680</b>	<b>2,746,287</b>	<b>3,103,699</b>

<sup>1</sup> Amounts paid relate to previous year performance.

<sup>2</sup> Until 11 February 2013 as CFO, thereafter as advisor.

Members of the former Board of Management also received an expense allowance which, in the context of agreements with the tax authorities, is partially grossed.

The total remuneration package of the Board of Management is set at competitive levels and positioned between the median and 75th percentile level of the reference market. This reference market consists of larger (international) Dutch companies. The Board of Management positions are compared to the market by the weight and level of the functions.

Considering the restated results of previous years, Mr. Van der Bruggen agreed to pay back 1.5 million euro which relates to the variable salary received for the performance years 2011 and 2010 (555,192 euro and 500,625 euro) and the unconditionally awarded shares under the former Board of Management share scheme (444,183 euro). Mr. Gerner agreed to pay back 704,074 euro which relates to the variable salary received for the years 2011 and 2010 (282,240 euro and 246,834 euro) and the unconditionally awarded shares under the former Board of Management share scheme (175,000 euro). For 2012 no variable salary has been awarded to the former Board of Management.

With regard to pension provisions, Mr. Van de Aast and Mr. Van Gelder receive a contribution towards a defined contribution plan. Mr. Turkesteen and Mr. Colman receive a contribution towards their pension provision. For Mr. Van der Bruggen a final salary arrangement was applicable and an average salary arrangement was applicable for Mr. Gerner. The variable part of the salary of Mr. Van der Bruggen and Mr. Gerner was, respectively, included in the pensionable salary partly and fully. The pension and social security expenses exclude the crisis tax of 16% on taxable income, including expenses related to share based payments, above 150,000 euro. For Mr. Van de Aast this amounts to 100,662 euro, for Mr. Turkesteen to 79,710 euro, for Mr. Van Gelder to 1,917 euro and for Mr. Gerner to 69,745 euro (2012: for Mr. Van der Bruggen to 369,481 euro and for Mr. Gerner to 196,588 euro).

### Share scheme

Shares in Royal Imtech N.V. are conditionally granted to the Board of Management and the senior management and may become unconditional after a three-year period upon the achievement of Total Shareholders' Return compared to the peer group (60%) and of cash conversion (40%). The fair value was determined, taking into account the terms and conditions upon which the shares were awarded, after deduction of the discounted value of the expected dividends in the period that the shares are conditional. Except for the senior management, for the shares awarded unconditionally a lock up-period of two years, or until the termination of employment by the Company if this is shorter, is applicable.

The most important assumptions used in the valuations of the share scheme were:

<i>Fair value of shares and assumptions</i>	<u>2013</u>
Fair value at the grant date (Board of Management)	1.330 euro
Fair value at the grant date (senior management)	1.618 euro
Share price	2.018 euro
Anticipated volatility (expressed as weighted average volatility)	31.91%
Assumed dividend yield	0.00%
Risk-free interest rate (based on the yield on zero-coupon government bonds)	0.55%

The number of shares granted conditionally ('at target') is:

	<u>2013</u>
G.J.A. van de Aast	297,324
J. Turkesteen	178,394
F.N.E. Colsman	163,528
P.C. van Gelder	<u>163,528</u>
	802,774
Senior management	<u>1,823,888</u>
<b>Total</b>	<b>2,626,662</b>

#### **Former Board of Management share scheme**

The Supervisory Board decided to cancel all conditionally granted shares to Mr. Van der Bruggen (46,108 shares) and to Mr. Gerner (37,101 shares). As a result, no conditionally granted shares to the former Board of Management are outstanding as at 31 December 2013 (31 December 2012: Mr. Van der Bruggen 46,108 conditionally granted shares and Mr. Gerner 37,101 conditionally granted shares).

The costs of share-based payments recognised under personnel expenses are as follows:

	<u>2013</u>	<u>2012</u>
Costs of share option scheme	2.3	5.2
Costs of share scheme	<u>0.1</u>	<u>0.6</u>
<b>Total expense recognised under personnel expenses</b>	<b>2.4</b>	<b>5.8</b>

The costs of the share option scheme relate tot share options granted to key staff until 2012.

## Remuneration of the Supervisory Board

The remuneration of the Supervisory Board for 2013 was 283,963 euro (2012: 283,171 euro) and can be specified as follows:

	2013	2012
<i>In euro</i>		
C.J.A. van Lede <sup>2+4</sup> , Chairman, since 2 August 2013	38,191	–
F.J.G.M. Cremers <sup>1+4</sup> , Vice-Chairman, since 2 August 2013	33,030	–
E.A. van Amerongen <sup>2+3</sup> , until 2 August 2013	26,833	46,000
R.D. van Andel <sup>2+3+5</sup>	57,093	42,750
A. Baan († 5 April 2013) <sup>1</sup>	15,500	45,500
R.M.J. van der Meer <sup>1+2</sup> , Chairman, until 28 June 2013	30,500	61,000
J.J. de Rooij <sup>1+5</sup>	52,244	37,500
A. van Tooren <sup>1</sup> , until 2 August 2013	26,591	45,000
	279,982	277,750
Social security expenses	3,981	5,421
<b>Total</b>	<b>283,963</b>	<b>283,171</b>

<sup>1</sup> Member of the Audit Committee. Mr. De Rooij since 26 April 2013.

<sup>2</sup> Member of the HR & Remuneration Committee.

<sup>3</sup> Contact person for the Representative Bodies.

<sup>4</sup> Member of the Governance & Nomination Committee.

<sup>5</sup> Member of the Past Events Committee. Mr. De Rooij and Mrs. Van Andel since 2 August 2013.

The remuneration of the Supervisory Board is determined by the Annual General Meeting. The remuneration has been adjusted per 2 August 2013 and will be evaluated every two or three years. As of 2 August 2013 the annual remuneration of the Chairman, Vice-chairman and remaining members is 75,000, 60,000 and 50,000 euro respectively (until 2 August 2013: 52,500, 41,500 and 37,500 euro respectively). The Chairman and other members of the Audit Committee receive a supplementary annual fee of 12,500 and 10,000 euro respectively (until 2 August 2013: 7,500, and 5,000 euro respectively).

The Chairman of other Committees, the member of other Committees and the trustperson works council receive a supplementary annual fee of 10,000, 7,500 and 7,500 euro respectively (until 2 August 2013: 5,000, 3,500 and 3,500 euro respectively). All these fees for the Supervisory Board and all social security expenses are included in the figures stated above. Since 2 August 2013 Supervisory Board members no longer receive a contribution towards expenses which, in the context of agreements with the tax authorities, was partially grossed.

At the end of 2013 no Supervisory Board member held shares or options on shares in Royal Imtech N.V. (2012: the same).

## Remuneration of the (former) Board of Management and Supervisory Board

The remuneration of the (former) Board of Management and the Supervisory Board can be summarised as follows:

	2013	2012
<i>In euro</i>		
Short-term employee benefits	2,665,936	2,365,732
Pension and social security expenses	546,073	413,458
Share-based payments	(181,759)	607,680
<b>Total</b>	<b>3,030,250</b>	<b>3,386,870</b>

### 9 Other expenses

	Note	2013	2012
Other indirect expenses		498.8	465.2
Impairment loss on trade receivables	29	78.0	106.2
Change in provisions (excluding restructuring related to personnel)		30.6	10.1
Research and development costs		6.8	6.4
<b>Total</b>		<b>614.2</b>	<b>587.9</b>

The other indirect expenses include 22.3 million euro relating to the refinancing. The impairment loss on trade receivables mainly relates to the division Germany & Eastern Europe.

### 10 Net finance result

	Note	2013	2012
Interest income		1.4	1.6
Interest income on plan assets	26	2.6	8.1
Change in fair value of contingent consideration	6	14.3	6.1
Other finance income		1.9	4.2
<b>Finance income</b>		<b>20.2</b>	<b>20.0</b>
Interest expense on financial liabilities measured at amortised cost		(67.5)	(38.8)
Interest cost on defined benefit obligation	26	(9.5)	(15.1)
Net change in fair value of cash flow hedges transferred from equity		(1.4)	(5.2)
Net currency exchange loss		(4.4)	(2.9)
Other finance expenses		(42.4)	(20.0)
<b>Finance expenses</b>		<b>(125.2)</b>	<b>(82.0)</b>
<b>Net finance result</b>		<b>(105.0)</b>	<b>(62.0)</b>

The change in fair value of contingent consideration results from below target performance of (historic) acquisitions. The increase in interest expense on financial liabilities at amortised cost results from higher interest rates in light of the refinancing of the Company. The other finance expenses include 23.9 million euro relating to the refinancing of the Company.

11 Income tax expense	2013	2012
Current year	11.2	35.6
Prior year adjustments	(28.5)	(0.7)
Benefit from previously unrecognised tax losses	–	(1.1)
Current income tax (benefit) expense	(17.3)	33.8
Origination and reversal of temporary differences	(24.0)	(25.3)
Reduction in tax rate	(0.4)	(4.1)
Benefit from previously unrecognised tax losses	–	(2.6)
Write down of deferred tax assets	21.3	–
Deferred income tax (benefit)	(3.1)	(32.0)
<b>Income tax (benefit) expense</b>	<b>(20.4)</b>	<b>1.8</b>

Reconciliation of effective tax rate	2013	2012
Result before income tax	(660.0)	(233.8)
Weighted average statutory income tax rate	28.0% (185.0)	23.5% (55.1)
Change in income tax rate	0.1% (0.4)	1.8% (4.1)
Non-deductible expenses	(1.1%) 7.4	(5.6%) 13.2
Tax exempt income	1.1% (7.3)	2.5% (5.9)
Recognition previously unrecognised tax losses	– –	1.6% (3.7)
Current year losses for which no deferred tax asset recognised	(26.1%) (172.1)	(24.9%) 58.1
Write down deferred tax assets	(3.2%) 21.3	– –
Under (over) provided in prior periods	4.3% (28.5)	0.3% (0.7)
	3.1% (20.4)	(0.8%) 1.8

The increase in the weighted average statutory income tax rate is mainly attributable to the change in geographical spread of results (especially in the division Germany & Eastern Europe).

Current year losses for which no deferred tax asset is recognised (2013: 172.1 million euro, 2012: 58.1 million euro) mainly relate to Germany (106.9 million euro), the Netherlands (43.7 million euro) and Poland (8.3 million euro).

#### Taxes recognised directly in equity or other comprehensive income

In 2013 no current income tax was credited directly to equity (2012: the same). Income tax effect recognised in other comprehensive income relates for an amount of 1.6 million euro to employee benefits and for an amount of 2.1 million euro (2012: 2.9 million euro) to cash flow hedges.



## 12 Current tax assets and liabilities

The net current tax liability of 11.5 million euro (2012: 17.5 million euro), comprising current tax receivables of 8.8 million euro (2012: 13.3 million euro) and current tax payables of 20.3 million euro (2012: 30.8 million euro), relates to the net amount of tax payable for the reporting year and previous years.

## 13 Discontinued operations and assets and liabilities held for sale

Following the strategic review announced on 7 November 2013, the Group has decided to dispose of its 80% shareholding in AE Arma-Elektropanç (Arma). It was concluded that the profile of Arma is not in line with the Group's revised strategic framework. On 20 December 2013 the Group signed an agreement with the previous owners and management of the Company regarding the sale of the 80% shareholding in Arma to them. Subsequently on 16 January 2014 a Share Purchase and sale Agreement was signed. From the 80% of the shares to be sold, initially 31% of the shares were transferred on 12 February 2014. The remaining 49% of the shares will be transferred as at 30 September 2014. The consideration of 21 million euro will be paid partly upon closing and partly through instalments until 31 December 2015. The transaction has resulted in a loss of 40.8 million euro which comprises the non-cash remeasurement of the assets held for sale (loss of 47.3 million euro, mainly related to the impairment of the goodwill), the release of the contingent consideration (profit 6.9 million euro), the accumulated foreign currency translation differences reversed to profit or loss (profit of 0.1 million euro) and selling costs of 0.5 million euro. The transaction will result in cash inflows of 16.6 million euro in 2014 and 3.5 million euro in 2015. The future cash flows are secured by personal and bank guarantees provided by the buyers.

The operations in Turkey were included in the reporting segment Other in the 2012 financial statements and in the reporting segment Spain & Turkey in the condensed consolidated interim financial statements 30 June 2013 and were not previously reported as a held-for-sale or discontinued operations. The comparative consolidated statement of profit and loss account and consolidated statement of comprehensive income have been restated to show the discontinued operations separately from continuing operations.

<b>Result from discontinued operations (net of tax)</b>	<b>2013</b>	<b>2012</b>
Revenue	124.3	78.1
Expenses	141.4	84.1
Result before income tax	(17.1)	(6.0)
Income tax	0.9	1.1
Results from operating activities (net of tax)	(16.2)	(4.9)
Result on sale of discontinued operations (as a result of impairment of assets)	(40.8)	–
	(57.0)	(4.9)

The EBITDA 2013 amounts to a loss of 4.2 million euro (2012: profit of 3.0 million euro).

The result (loss) from discontinued operations (net of tax) of 57.0 million euro (2012: loss of 4.9 million euro) is attributable entirely to the shareholders of the Company.

### Assets and liabilities held for sale

As at 31 December 2013, the disposal of Arma was stated at fair value less costs to dispose. The fair value adjustment, compared to the bookvalues, amounts to 40.8 million euro, main consisting of the impairment of goodwill.

	31 December 2013
Property, plant and equipment	0.6
Goodwill	44.9
Other intangible assets	13.9
Other non-current assets	5.9
Current assets excluding cash and cash equivalents	51.1
Cash and cash equivalents	4.3
Reclassification to assets held for sale	120.7
Fair value adjustments	(40.8)
Assets held for sale	79.9
Non-current liabilities	4.0
Current liabilities excluding bank overdrafts	41.9
Bank overdrafts	13.9
Reclassification to liabilities held for sale	59.8
<b>Net assets and liabilities held for sale</b>	<b>20.1</b>

### Cash flows from discontinued operations

The cash flows relating to the discontinued operations, excluding the settlement of the disposal, are as follows:

	2013	2012
Net cash flow from operating activities	(0.7)	5.2
Net cash flow from investing activities	(6.7)	(4.0)
Net cash flow from financing activities	(0.1)	(3.8)
Net change in cash, cash equivalents and bank overdrafts	(7.5)	(2.6)
Cash, cash equivalents and bank overdrafts on 1 January	(2.6)	–
Effect of exchange rate differences on cash, cash equivalents and bank overdrafts	0.5	–
Disposal of cash, cash equivalents and bank overdrafts of discontinued operations	9.6	–
<b>Cash, cash equivalents and bank overdrafts on 31 December</b>	<b>–</b>	<b>(2.6)</b>

#### 14 Property, plant and equipment

	Land and buildings	Machinery and equipment	Other PPE	PPE under construction	Total
<b>Cost</b>					
As at 1 January 2012	105.4	46.1	234.1	5.3	390.9
Acquired through acquisitions	–	0.3	2.2	–	2.5
Additions	0.5	6.8	45.6	6.7	59.6
Disposals	(24.0)	(3.5)	(19.1)	–	(46.6)
Reclassification to assets held for sale	(25.9)	–	–	–	(25.9)
Reclassifications	(0.6)	2.6	(1.4)	(0.6)	–
Effect of movement in exchange rates	0.3	0.3	1.6	–	2.2
As at 31 December 2012	55.7	52.6	263.0	11.4	382.7
As at 1 January 2013	55.7	52.6	263.0	11.4	382.7
Acquired through acquisitions	0.3	0.5	0.2	–	1.0
Additions	6.0	5.0	31.7	3.1	45.8
Disposals	(6.4)	(4.9)	(20.2)	(5.1)	(36.6)
Reclassification to assets held for sale	–	–	(1.3)	–	(1.3)
Reclassification from assets held for sale	27.9	–	–	–	27.9
Reclassifications	(0.1)	5.0	(3.5)	(1.4)	–
Effect of movement in exchange rates	(0.3)	(0.7)	(2.2)	0.1	(3.1)
<b>As at 31 December 2013</b>	<b>83.1</b>	<b>57.5</b>	<b>267.7</b>	<b>8.1</b>	<b>416.4</b>
<b>Depreciation and impairment losses</b>					
As at 1 January 2012	28.6	27.6	142.3	–	198.5
Depreciation charge for the year	2.6	6.0	31.3	–	39.9
Impairment loss	2.3	–	–	–	2.3
Disposals	(11.6)	(3.1)	(14.6)	–	(29.3)
Reclassifications	(0.1)	0.8	(0.7)	–	–
Effect of movement in exchange rates	–	0.1	0.4	–	0.5
As at 31 December 2012	21.8	31.4	158.7	–	211.9
As at 1 January 2013	21.8	31.4	158.7	–	211.9
Depreciation charge for the year	2.9	5.6	32.6	–	41.1
Impairment loss	21.0	–	–	4.4	25.4
Disposals	(3.0)	(4.6)	(13.7)	–	(21.3)
Reclassification to assets held for sale	–	–	(0.7)	–	(0.7)
Reclassifications	(1.5)	5.3	(3.8)	–	–
Effect of movement in exchange rates	–	(0.4)	(0.6)	–	(1.0)
<b>As at 31 December 2013</b>	<b>41.2</b>	<b>37.3</b>	<b>172.5</b>	<b>4.4</b>	<b>255.4</b>
<b>Carrying amounts</b>					
As at 1 January 2012	76.8	18.5	91.8	5.3	192.4
As at 31 December 2012	33.9	21.2	104.3	11.4	170.8
As at 1 January 2013	33.9	21.2	104.3	11.4	170.8
As at 31 December 2013	41.9	20.2	95.2	3.7	161.0
Of which leased:					
As at 31 December 2012	3.8	2.9	0.9	–	7.6
As at 31 December 2013	2.0	2.5	12.6	–	17.1

The depreciation charge for the year 2013 of 41.1 million euro includes 0.6 million euro relating to the discontinued operations.

**Assets and liabilities held for sale, impairments and reversals after recognition**

At 31 December 2012 the balance sheet included assets and liabilities held for sale (25.9 million euro) that related to a commercial building that was intended to be disposed of. In 2013 it was decided not to dispose of this building, consequently it was reclassified to property, plant and equipment (at 27.9 million euro). As such, the value in use had to be impaired for 21.0 million euro.

In 2012 the total impairment amounted to 2.3 million euro. There were no reversals of impairments during 2013 (2012: the same).

**Security**

On 31 December 2013 property, plant and equipment with a carrying value of 8.9 million euro (31 December 2012: 4.2 million euro) was mortgaged as security for bank loans.

**Leased property, plant and equipment**

On 31 December 2013 a carrying amount of 17.1 million euro related to property, plant and equipment acquired under a finance lease (31 December 2012: 7.6 million euro).

# 15 Goodwill and other intangible assets

	Goodwill	Software	Customer relationships/ contracts	Technology	Brands	Total
<b>Cost</b>						
As at 1 January 2012	1,006.0	48.7	184.4	29.2	26.2	1,294.5
Acquired through acquisitions	96.4	–	41.3	–	0.5	138.2
Additions	–	12.3	0.5	0.9	–	13.7
Developed internally	–	–	–	9.5	–	9.5
Adjustment purchase price/fair value	(11.9)	–	3.4	–	–	(8.5)
Disposals	–	(1.2)	–	–	–	(1.2)
Effect of movement in exchange rates	19.1	0.1	5.1	0.1	1.0	25.4
As at 31 December 2012	1,109.6	59.9	234.7	39.7	27.7	1,471.6
As at 1 January 2013	1,109.6	59.9	234.7	39.7	27.7	1,471.6
Acquired through acquisitions	17.4	0.4	2.5	–	–	20.3
Additions	–	10.0	–	1.4	0.2	11.6
Developed internally	–	–	–	5.1	–	5.1
Adjustment purchase price/fair value	(2.1)	–	–	–	–	(2.1)
Reclassification as assets held for sale	(44.9)	–	(24.4)	(0.2)	(0.5)	(70.0)
Disposals	–	(1.1)	(9.9)	(1.7)	–	(12.7)
Reclassifications	–	–	(24.5)	–	24.5	–
Liquidation	(0.6)	–	–	–	–	(0.6)
Effect of movement in exchange rates	(18.6)	(0.3)	(9.1)	(0.2)	(2.8)	(31.0)
<b>As at 31 December 2013</b>	<b>1,060.8</b>	<b>68.9</b>	<b>169.3</b>	<b>44.1</b>	<b>49.1</b>	<b>1,392.2</b>
<b>Amortisation and impairment losses</b>						
As at 1 January 2012	8.0	21.2	46.9	11.2	19.7	107.0
Amortisation for the year	–	7.3	26.6	5.0	4.7	43.6
Impairment loss	20.0	–	–	1.0	–	21.0
Disposals	–	(1.2)	–	–	–	(1.2)
Reclassifications	–	0.1	–	(0.1)	–	–
Effect of movement in exchange rates	–	0.2	1.1	(0.1)	0.3	1.5
As at 31 December 2012	28.0	27.6	74.6	17.0	24.7	171.9
As at 1 January 2013	28.0	27.6	74.6	17.0	24.7	171.9
Amortisation for the year	–	10.5	28.0	7.3	17.4	63.2
Impairment loss	–	0.4	3.1	–	–	3.5
Disposals	–	(1.0)	(9.8)	(1.7)	–	(12.5)
Reclassification to assets held for sale	–	–	(11.0)	–	(0.2)	(11.2)
Reclassifications	–	(1.6)	(8.2)	1.5	8.3	–
Effect of movement in exchange rates	–	(0.2)	(2.7)	(0.1)	(1.5)	(4.5)
<b>As at 31 December 2013</b>	<b>28.0</b>	<b>35.7</b>	<b>74.0</b>	<b>24.0</b>	<b>48.7</b>	<b>210.4</b>
<b>Carrying amounts</b>						
As at 1 January 2012	998.0	27.5	137.5	18.0	6.5	1,187.5
As at 31 December 2012	1,081.6	32.3	160.1	22.7	3.0	1,299.7
As at 1 January 2013	1,081.6	32.3	160.1	22.7	3.0	1,299.7
As at 31 December 2013	1,032.8	33.2	95.3	20.1	0.4	1,181.8

## Goodwill

The movements in goodwill of the following cash generating units (divisions) during the year are as follows:

	As at 1 January 2013	Additions	Transfers	Reclassifi- cation to assets held for sale	Other	Effect of movement in exchange rates	As at 31 December 2013
Nordic	428.1	17.4	–	–	(0.6)	(11.8)	433.1
ICT	221.5	–	3.6	–	–	(1.7)	223.4
UK & Ireland	130.9	–	–	–	–	(1.9)	129.0
Traffic & Infra	66.8	–	27.5	–	0.2	(1.1)	93.4
Marine	100.3	–	(3.6)	–	(2.3)	(2.1)	92.3
Turkey	44.9	–	–	(44.9)	–	–	–
Germany & Eastern Europe	28.8	–	–	–	–	–	28.8
Spain	22.3	–	–	–	–	–	22.3
Benelux	38.0	–	(27.5)	–	–	–	10.5
<b>Total</b>	<b>1,081.6</b>	<b>17.4</b>	<b>–</b>	<b>(44.9)</b>	<b>(2.7)</b>	<b>(18.6)</b>	<b>1,032.8</b>

### Additions

On 18 January 2013 the Group acquired EMC Talotekniikka Oy, resulting in 17.4 million euro goodwill, for which reference is made to note 6. EMC forms part of the Nordic division.

### Transfers

To align with the management structure, some entities have been transferred between cash generating units during 2013. Accordingly, the pre-tax discount rates for 2012 have been recalculated for comparative purposes. The most significant is the transfer of the Infra activities, previously reported under Benelux, to the division Traffic & Infra.

### Reclassifications to assets held for sale

Management has concluded that the profile of the Turkish activities is no longer in line with the Group's current strategic framework. As a result, the related goodwill (44.9 million euro) is reclassified to assets held for sale and subsequently impaired, for which reference is made to note 13.

### Other

Other changes in goodwill are related to adjustments in purchase price allocations of acquisitions in previous year and changes in contingent considerations for acquisitions prior to 2010.

### Effect of movement in exchange rates

The decrease in goodwill as a result of movement in exchange rates is mainly attributable to the decrease of the Swedish krona.

### Impairment test for cash generating units containing goodwill

The impairment test for goodwill is carried out at a division level in the fourth quarter or whenever an impairment trigger is assessed. This acknowledges the synergy between companies within a division and also reflects the lowest level within the Group at which goodwill is monitored for internal management purposes, which equals the level of the Group's operating segments.

The recoverable amounts of the cash-generating units are based on value in use calculations. Management has projected cash flows based on past experience and expected future market developments. The starting point for the calculations are cash flow forecasts based on the budget 2014 and the business plans for 2015 and 2016, as prepared during the regular budget and planning cycle of the Group in October / November 2013.

The budgets and business plans have been reviewed and challenged, also with assistance of external experts. The findings of these reviews have been used in sensitivity analyses to sustain the outcome of the impairment test calculations.

The value in use is most sensitive to the assumed EBITDA margin and the discount rate. EBITDA margins used in the cash flows for the respective cash generating units in the period 2014 – 2016 range from (1.6%) to 6.2%. For the Group the average EBITDA margin increases from 2.8% to 5.1% in this period.

Other assumptions used in the calculations are:

- revenue growth: based on experience, an analysis of market growth and the expected development of market share;
- margin development: based on experience, the effect of restructuring benefits for plans communicated before year-end 2013 and management's long-term projections;
- the cash flows after 2016 are assumed to be virtually the same as the cash flows in the business plan 2016 increased by a perpetual growth rate (including inflation).

The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital. The discount rates have been determined for each cash-generating unit and range from 9.5% to 12.5%, with a weighted average of 10.1%.

	Pre-tax discount rate		Terminal value growth rate	
	2013	2012	2013	2012
Nordic	9.5%	9.2%	2.0%	2.0%
ICT	10.3%	10.1%	2.0%	2.0%
UK & Ireland	9.9%	10.1%	2.0%	2.0%
Traffic & Infra	10.1%	9.1% <sup>1</sup>	2.0%	2.0%
Marine	11.0%	10.5%	2.0%	2.0%
Germany & Eastern Europe	9.8%	10.0%	2.0%	2.0%
Spain	12.5%	14.6%	2.0%	2.0%
Benelux	9.7%	9.3% <sup>1</sup>	2.0%	2.0%
<b>Total (weighted average)</b>	<b>10.0%</b>	<b>10.0%</b>	<b>2.0%</b>	<b>2.0%</b>

<sup>1</sup> The pre-tax discount rates for 2012 have been recalculated for comparison purposes due to the transfers between cash generating units during 2013.

The pre-tax discount rates are determined on the basis of the post-tax weighted average cost of capital as derived from external data and are based on an individual weighted average cost of capital, including a general risk premium for the cash generating unit and an individual risk premium and tax-rate for the markets and countries in which the cash-generating unit is operating.

The terminal value growth rates of all the cash-generating units are based on expected inflation and the management's estimate of the long-term growth rate in the individual markets and countries in which the cash-generating unit operates.

### *Divisions with significant goodwill amounts*

#### *Nordic*

The estimated recoverable amount of the cash-generating unit exceeds its carrying amount by approximately 146 million euro (2012: 237 million euro). The decrease in headroom mainly results from a lower expected EBITDA for the budget and plan years as compared to 2012. An impairment will occur if EBITDA in the perpetual cash flow decreases by more than 22% or when the discount rate increases by more than 230 bps (to a pre-tax discount rate of 11.8%).

#### *ICT*

The estimated recoverable amount of the cash-generating unit exceeds its carrying amount by approximately 92 million euro (2012: 162 million euro). The decrease in headroom results from lower expected EBITDA for the coming years and an increase in carrying value. An impairment will occur if EBITDA in the perpetual cash flow decreases by more than 22% or when the discount rate increases by more than 330 bps (to a pre-tax discount rate of 13.5%).

#### *UK & Ireland*

The estimated recoverable amount of the cash-generating unit exceeds its carrying amount by approximately 494 million euro (2012: 378 million euro). The increase in headroom results from a higher expected EBITDA for the budget and plan years.

### *Divisions with limited headroom*

#### *Spain*

An impairment loss of 20 million euro was recognised in 2012, due to a significant lower level of activity and profitability for the medium and long-term of the division Spain. A restructuring program was started but the recovery has taken more time than expected. The recoverable amount in the goodwill impairment calculation of the division Spain is based on a solid business case but is still sensitive. The goodwill impairment test calculation revealed that the headroom between the recoverable amount and the carrying amount is limited. Therefore, any change in the underlying assumptions in the goodwill impairment test calculation for Spain, such as an increase of the discount rate and/or a decrease in EBITDA, may lead to an impairment loss.

Based on this business case the recoverable amount still exceeds the carrying value. The most important assumption for this value in use calculation is that the cash flows anticipate a recovery of the profitability to the Group's targets from 2014 onwards, towards an EBITDA margin of (0.4%) to 4.4% respectively in 2016.

### *Divisions for which circumstances changed compared to 2012*

#### *Marine*

The estimated recoverable amount of the cash-generating unit Marine exceeds its carrying amount by approximately 88 million euro (2012: 25 million euro). The increase in the headroom compared to 2012 mainly results from a decrease of the carrying amount of the cash generating unit as a result of lower working capital, partly relating to the valuation allowances in 2013. An impairment loss will occur if EBITDA in the perpetual cash flow decreases by more than 29% or if the discount rate increases with 470 bps (to a pre-tax discount rate of 15.7%).

#### *Benelux*

The estimated recoverable amount of the cash-generating unit exceeds its carrying amount by approximately 326 million euro (2012: 84 million euro). Towards the end of 2013, the first signs of a market recovery became visible and this is included in the calculation of the recoverable amount. An impairment loss will occur if EBITDA in the perpetual cash flow decreases by more than 77%.



#### *Germany & Eastern Europe*

The year 2013 was dominated by solving the major problems discovered early 2013. The recovery program 'Neue Imtech' (New Imtech) was started, which gives healthy project margins priority over volume and focuses on efficiencies in staffing, project control and purchasing. During the last quarter of 2013, this programme put the emphasis on cost savings and cash generation. Furthermore the headroom of approximately 180 million euro stayed relatively stable, including the downward effect of the valuation allowances on the carrying amount. An impairment loss will occur if EBITDA in the perpetual cash flow decreases by more than 48%.

#### *Other information*

If the perpetual growth rates would be reduced to 0%, headroom remains in all cash-generating units, except for the division Spain. A 10% lower EBIT in combination with an increase of the discount rate by 1% will not lead to any impairment in one of the cash-generating units, except for the division Spain.

As mentioned before the budgets 2014 and the business plans 2015 and 2016 have also been reviewed by external experts. Taking all their scenario variations into account, none of the cash-generating units has to impair goodwill and all still have headroom, except for the division Spain where the carrying amount of the goodwill equals the recoverable amount.

#### **Customer relationships/contracts**

In the fourth quarter of 2013 the customer related intangible of one of the in 2011 acquired companies in the Marine division has been impaired. The recoverable amount of this intangible was estimated to be lower than the carrying amount, resulting in an impairment charge of 3.1 million euro. Except for this impairment, there were no specific indicators of impairment for other intangibles.

Where relevant these intangibles were included in the carrying amount of the goodwill impairment test of the respective cash-generating units. The major part of the customer relationships/contracts relates to the cash-generating unit Nordic, which shows sufficient headroom in the goodwill impairment test.

#### **Brands**

Due to the rebranding of the companies in the Nordic division, the remaining useful life was shortened, and therefore the amortisation of a local brand was accelerated by 14.2 million euro in 2013. This local brand has been reclassified from customer relationships/contracts to brands, as it was incorrectly classified in previous years.

#### **Reversal of impairment losses**

No impairments of intangible assets were reversed in the year (2012: the same).

#### **Amortisation**

The amortisation charge for the year 2013 of 63.2 million euro includes 7.1 million euro relating to the discontinued operations.

#### 16 Investments in associated companies and joint ventures

In 2013 IHC Systems B.V., the Netherlands (50%) was the most important associate and Innolumis Public Lighting B.V., the Netherlands (50%) was the most important joint venture.

The share in assets, liabilities, revenue and profits of the associates and joint ventures can be specified as follows:

	2013							
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenue	Cost	Profit / (loss)
Associated companies	0.8	11.3	0.2	8.8	3.1	11.9	10.3	1.6
Joint ventures	1.0	22.1	(0.9)	24.6	(0.6)	43.1	43.4	(0.3)
	1.8	33.4	(0.7)	33.4	2.5	55.0	53.7	1.3
Results other investments								(7.0)
<b>Total</b>								(5.7)

The result other investment includes 4.8 million euro relating to legacy issues.

	2012							
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenue	Cost	Profit / (loss)
Associated companies	7.3	11.2	6.6	8.1	3.8	21.5	19.6	1.9
Joint ventures	0.4	3.4	0.1	3.8	(0.1)	15.6	16.0	(0.4)
	7.7	14.6	6.7	11.9	3.7	37.1	35.6	1.5
Results other investments								1.3
<b>Total</b>								2.8

17 **Non-current receivables**

	Note	2013	2012
Finance lease assets		2.1	4.1
Other investments		8.9	13.2
Other non-current receivables		10.9	11.5
		21.9	28.8
The finance lease receivables mature as follows:			
Principal < 1 year		0.6	2.2
Principal 1 – 5 years		1.8	4.3
Principal > 5 years		0.7	0.9
		3.1	7.4
Interest < 1 year		–	(0.1)
Interest 1 – 5 years		(0.2)	(0.8)
Interest > 5 years		(0.2)	(0.3)
		(0.4)	(1.2)
Present value of the minimum lease payments < 1 year		0.6	2.1
Present value of the minimum lease payments 1 – 5 years		1.6	3.5
Present value of the minimum lease payments > 5 years		0.5	0.6
<b>Total</b>	29	2.7	6.2

Other non-current receivables include vendor loans provided in respect of sale of subsidiaries for an amount of 8.3 million euro (2012: 9.0 million euro).

On 31 December 2013 no other investments were pledged (31 December 2012: 4.0 million euro).

## 18 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

The composition of deferred tax assets and liabilities in relation to temporary differences and tax losses is as follows:

	Assets		Liabilities	
	2013	2012	2013	2012
Property, plant and equipment	14.8	14.2	(1.8)	(2.3)
Intangible assets	–	0.5	(23.9)	(37.6)
Due from customers	0.4	7.9	(59.5)	(52.4)
Trade and other receivables	0.3	0.8	(1.1)	(22.3)
Employee benefits	24.3	13.5	–	12.9
Provisions	0.6	5.9	(2.1)	(0.8)
Other items	10.5	15.2	(24.7)	(32.8)
Value of recognised tax loss carry forwards	36.2	48.4	–	–
	87.1	106.4	(113.1)	(135.3)
Netting of tax assets and liabilities	(67.2)	(72.4)	67.2	72.4
<b>Total</b>	<b>19.9</b>	<b>34.0</b>	<b>(45.9)</b>	<b>(62.9)</b>

On 31 December 2013 no deferred tax liabilities relating to investments in subsidiaries were accounted for (31 December 2012: nil).

### Unrecognised deferred tax assets

The Group has not recognised deferred tax assets that relate to unused tax losses amounting to 953 million euro (2012: 305 million euro) and deductible temporary differences amounting to 15.6 million euro (2012: 1.2 million euro). Deferred tax assets have not been recognised in respect of these items, because based upon the level of historical taxable income and projections for taxable income in the foreseeable future, management of the Group believes that it is not sufficiently probable that (future) taxable profits will be available to benefit from these items.

At the end of 2013, 59 million euro (2012: 135.1 million euro) of the unrecognised tax losses will expire within five years. These losses mainly relate to Poland. In the Netherlands the losses will start to expire in 2017. The losses in Germany can be carried forward for an indefinite period of time.

	Unrecognised deferred tax losses	Expiration < 5 years	Expiration > 5 years
<b>Country</b>			
Germany	402	–	402
The Netherlands	373	15	358
Poland	42	42	–
Belgium	29	–	29
Austria	29	–	29
Other countries	78	2	76
<b>Total</b>	<b>953</b>	<b>59</b>	<b>894</b>

**Movements in deferred taxes during the year**

	As at 1 January 2012	Acquisitions/ deconsoli- dations	Recognised in 2012 result	Recognised in other comprehensive income	Effect of movement in exchange rates	As at 31 December 2012
Property, plant and equipment	9.1	0.1	2.8	–	(0.1)	11.9
Intangible assets	(36.5)	(10.3)	10.8	–	(1.1)	(37.1)
Due from customers	(40.2)	(0.4)	(3.7)	–	(0.2)	(44.5)
Trade and other receivables	–	–	(21.3)	–	(0.2)	(21.5)
Employee benefits	7.3	(0.1)	3.2	15.8	0.2	26.4
Provisions	(2.0)	(0.3)	7.3	–	0.1	5.1
Other items	(13.5)	2.5	(3.5)	(2.9)	(0.2)	(17.6)
Tax value of recognised tax loss carry forwards	11.9	–	36.4	–	0.1	48.4
<b>Total</b>	(63.9)	(8.5)	32.0	12.9	(1.4)	(28.9)

	As at 1 January 2013	Acquisitions/ deconsoli- dations	Recognised in 2013 result	Recognised in other comprehensive income	Reclassifi- cation to liabilities held for sale	Effect of movement in exchange rates	As at 31 December 2013
Property, plant and equipment	11.9	–	1.1	–	–	–	13.0
Intangible assets	(37.1)	(0.6)	10.3	–	2.7	0.8	(23.9)
Due from customers	(44.5)	0.5	(15.2)	–	(0.4)	0.5	(59.1)
Trade and other receivables	(21.5)	–	20.9	–	(0.2)	–	(0.8)
Employee benefits	26.4	–	(0.4)	(1.6)	–	(0.1)	24.3
Provisions	5.1	0.3	(6.9)	–	–	–	(1.5)
Other items	(17.6)	–	5.5	(2.1)	(0.1)	0.1	(14.2)
Tax value of recognised tax loss carry forwards	48.4	–	(12.2)	–	–	–	36.2
<b>Total</b>	(28.9)	0.2	3.1	(3.7)	2.0	1.3	(26.0)

Other items recognised in other comprehensive income relate to the fair value of cash flow hedges.

**19 Inventories**

	2013	2012
Raw and auxiliary materials	24.1	18.6
Semi-finished goods	1.2	1.5
Finished goods	47.5	59.9
<b>Total</b>	72.8	80.0

In 2013, the write down of inventories to net realisable value amounted to 5.1 million euro (2012: 0.8 million euro).

## 20 Due from/to customers

	2013			2012		
	Due from customers	Due to customers	Balance	Due from customers	Due to customers	Balance
Cumulative incurred costs plus profit in proportion to progress	2,677.0	1,781.1	4,458.1	2,437.2	1,097.4	3,534.6
Progress billings	(2,105.9)	(2,003.0)	(4,108.9)	(1,722.6)	(1,332.1)	(3,054.7)
Provisions for losses	(127.2)	(53.3)	(180.5)	(141.8)	(73.3)	(215.1)
<b>Balance</b>	<b>443.9</b>	<b>(275.2)</b>	<b>168.7</b>	<b>572.8</b>	<b>(308.0)</b>	<b>264.8</b>

As at 31 December 2013 the capitalised borrowing costs amounted to 1.2 million euro with a capitalisation rate of 1.8% (31 December 2012: 1.2 million euro and 0.8% respectively).

Included in due from customers on 31 December 2013 is an amount of 20.7 million euro (31 December 2012: 20.3 million euro) which will not be paid until specified conditions are fulfilled (retentions) in respect of contracts for third parties.

The above amounts do not include contingent receivables from customers arising from claims which are not probable to be realised. The financial outcome of these claims can only be estimated within a broad band width. The best estimate of the realisable value of these claims is 9 million euro (31 December 2012: 21 million euro). The determination of the profit in proportion to the stage of completion and the provision for losses is based on estimates of the costs and revenues of the relating projects.

As at 31 December 2013 an amount of 14.1 million euro with regard to advanced payments is included in due to customers. Advanced payments are amounts received before the related work is performed.

## 21 Trade and other receivables

	Note	2013	2012
Trade receivables	29	857.2	1,128.6
Trade receivables due from associated companies and joint ventures	29	2.1	3.5
		<b>859.3</b>	<b>1,132.1</b>
Other receivables	29	132.3	187.3
Current portion of non-current receivables		1.7	3.1
Derivatives at fair value	29	—	0.1
		<b>134.0</b>	<b>190.5</b>
<b>Total</b>		<b>993.3</b>	<b>1,322.6</b>

The decrease in the trade receivable mainly relates to impairments in the division Germany & Eastern Europe.

## 22 Cash, cash equivalents and bank overdrafts

	Note	2013	2012
Bank balances		295.2	375.4
Deposits available on demand		0.8	8.1
Other cash and cash equivalents		0.4	1.6
Cash and cash equivalents	29	296.4	385.1
Bank overdrafts	25	(106.2)	(314.3)

### Cash, cash equivalents and bank overdrafts in the consolidated statement of cash flows

190.2 70.8

As at 31 December 2013, the cash and cash equivalents include 18 million euro of restricted cash which is not available for the use by the Group.

The Group has an international cash pool and several local cash pools in place. For those cash pools with netting arrangements and right to offset, cash and bank overdrafts have been netted as per 31 December 2013 for a total amount of 866 million euro.

## 23 Equity

### Share capital

	Number of ordinary shares	
	2013	2012
Outstanding as at 1 January	89,106,689	87,943,977
Issuance of ordinary shares	356,597,988	–
Stock dividend	–	1,313,134
Repurchased own shares	42,808	(1,048,846)
Issued against payment in cash	–	813,000
Issued under the share scheme	–	85,424
<b>Outstanding as at 31 December - fully paid up</b>	<b>445,747,485</b>	<b>89,106,689</b>

On 31 July 2013, 356,597,988 ordinary shares were issued in a 500 million euro rights issue (gross proceeds of 499.2 million euro). On 8 August 2013, 16,666,668 cumulative financing preference shares were issued to ING and Rabobank against a price per share of 1.80 euro, raising gross proceeds of 30 million euro. The transaction costs accounted for as a deduction from equity amount to 42.1 million euro. The net proceeds of 487.1 million euro have been used to repay the outstanding debt.

On 31 December 2013 the authorised share capital comprised 1,180 million (31 December 2012: 360 million) shares divided into 750 million (31 December 2012: 120 million) ordinary shares, 180 million (31 December 2012: 180 million) preference shares and 250 million (31 December 2012: 60 million) financing preference shares. The par value of the shares amounts to 0.80 euro. The holders of shares are entitled to dividend, as is announced, and are entitled to cast one vote per share when decisions are taken by the Annual General Meeting. These rights do not apply to shares in the Company held by the Group until these shares are transferred. On 31 December 2013 the issued share capital amounted to 450,657,904 (31 December 2012: 94,059,916) ordinary shares. All issued shares are fully paid up. Stichting Imtech has option rights to the preference shares (see section Corporate Governance). Royal Imtech N.V. has also granted share options and shares conditionally (see below under Reserve for own shares).

### Cumulative financing preference shares

As per the Articles of Association and the Dutch Corporate Governance Code an arrangement is in place so that the number of votes on the cumulative financing preference shares corresponding with this issue price is proportionate with the price of the ordinary shares. The dividend yield has been set at the moment of issuance in accordance with the Articles of Association (which resulted in a dividend yield of 4.57%). It is envisaged that each preference share shall be convertible into one ordinary share, including accrued but unpaid dividend, subject to customary anti-dilution protection and subject to shareholder approval which will be requested during the first upcoming Annual General Meeting. 50% of the cumulative financing preference shares are convertible after 180 days after issuance, and the remaining 50% after 360 days after issuance. In accordance with the Articles of Association, the preference shares are transferable after approval of the Board of Management.

### Translation reserve

The translation reserve includes all currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities by which the net investments of the Company in a foreign subsidiary are hedged and also the effects of currency hedges of net investments.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net movement in the fair value of cash flow hedging instruments in respect of hedged transactions that have not yet occurred.

### Reserve for own shares

The reserve for own shares comprises the purchase price of the own shares held by the Company. On 31 December 2013, 4,910,419 (31 December 2012: 4,953,227) own shares were held by the Company to cover the obligations arising from the share scheme for the (former) Board of Management and the share option scheme. Refer to note 8. On 31 December 2013 no share options were in the money.

### Dividend

After the balance sheet date the Board of Management, with the approval of the Supervisory Board, proposed not to pay a dividend for 2013 (2012: the same).

### <sup>24</sup> Calculation earnings per share

The calculation of the basic and diluted earnings per share was based on the following result attributable to shareholders of Royal Imtech N.V. (net result) and the calculated weighted average number of ordinary shares outstanding.

	2013	2012
From continuing operations	(644.2)	(242.3)
From discontinued operations	(57.0)	(4.9)
<b>Result attributable to shareholders of Royal Imtech N.V. (net result)</b>	<b>(701.2)</b>	<b>(247.2)</b>



### Basic earnings per share

The calculation of the basic earnings per share on 31 December 2013 was based on a loss attributable to holders of ordinary shares of 701.2 million euro (2012: loss of 247.2 million euro) and an average number of ordinary shares outstanding during 2013 of 299,639,808 (2012: 192,048,514) calculated as follows:

Weighted average number of ordinary shares	2013	2012
Issued ordinary shares	450,657,904	94,059,916
Effect of share issue	(146,098,268)	103,672,908
Effect of own shares held	(4,919,828)	(5,235,835)
Effect of stock dividend	—	(448,475)
<b>Average number of ordinary shares during the year</b>	<b>299,639,808</b>	<b>192,048,514</b>

The 2012 calculation has been adjusted for the effect of the 2013 rights issue.

### Diluted earnings per share

The calculation of the diluted earnings per share at 31 December 2013 was based on the attribution of loss amounting to 701.2 million euro (2012: loss of 247.2 million euro) to holders of ordinary shares and an average number of ordinary shares outstanding during 2013 of 300,575,500 (2012: 192,721,291) corrected for potential dilution, calculated as follows:

Weighted average number of ordinary shares (diluted)	2013	2012
Average number of ordinary shares during the year	299,639,808	192,048,514
Effect of share option scheme	—	569,226
Effect of share scheme	935,692	103,551
<b>Average number of ordinary shares (diluted) during the year</b>	<b>300,575,500</b>	<b>192,721,291</b>

At 31 December 2013 3,652,210 share options (31 December 2012: 2,967,833) were excluded from the diluted weighted average number of ordinary share calculations as their effect would have been antidilutive.

## 25 Loans and borrowings

The Group's liabilities are specified as follows:

Non-current liabilities	Note	2013	2012
Syndicated bank loans		539.3	—
Senior notes		320.6	—
Other bank loans		23.8	1.1
Finance lease liabilities		17.1	16.8
Contingent consideration		—	17.6
Derivatives at fair value	29	6.5	7.2
<b>Total</b>		<b>907.3</b>	<b>42.7</b>

<b>Current liabilities</b>	Note	2013	2012
Bank overdrafts	22	106.2	314.3
Current portion of syndicated bank loans		–	488.3
Current portion of senior notes		–	326.3
Current portion of other bank loans		9.0	5.8
Current portion of finance lease liabilities		8.2	5.5
Bilateral bank loans		22.5	–
		39.7	825.9
<b>Total</b>		145.9	1,140.2

The below information relates to the situation as per 31 December 2013 unless stated otherwise. For further details on the situation as per 17 March 2014 reference is made to note 33 subsequent events.

#### **Loan covenants and loan classification**

The syndicated bank loan (RCF) contains covenants. The covenants included in the senior notes are in alignment with the covenants as agreed upon in the RCF. Driven by a slower than anticipated recovery of the business, on 11 November 2013, the Group reached agreement with its most important financiers regarding an extension of the covenant holiday to 30 September 2014. As part of the MTS amended covenants were agreed to which the Group has to comply with from 2014 onwards. The classification of the loans is not affected by the amended covenants as the Group is in compliance with these covenants. Accordingly, the carrying value of the RCF of 539.3 million euro and the senior notes of 320.6 million euro have been reported as non-current liabilities.

#### **Syndicated bank loans (Revolving Credit Facility or RCF)**

The Group has a syndicated bank loan of 700 million euro, concluded in November 2010. The original term of this syndicated bank loan is 5 years, expiring 1 November 2015. As part of the MTS Imtech and its main lenders have committed to extend the maturity date of the syndicated bank loan to 15 July 2017 (subject to consummation of a scheme of arrangement under English Law).

The multi-currency RCF is on a committed and unsecured basis although security over shares and intra-group receivables has been requested and documentation is being prepared. The facility has been provided by a syndicate of eleven banks: ABN AMRO Bank, BNP Paribas, Commerzbank, ING Bank, KBC Bank, Nordea Bank, Rabobank, the Royal Bank of Scotland, Barclays Bank, Banque LB Lux and NIBC Bank. The credit facility includes a 'change of control' clause.

As at 31 December 2013, an amount of 552.0 million euro was drawn under this facility (31 December 2012: 488.3 million euro). The interest rate on these drawdowns has been partly fixed via interest rate swaps and as at 31 December 2013 the weighted average interest rate was 5.2% (31 December 2012: 1.9%).

### **Senior notes (USPP notes)**

In December 2011 and June 2012 the Group issued USPP notes by means of a private placement in the United States of America. The placements consisted of seven different tranches:

- 20 million USD 7.2%, maturing in December 2016 (2012: 4.2%);
- 140 million USD 8.3%, maturing in December 2021 (2012: 5.3%);
- 26 million USD 8.4%, maturing in December 2023 (2012: 5.4%);
- 25 million euro 7.5%, maturing in December 2016 (2012: 4.5%);
- 50 million euro 6.8%, maturing in June 2019 (2012: 3.8%);
- 50 million euro 7.2%, maturing in June 2021 (2012: 4.2%);
- 50 million GBP 8.3%, maturing in December 2021 (2012: 5.3%).

As a result of the MTS the maturity dates for the various tranches changed to 15 July 2017, the classification of the USPP notes as long term will not change as part of these amendments. The Group has cross currency swaps for an amount of 186 million USD to cover the original fixed interest amounts. The maturity date of these cross currency swaps will be aligned with the maturity dates of the USPP notes as part of the MTS. The senior notes facility includes a 'change of control' clause.

### **Additional credit facilities (bilateral credit facilities)**

In addition to the above-mentioned facilities, the Group and its subsidiaries have a number of committed credit facilities (including current account and cash pool facilities) in place, amounting to 228 million euro. Part of these facilities can be used either as cash or as guarantee facilities. These committed facilities are also with certain of its core relationship banks. As part of the MTS the maturity dates have been amended to 15 July 2017.

Furthermore, the Company has a number of bank guarantee facilities in place, amounting to 512 million euro as per year-end (31 December 2012: 780 million euro). These facilities relate to, amongst others, advance payment guarantees, performance guarantees as well as warranty guarantees. As at 31 December 2013, 453 million euro was outstanding under these facilities (31 December 2012: 497.3 million euro). In addition also a number of guarantee facilities have been made available to subsidiaries via other financial institutions for an amount of approximately 464 million euro, of which approximately 421 million euro was outstanding as at 31 December 2013 (31 December 2012: 450 million euro). Under the MTS a total of 843 million euro of guarantee facilities is committed (of which 50 million euro needs to be cash-backed, so would require drawings under the credit facilities) where formerly virtually all of the Group's guarantee facilities were uncommitted.

### **Other bank loans and finance lease liabilities**

Other bank loans and finance lease liabilities have been agreed against generally accepted conditions. The average maximum remaining term is 1.7 years (2012: 3.4 years) and the average interest rate of the liabilities outstanding is 2.6% (2012: 3.7%).

Property, plant and equipment with a carrying amount of 8.9 million euro (2012: 4.2 million euro) have been provided as security for bank loans.

<b>Finance lease liabilities</b>	<b>2013</b>	<b>2012</b>
Principal < 1 year	8.1	5.8
Principal 1 – 5 years	16.1	15.8
Principal > 5 years	1.5	1.6
	25.7	23.2
Interest < 1 year	(0.1)	(0.3)
Interest 1 – 5 years	(0.2)	(0.5)
Interest > 5 years	(0.1)	(0.1)
	(0.4)	(0.9)
Present value of the minimum lease payments < 1 year	8.0	5.5
Present value of the minimum lease payments 1 – 5 years	15.9	15.3
Present value of the minimum lease payments > 5 years	1.4	1.5
<b>Total</b>	<b>25.3</b>	<b>22.3</b>

## 26 Employee benefits

The Group contributes towards a number of defined benefit pension plans on the basis of which employees receive pension payments after their retirement. In general the amount received by an employee on retirement depends on factors such as age, (average) salary and the number of years of service. A (conditional) indexing of pension payments is applicable for some plans. Such plans are applicable in the Netherlands, Germany, Belgium, Sweden, Norway, Austria, Switzerland and Turkey.

Most of the Dutch employees participate in an industry-wide pension scheme organised by the Pensioenfonds Metaal en Techniek. This scheme's benefits include a life-long pension (from age 65) and a next of kin (or survivor's) pension in accordance with a conditional indexed average salary system. It is not possible to calculate the present value of Imtech's pension liabilities and the value of its plan assets because the industry-wide pension scheme exposes the participating company to a number of risks that cannot be allocated to the participating company in a consistent and reliable manner. This industry-wide pension scheme is, therefore, classified as a defined contribution plan. Based on the guidelines and principles of the industry-wide pension fund, the degree of cover (investments divided by liabilities) amounts to 104% at the end of 2013 (end of 2012: 92%). The industry-wide pension fund has written a recovery plan which has been approved by De Nederlandsche Bank. The aim of these measures is to achieve the required degree of cover of 105%.

## IAS 19R

In 2013 the Group has adopted IAS 19R. This retrospective application affects equity in the balance sheet at 1 January 2012, equity in the balance sheet at 31 December 2012 and the profit and loss account 2012:

- the unrecognised actuarial gains at 1 January 2012 have been recognised at once, resulting in an increase of equity with 23.3 million euro (18.5 million euro net of tax);
- the amount included in the defined benefit obligation for future administration cost has been released, resulting in an increase of equity at 1 January 2012 of 6.1 million euro (4.2 million euro net of tax);
- the curtailment and settlement gain of 5 million euro in 2012 has been reversed into a settlement loss of 15.4 million euro (net of tax 11.6 million euro);
- a decrease of other pension expenses recognised in the profit and loss account 2012 by 2.1 million euro (net of tax 1.1 million euro); and
- the unrecognised actuarial losses at 31 December 2012 have been recognised at once, resulting in a decrease of equity of 56.4 million euro negative (net of tax 40.6 million euro negative).

The above changes have been accounted for with the following effects on the relevant comparative figures 2012:

- increase of equity at 1 January 2012 with 29.4 million euro (22.7 million euro net of tax);
- increase of pension expenses recognised in the profit and loss account 2012 by 18.3 million euro (net of tax 14.2 million euro);
- decrease of equity at 31 December 2012 with 45.3 million euro (32.1 million euro net of tax).

	2013	2012
Defined benefit obligation of funded plans	78.9	68.7
Defined benefit obligation of unfunded plans	187.8	194.6
Total defined benefit obligation	266.7	263.3
Fair value of plan assets	(66.6)	(60.6)
Net defined liability	200.1	202.7
Liability related to jubilee events	7.0	7.1
<b>Total</b>	<b>207.1</b>	<b>209.8</b>

### The plan assets comprise:

	2013	2012
Plan assets managed by insurance company	92%	78%
Property and other	8%	22%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>Movements in the defined benefit obligation</b>	<b>2013</b>	<b>2012</b>
As at 1 January	263.3	392.9
Current service cost	10.5	8.7
Past service cost (income)	0.6	(0.2)
(Gain) loss on settlement	–	12.1
Interest cost	9.5	15.1
Actuarial loss (gain) arising from:		
■ changes in demographic assumptions;	–	(0.5)
■ changes in financial assumptions;	(10.8)	60.0
■ experience adjustments.	(1.7)	(1.6)
Transferred	5.3	–
Assumed in a business combination	–	0.5
Benefits paid	(7.9)	(12.4)
Contributions participants	1.2	2.1
Settlement payments	–	(213.2)
Reclassification to liabilities held for sale	(1.3)	–
Other movements	(0.3)	(1.5)
Effect of movement in exchange rates	(1.7)	1.3
<b>As at 31 December</b>	<b>266.7</b>	<b>263.3</b>
<b>Movements in the fair value of plan assets</b>	<b>2013</b>	<b>2012</b>
As at 1 January	60.6	259.7
Interest income on plan assets	2.6	8.1
Actuarial (loss) gain on plan assets	(6.2)	1.5
Contributions employer	4.5	8.2
Contributions participants	1.2	2.1
Transferred	5.3	–
Benefits paid	(0.7)	(5.1)
Settlement payments	–	(213.2)
Expenses paid	(0.5)	(0.8)
Effect of movement in exchange rates	(0.2)	0.1
<b>As at 31 December</b>	<b>66.6</b>	<b>60.6</b>

The estimated employer contributions to funded defined benefit plans in 2014 amount to about 6 million euro.

<b>Employee benefit expenses</b>	<b>2013</b>	<b>2012</b>
<b>Recognised in profit or loss</b>		
Current service cost	10.5	8.7
Past service cost (income)	0.6	(0.2)
Interest cost	9.5	15.1
Interest income on plan assets	(2.6)	(8.1)
(Gain) loss on settlement	(1.5)	15.4
Other	0.1	(0.7)
	<b>16.6</b>	<b>30.2</b>
<b>Recognised in other comprehensive income</b>		
Actuarial loss (gain) arising from:		
■ changes in demographic assumptions;	–	(0.5)
■ changes in financial assumptions;	(10.8)	60.0
■ experience adjustments.	(1.7)	(1.6)
Actuarial loss (gain) on plan assets	6.2	(1.5)
	<b>(6.3)</b>	<b>56.4</b>
<b>Total</b>	<b>10.3</b>	<b>86.6</b>

The expense is recognised in the profit and loss account under the following items:

	<b>2013</b>	<b>2012</b>
Personnel expenses	8.9	23.2
Finance expenses	9.5	15.1
Finance income	(2.6)	(8.1)
Result from discontinued operations (net of tax)	0.8	–
<b>Total</b>	<b>16.6</b>	<b>30.2</b>

<b>Actuarial assumptions (weighted averages)</b>	<b>2013</b>	<b>2012</b>
Discount rate as at 31 December	3.8%	3.7%
Future salary increases	2.6%	2.9%
Future pension increases	1.8%	1.6%

At 31 December 2013, the weighted-average duration of the defined benefit obligation was 17.4 years.

## Sensitivity analysis

	Defined benefit obligation	
	0.5% increase	0.5% decrease
31 December 2013		
Discount rate	(20.5)	23.4
Future salary increases	3.7	(3.1)
Future pension increases	18.3	(16.5)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

## 27 Provisions

	Warranties and claims	Restructuring	Other	Total
As at 1 January 2012	11.9	1.3	3.0	16.2
Assumed in a business combination	0.1	–	–	0.1
Provisions made during the year	8.5	47.7	2.9	59.1
Provisions used during the year	(0.1)	(24.4)	(0.3)	(24.8)
Provisions released during the year	(0.3)	(0.9)	(0.1)	(1.3)
Adjustment purchase price/fair value	(0.8)	(0.1)	–	(0.9)
Reclassifications to and from other balance sheet items	(3.0)	–	5.0	2.0
Reclassifications	(0.4)	0.4	–	–
Effect of movement in exchange rates	0.2	–	0.1	0.3
As at 31 December 2012	16.1	24.0	10.6	50.7
Non-current	4.8	–	8.2	13.0
Current	11.3	24.0	2.4	37.7
	16.1	24.0	10.6	50.7
As at 1 January 2013	16.1	24.0	10.6	50.7
Assumed in a business combination	0.1	1.3	–	1.4
Provisions made during the year	13.2	105.5	19.3	138.0
Provisions used during the year	(2.7)	(98.3)	(5.9)	(106.9)
Provisions released during the year	(6.6)	(1.7)	(0.2)	(8.5)
Reclassifications	–	0.1	(0.1)	–
Effect of movement in exchange rates	(0.1)	–	–	(0.1)
As at 31 December 2013	20.0	30.9	23.7	74.6
Non-current	12.0	8.3	15.5	35.8
Current	8.0	22.6	8.2	38.8
	20.0	30.9	23.7	74.6



### Warranties and claims

The provision for warranty liabilities relates primarily to projects completed during the financial years 2012 and 2013. The provision is based on estimates based on historical warranty data related to similar projects. The Group expects the liabilities will be settled in the following two years. Various significant claims have been made against the Group, most of which relate to work performed by the Group. These claims are being contested. A provision has been formed for the expected costs related to claims or, where appropriate, receivables on the claiming customers have not been recognised. Settlement of these claims could take several years.

### Restructuring

The provision for restructuring primarily relates to the restructuring in the divisions Benelux, Germany & Eastern Europe, Traffic & Infra and Marine. Reference is made to note 8.

### Other provisions

Other provisions mainly relate to provisions for onerous rental contracts and site restoration. The provisions are based on the obligation that the Group has with counterparties involved and represent the best estimate of the obligation. The majority of these provisions have an estimated maturity between two and ten years.

28 Trade and other payables	Note	2013	2012
Trade payables		756.5	890.8
Other liabilities and accrued expenses		474.6	624.3
Contingent consideration	6	1.3	26.7
Derivatives at fair value	29	0.5	1.9
		476.4	652.9
<b>Total</b>		<b>1,232.9</b>	<b>1,543.7</b>

Other liabilities and accrued expenses include VAT payable, personnel related accruals and other accruals.

### 29 Financial instruments

In the context of its normal business operations the Group faces credit, liquidity, foreign currency and interest rate risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain foreign currency and interest rate risk exposures.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment securities and cash and cash equivalents.

Management of the Group has drawn up a credit policy and the credit risk is monitored constantly. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a diversified customer base, predominantly spread over Europe. Where necessary, customers are subjected to a credit check and use is made of various banking products (bank guarantees, letters of credit, etc.) and advance payments. Credit risk insurance is rarely used.

Management of the Group has drawn up a policy with respect to cash and cash equivalents. Cash is mainly held in cash pools, which are spread throughout various countries in various currencies. Operationally, these cash pools are netted, reducing net outstanding cash balances. Cash balances are held with reputable banks, primarily in the European Union.

The carrying amount of the financial assets represents the maximum credit risk and was on the balance sheet date:

	Note	2013	2012
Non-current receivables	17	21.9	28.8
Trade receivables	21	859.3	1,132.1
Other receivables	21	134.0	190.5
Cash and cash equivalents	22	296.4	385.1
<b>Total</b>		<b>1,311.6</b>	<b>1,736.5</b>

On the balance sheet date the trade receivables by country were as follows:

	2013	2012
Germany	250.9	387.0
The Netherlands	165.6	190.7
Sweden	107.7	117.8
The UK	93.6	110.0
Belgium	46.5	44.0
Spain	50.0	57.4
Norway	20.7	25.8
Finland	11.5	3.9
Ireland	7.9	5.8
Other countries	104.9	189.7
<b>Total</b>	<b>859.3</b>	<b>1,132.1</b>

On the balance sheet date the aging of the trade receivables was as follows:

	2013			2012	
	Gross – not impaired	Gross – impaired	Impairment	Gross	Impairment
Not past due	620.9	31.9	17.3	771.0	3.2
Past due 1 to 60 days	94.2	17.5	8.3	189.0	5.6
Past due 61 to 180 days	24.7	20.3	11.9	50.2	4.8
Past due 181 days to one year	18.7	24.2	20.5	126.3	57.2
Past due more than one year	36.8	171.4	143.3	153.9	87.5
<b>Total</b>	<b>795.3</b>	<b>265.3</b>	<b>201.3</b>	<b>1,290.4</b>	<b>158.3</b>
Impairment		(201.3)		(158.3)	
	<b>64.0</b>				
Trade receivables	<b>859.3</b>			<b>1,132.1</b>	

The gross amounts (both not impaired and impaired) reflect the amount of revenue recognised plus value added tax, if any. Amounts billed to the customer, but which are not probable to result in revenue and consequently have not been recognised, are not included in the gross amount. This is particularly relevant for the amounts past due more than 181 days, for which the amounts billed are significantly higher than the gross amounts shown. Amounts past due more than one year predominantly relate to customers who dispute the receivables and in various cases have filed counterclaims. Gross impaired relates to trade receivables for which an impairment is recognised. The impairment is based on management's best estimate of amounts recoverable, but these estimates are uncertain. The Group believes that the unimpaired amounts are still collectible, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings, when available.

In those instances where a receivable is disputed in court, the realisation of the receivable depends on the outcome of the proceedings. The trade receivables include an amount of 5 million euro (net of impairment) relating to receivables disputed in legal proceedings for which in first instance an adverse ruling was obtained and where the Group subsequently appealed or intends to appeal this decision (31 December 2012: 5.0 million euro). In these instances the Group is of the opinion that it has a strong case to prevail.

Movements in the allowance for impairment in respect of trade receivables during the year are as follows:

	Note	2013	2012
As at 1 January		158.3	63.4
Impairment loss recognised during the year	9	80.9	108.1
Allowance used during the year		(33.3)	(16.1)
Reversal of impairments during the year	9	(2.9)	(1.9)
Reclassification from provisions		–	3.0
Effect of movement in exchange rates		(1.7)	1.8
<b>As at 31 December</b>		<b>201.3</b>	<b>158.3</b>

The (increase in the) allowance for impairment in respect of trade receivables mainly relates to the division Germany and Eastern Europe.

### Liquidity risk

The primary objective of liquidity management is to safeguard, as far as possible, sufficient liquidity enabling the Group to meet its current and future payment obligations. The Group aims for sufficient credit facilities as well as a well-spread maturity schedule. For this purpose, the Group has at its disposal a number of (un)committed credit facilities (reference is made to note 25).

The following table indicates the contractual maturities of the financial liabilities, including interest payments, the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments. This table is also indicative of the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss. The interest rate swaps are derivatives used as hedging instruments for cash flow hedges.

	Carrying amount	Con- tractual cash flows	< 6 months	6 – 12 months	1 – 2 years	2 – 5 years	> 5 years
<b>31 December 2013</b>							
<i>Non-derivative financial liabilities</i>							
Syndicated bank loans	539.3	606.4	11.3	11.3	583.8	–	–
Senior notes	320.6	502.6	10.0	11.2	20.9	102.4	358.1
Other bank loans	32.8	45.0	7.8	4.6	2.3	5.5	24.8
Finance lease liabilities	25.3	26.2	4.2	5.6	4.0	11.7	0.7
Bilateral bank loans	22.5	22.5	22.5	–	–	–	–
Bank overdrafts	106.2	106.2	106.2	–	–	–	–
Trade and other payables	1,232.4	1,232.4	1,133.5	78.2	9.9	4.8	6.0
<i>Derivative financial liabilities</i>							
Cross currency swaps used for hedging	5.8						
■ Outflow		195.3	3.7	3.7	29.6	27.1	131.2
■ Inflow		(189.7)	(3.5)	(3.5)	(28.4)	(25.4)	(128.9)
Interest rate swap	0.7	1.4	0.4	0.3	0.7	–	–
Forward currency contracts	0.5	0.5	0.5	–	–	–	–
<b>Total</b>	<b>2,286.1</b>	<b>2,548.8</b>	<b>1,296.6</b>	<b>111.4</b>	<b>622.8</b>	<b>126.1</b>	<b>391.9</b>
<b>31 December 2012</b>							
<i>Non-derivative financial liabilities</i>							
Syndicated bank loans	488.3	488.3	488.3	–	–	–	–
Senior notes	326.3	327.2	327.2	–	–	–	–
Other bank loans	6.9	7.3	4.8	1.4	1.1	–	–
Finance lease liabilities	22.3	24.1	4.0	2.4	13.6	4.1	–
Contingent consideration (non-current)	17.6	19.0	–	–	10.7	8.3	–
Bank overdrafts	314.3	314.3	314.3	–	–	–	–
Trade and other payables	1,541.8	1,541.8	1,434.7	95.1	5.4	3.1	3.5
<i>Derivative financial liabilities</i>							
Cross currency swaps used for hedging	7.2						
■ Outflow		144.4	144.4	–	–	–	–
■ Inflow		(140.7)	(140.7)	–	–	–	–
Interest rate swaps	1.2	1.2	–	1.2	–	–	–
Forward currency contracts	0.6	0.8	0.8	–	–	–	–
<b>Total</b>	<b>2,726.5</b>	<b>2,727.7</b>	<b>2,577.8</b>	<b>100.1</b>	<b>30.8</b>	<b>15.5</b>	<b>3.5</b>

### Foreign currency transaction risk

Foreign currency transaction risks faced by the Group arise from both purchases and sales, including contracts with customers related to projects to be executed, and financing liabilities expressed in currencies other than the functional currency of the Group entities, predominantly the euro, the Swedish krona, the British pound and the US dollar. Virtually all purchases and sales take place in the functional currency of the respective group entities. Almost all purchases and sales in a currency other than the functional currency are hedged via forward currency contracts, swaps as well as bank overdrafts in foreign currencies. The Group classifies forward currency contracts and swaps as cash flow hedges and states them at fair value.

### Foreign currency translation risk

The Group is exposed to foreign currency translation risks by means of investments in and long-term loans to foreign subsidiaries. This foreign currency translation risk is in principle not hedged, under the assumption that foreign currency fluctuations and interest and inflation developments balance out in the long run. The translation risk relates primarily to the Swedish and British subsidiaries.

At the end of 2013 the Group has SEK denominated loans amounting to 500 million SEK in place (2012: 500 million SEK). This loan is intended as an economic hedge of the translation effect of the results of the Swedish subsidiaries. Further, the Group had undertaken cross currency swaps in respect of the senior notes converting fixed 186 million USD into fixed euro borrowings with different tenors, with a reference amount of 137 million euro. The Group classifies cross currency swaps as cash flow hedges and states them at fair value.

During 2013 no material ineffectiveness has been recognised in profit or loss in relation to cash flow hedges and net investment hedges (2012: nil).

The most important exchange rates during the financial year were:

	Average rate		Rate on balance sheet date	
	2013	2012	2013	2012
GBP/euro	1.18	1.23	1.20	1.23
SEK/euro	0.12	0.11	0.11	0.12
USD/euro	0.75	0.78	0.73	0.76

### Interest rate risk

The objective of the Group's policy is to fix at least 50% of the interest rate profile of the net debt position as per year-end. In line with this, the Group has arranged interest rate swaps, for which hedge accounting has been applied. As at 31 December 2013 the Group had undertaken interest rate swaps with a reference amount of 275 million euro (31 December 2012: 65 million euro). The Group classifies interest rate swaps as cash flow hedges and states them at fair value.

Interest rates may be impacted by the credit rating of the Company. Furthermore, non-compliance with loan covenants may impact the interest rates or other loan terms and conditions. The irregularities in Germany and Poland have impacted the credit rating of the Group. As part of the waiver obtained on 15 June 2013, it was amongst others agreed with the lenders that the margin on the loans to be paid was increased.

On the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Note	2013	2012
<i>Instruments with a fixed interest rate</i>			
Finance lease receivables (non-current and current)	17	2.7	6.2
Other non-current receivables (including current portion)	17	12.6	14.6
Secured bank loans	25	(8.6)	(5.2)
Unsecured bank loans	25	(56.7)	(0.1)
Unsecured senior notes	25	(320.6)	(326.3)
Finance lease liabilities	25	(25.3)	(22.3)
<b>Total</b>		<b>(395.9)</b>	<b>(333.1)</b>
<i>Instruments with a variable interest rate</i>			
Cash and cash equivalents	22	296.4	385.1
Secured bank loans	25	(1.6)	(1.6)
Unsecured bank loans	25	(505.2)	(488.3)
Bank overdrafts	25	(106.2)	(314.3)
<b>Total</b>		<b>(316.6)</b>	<b>(419.1)</b>

A 1% change in the interest rate as per balance date would mean that the result and equity would increase or decrease by the amounts shown in the following table. These figures assume that all other variables, and currency exchange rates in particular, remain constant. Tax effects have also not been taken into account.

## Sensitivity analysis

	Result			Equity	
	Amount	1% increase	1% decrease	1% increase	1% decrease
<b>31 December 2013</b>					
Instruments with a variable interest rate					
■ Current	190.2	1.9	(1.9)	–	–
■ Non-current	(506.8)	(5.1)	5.1	–	–
<b>Total</b>	<b>(316.6)</b>	<b>(3.2)</b>	<b>3.2</b>	<b>–</b>	<b>–</b>
Interest rate swaps					
■ Current	275.0	2.8	(2.8)	4.2	(4.2)
<b>Cash flow sensitivity (net)</b>	<b>(41.6)</b>	<b>(0.4)</b>	<b>0.4</b>	<b>4.2</b>	<b>(4.2)</b>
<b>31 December 2012</b>					
Instruments with a variable interest rate					
■ Current	(418.1)	(4.2)	4.2	–	–
■ Non-current	(1.0)	–	–	–	–
<b>Total</b>	<b>(419.1)</b>	<b>(4.2)</b>	<b>4.2</b>	<b>–</b>	<b>–</b>
Interest rate swaps					
■ Current	65.0	0.7	(0.7)	0.3	(0.3)
<b>Cash flow sensitivity (net)</b>	<b>(354.1)</b>	<b>(3.5)</b>	<b>3.5</b>	<b>0.3</b>	<b>(0.3)</b>

The interest rate swaps and cross currency swaps taken out in 2013 amount to 275 million euro and 137 million euro respectively and comply with the Group's interest rate policy, that at least 50% of the interest rate exposure of the net debt position as at 31 December 2013 has been hedged (31 December 2012: 65 million euro and 137 million euro respectively).

The position in respect of the cash, cash equivalents and bank overdrafts, which have variable interest rates and are not hedged, fluctuated throughout the year as the need to finance working capital changed.

## Capital management

The Group's policy is to strive to a strong capital base, so as to strengthen investor, creditor and market confidence and to ensure future development of the business. Therefore, the Group negotiated new terms with his main financiers. The Group has a policy to reduce working capital by focussing on cash collection, amongst others by reducing the overdue trade receivables.

The Group does not have an explicit target with regard to return on capital employed. The Group defines capital as shareholders' equity.

The Group operates a share scheme for the Board of Management and the senior management and granted, until 2012, share options to the key staff. The number of shares needed to cover these schemes is purchased.

## Fair value

The summary below shows the carrying amounts of the financial instruments:

	2013	2012
<i>Fair value hedging instruments</i>		
Cross currency swaps used for hedging:		
■ Liabilities (non-current)	(5.8)	(7.2)
Forward currency contracts used for hedging:		
■ Assets (current)	–	0.1
■ Liabilities (current)	(0.5)	(0.7)
Interest rate swaps used for hedging:		
■ Liabilities (current)	–	(1.2)
■ Liabilities (non-current)	0.7	–
	(7.0)	(9.0)
<i>Loans and receivables</i>		
Finance lease receivables <sup>1</sup>	2.7	6.2
Other non-current receivables <sup>1</sup>	12.0	12.5
Trade and other receivables <sup>2</sup>	991.6	1,319.4
Cash and cash equivalents	296.4	385.1
	1,302.7	1,723.2
<i>Other financial liabilities</i>		
Bank loans <sup>1</sup>	(594.6)	(495.2)
Senior notes	(320.6)	(326.3)
Finance lease liabilities <sup>1</sup>	(25.3)	(22.3)
Contingent consideration <sup>1</sup>	(1.3)	(44.3)
Trade and other payables <sup>3</sup>	(1,231.1)	(1,515.1)
Bank overdrafts	(106.2)	(314.3)
	(2,279.1)	(2,717.5)

<sup>1</sup> Non-current and current portion.

<sup>2</sup> Excluding current portion of the non-current receivables and derivatives (shown separately).

<sup>3</sup> Excluding derivatives (shown separately).

As at 31 December 2013 the fair value of the senior notes amounts to 238.2 million euro (31 December 2012: 336.7 million euro) and the fair value of the syndicated bank loans amounts to 562.3 million euro. The carrying amounts of financial instruments measured other than at fair value, approximated their fair values on the balance sheet date.

## Determination of fair values

The most important methods and principles applied when estimating the fair value of financial instruments included in the summary are described on the next page.



## Derivatives

The fair value of forward exchange contracts is based on their quoted market price if available. If no quoted market price is available the fair value is estimated by discounting the difference between the contracted and actual forward price for the remaining term based on a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

## Non-derivative financial liabilities

Fair value is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## Trade and other receivables / trade and other payables

The nominal value of receivables and liabilities that fall due within one year is assumed to reflect the fair value. All other receivables and liabilities are made current to determine the fair value.

## Fair value hierarchy

The various fair value valuation methods can be defined as follows:

- level 1: quoted market prices (not corrected) in active markets for identical assets or liabilities;
- level 2: input that is not a quoted market price as specified under level 1 and that is verifiable for the asset or liability either directly (in the form of a price) or indirectly (i.e. derived from a price);
- level 3: input related to the asset or liability that is not based on verifiable market data (non-verifiable input).

As at 31 December 2013 all cross currency swaps, forward currency contracts, senior notes and interest rate swaps used for hedging are classified under Level 2 (31 December 2012: the same).

## 30 Operating lease contracts

The amounts owing in respect of non-cancellable operating lease contracts mature as follows:

	2013	2012
< 1 year	111.5	103.8
1 – 5 years	247.5	235.6
> 5 years	119.4	115.4
<b>Total</b>	<b>478.4</b>	<b>454.8</b>

The Group leases buildings and other property, plant and equipment on the basis of operating leases. The lease contracts generally have a term of a limited number of years with an option for extension. None of the lease contracts involve conditional lease instalments. In the financial year 2013 an expense of 127.3 million euro was recognised in profit or loss for operating leases (2012: 118.4 million euro).

### 31 Related parties

#### Identity of related parties

There is a related party relationship with key management, associates and joint ventures and non-controlling interests.

#### Transactions with related parties

##### Key management

Reference is made to note 8.

##### Group companies

The following are the most relevant active Group companies included in continuing operations.

Company	Country of incorporation	2013	2012
Imtech ICT Austria GmbH	Austria	100%	100%
Imtech Belgium N.V.	Belgium	100%	100%
EMC Talotekniika Oy	Finland	100%	—
Fritz & Macziol Software and Computervertrieb GmbH	Germany	100%	100%
Imtech Contracting GmbH	Germany	100%	100%
Imtech Deutschland GmbH & Co. KG	Germany	100%	100%
Imtech Suir Engineering Ltd.	Ireland	100%	100%
Imtech Bolashak LLC	Kazakhstan	50%	50%
Imtech Rør AS	Norway	100%	100%
Imtech Spain S.L.	Spain	100%	100%
Imtech Elteknik AB	Sweden	100%	100%
Imtech VS-teknik AB	Sweden	100%	100%
QBranch AB	Sweden	100%	100%
Imtech Ventilation AB	Sweden	100%	100%
Imtech Building Services B.V.	The Netherlands	100%	100%
Imtech ICT Communication Solutions B.V.	The Netherlands	100%	100%
Imtech Industrial Services B.V.	The Netherlands	100%	100%
Imtech Industry International B.V.	The Netherlands	100%	100%
Imtech Marine Netherlands B.V.	The Netherlands	100%	100%
Imtech Traffic & Infra B.V.	The Netherlands	100%	100%
Capula Group Ltd.	The UK	100%	100%
Imtech ICT Ltd.	The UK	100%	100%
Imtech Meica Ltd.	The UK	100%	100%
Imtech Process Ltd.	The UK	100%	100%
Inviron Ltd.	The UK	100%	100%
Imtech Traffic & Infra UK Ltd.	The UK	100%	100%
Smith Group UK Ltd.	The UK	100%	100%

### *Associates*

During 2013 associated companies purchased goods and services from the Group for an amount of 7.6 million euro (2012: 5.6 million euro). Transactions with associated companies are conducted at arm's length. On 31 December 2013 associates owed the Group 1.6 million euro (31 December 2012: 0.5 million euro).

### *Joint ventures*

During 2013 joint ventures purchased goods and services from the Group for an amount of 13.8 million euro (2012: 12.3 million euro). On 31 December 2013 joint ventures owed the Group 1.4 million euro (31 December 2012: 3.0 million euro). Transactions with joint ventures are conducted at arm's length.

### *Non-controlling interests*

In 2012 the Group acquired 80% of the shares of Arma and the remaining 20% is held by the previous owners. On 31 December 2013 these owners owed the Group 5.2 million euro (31 December 2012: 5.9 million euro) resulting from transactions, conducted at arm's length, with the shareholders of the remaining 20%. On 31 December 2013 the Group owed 4.6 million euro to these minority shareholders. These amounts will be settled in the transaction regarding the disposal of Arma. Reference is made to note 13.

## **32 Contingent assets and liabilities**

The Company and its group companies are involved in various claims, legal proceedings and investigations. While the outcome of these can not be predicted with certainty, we believe based upon legal advice and information received, that the financial outcome will not materially effect our consolidated financial position but could be material to our result of operations or cash flows in an individual accounting period.

### *Investor claims*

On 21 June 2013 APG Algemene Pensioen Groep N.V. ('APG') has held the members of the Former Board of Management as well as all members of the Supervisory Board during the period in which the events set out in the 'Report to Shareholders' published on 18 June 2013 took place, liable in person.

On 25 June 2013 the Dutch Association of Securities holders (Vereniging van Effectenbezitters) (VEB) also sent a letter to Royal Imtech holding it as well as the members and former members of its Board of Management and Supervisory Board liable for damages suffered by shareholders in connection with the events referred to in the 'Report to Shareholders'.

In its letter, VEB reserved its rights to initiate proceedings with the Enterprise Chamber to investigate Royal Imtech's management policies and the conduct of its business. Furthermore, on the same date, VEB sent a letter addressed to each of the members of the Supervisory Board holding them liable for the damages that have occurred due to the publication of the annual accounts 2010 and 2011 (restated in the opening balance sheet 2011 and the balance sheet 2011, respectively, as included in the audited financial statements 2012). VEB also invited Royal Imtech to enter into negotiations to discuss an out-of court-settlement.

Royal Imtech is currently exploring the possibilities of reaching an out-of-court settlement with VEB and APG. Discussions with VEB and APG in this respect are still on-going.

Apart from the claims of VEB and APG, Royal Imtech also received a letter from Deminor International S.C.R.L – C.V.B.A. on 28 August 2013 containing a notice of liability towards Royal Imtech.

In addition, Royal Imtech received several letters from investors with a demand for compensation for alleged losses on shares in Royal Imtech. Royal Imtech has denied those claims for lack of legal and factual substantiation.

### *FuM Schweiz investigation*

In early 2014 it became clear that FuM Schweiz was under suspicion of unethical business behavior, including excessive gifts and entertainment. Royal Imtech has started and is still conducting forensic investigations and is fully cooperating with the Swiss authorities, that have also started investigations. Findings to date are that former management had non-business like relationships with civil servants and that FuM Schweiz is at this stage not a (criminal law) suspect. Investigations by the public prosecutor are ongoing and might take a year or longer. At this point in time it is not possible to reliably assess the financial consequences and therefore a provision has not been recognised.

#### *Other*

With respect to a foreign subsidiary, risks were identified mostly relating to the period prior to acquisition. The potential exposure relating to these risks may range from 30 to 35 million euro. This subsidiary has been divested in 2014 and when these risks materialise, they will be indemnified by the buyers of the company.

### **33 Subsequent events**

After the balance sheet date, the following significant subsequent events have occurred.

#### **Refinancing**

##### *Adjustment to credit and guarantee facilities*

On 17 March 2014, the Group and a quorum of its main financiers entered into a standstill ('lock-up') agreement and a binding term sheet, to enter into a Medium Term Solution ('MTS'). The key terms of the MTS can be summarised as follows:

- the extension of the commitments under the Revolving Credit Facilities ('RCF') and the bilateral credit facilities, and amendment of the USPP notes, in each case to 15 July 2017, combined with a shortening of the duration of the USPP notes originally expiring after 15 July 2017, to that date. Since the extension of the commitments under the RCF requires all RCF lenders to agree, a two-stepped approach is necessary because one RCF lender will not sign the full legal documentation. In that two-stepped approach, the MTS will first have a maturity date of 1 November 2015 (the original maturity date of the RCF) which will, subject to consummation of a scheme of arrangement under English law, propose to be extended to 15 July 2017;
- total committed credit facilities under the MTS amount to 1,253 million euro, divided between RCF (non-amortising bullet term-loan of 300 million euro and revolving credit facility of 400 million euro), bilateral credit facilities (228 million euro) and USPP (325 million euro);
- commitment for 843 million euro guarantee lines (of which 50 million euro needs to be cash-backed, so would require drawings under the credit facilities) where formerly virtually all of the Group's guarantee facilities were available on an uncommitted basis;
- a change of the terms of the cross currency hedging agreements to match the amended cash flow profiles of the USPP notes, on average shortening their tenors to 15 July 2017;
- the Group will provide security over shares in and intragroup receivables due from material group companies.

##### *Covenant requirements*

The following (revised) covenants are included in the MTS:

For the period 30 September 2014 until 31 December 2016 (quarterly intervals):

- Minimum Consolidated Last Twelve Months (LTM) Operational EBITDA ('EBITDA floor');

For the period 30 September 2014 until maturity (quarterly intervals):

- Minimum Consolidated LTM Operational Cash Flow ('OCF Floor');

For the period 1 January 2014 until maturity:

- Cap on additional cash funding of Germany & Eastern Europe for the period 1 January 2014 to maturity of the facilities;
- Consolidated net assets must have at least a positive value;
- Monthly testing of sufficient committed liquidity headroom;

For the period 31 December 2016 until maturity

- Minimum Interest Cover;
- Maximum Senior and Total Leverage;
- All subject to definitions as further agreed in the term sheet.

### Pricing

The MTS includes increased pricing on credit facilities. In the short term, the Group pays 7.5% margin on the RCF and bilateral credit facilities which is an increase of 2.75%. This margin is half paid in cash and half paid in kind. On the USPP, the Group pays 9.8% (an increase of 2.0%) of which 2.0% is paid in kind. Pricing on the guarantee facilities has been increased to 3.75 – 4.50%. The margin on the RCF and bilateral credit facilities and the guarantee fees are subject to reduction based on a leverage ratio grid.

### Other requirements

In addition to the covenants above, the MTS includes the following requirements:

- commitment to reduce debt (reduction and cancellation of amounts drawn under credit facilities and guarantee facilities (via cash collateralization)) by at least 400 million euro, either from operational cash flow, reductions in working capital, or any other means by no later than 30 June 2015. An event of default will only occur if by 30 June 2015 the debt reduction is less than 250 million euro. For as long as the Company has achieved debt reduction of between 250 million euro and 400 million euro, the Company will pay additional fees to the financiers. These fees comprise of:
  - 150 bps (paid in kind) at 30 June 2015, 30 September 2015 and every 6 months thereafter;
  - Issuance of warrants of 5% of the shares as at 30 June 2015 and as at 30 September 2015 at an exercise price equal to the nominal value at the time of issue. The granting of warrants requires approval of the shareholders. If the shareholders' approval is not obtained a synthetic fee will be paid
- one off amendment, extension and commitment fees and contractual make-whole penalty, partly paid in cash and partly paid in kind;
- more stringent conditions, including:
  - incurrence of additional indebtedness only up to 250 million euro of (subordinated) debt;
  - acquisitions and disposals; and
  - additional information undertakings, amongst others progress made on restructuring programs such as the German 'Neue Imtech' program.

### Other

The extension of the duration of the loan in accordance with the MTS will result in a substantial modification of the terms of the loans according to IAS 39. This will result in a derecognition of the loans in 2014. Consequently, all relating capitalised costs as at December 2013, amounting to 18.3 million euro, and costs incurred for the MTS after balance sheet date will be expensed in 2014.

### Disposal of AE Arma Elektropanç

On 17 January 2014 the Group announced the disposal of AE Arma Elektropanç. Reference is made to note 13.

### FuM Schweiz

On 19 February 2014 the Group announced to start an investigation of suspicion on unethical behavior in FuM Schweiz. Reference is made to note 32.

## COMPANY BALANCE SHEET

*In millions of euro, before appropriation of profit*

	31 December 2013	31 December 2012 <sup>1</sup>
<b>Assets</b>		
1 Property, plant and equipment	0.8	0.9
2 Intangible assets	193.2	195.9
3 Financial fixed assets	743.3	1,011.2
<b>Total fixed assets</b>	<b>937.3</b>	<b>1,208.0</b>
4 Receivables	158.4	21.0
Cash and cash equivalents	2.6	106.6
<b>Total current assets</b>	<b>161.0</b>	<b>127.6</b>
<b>Total assets</b>	<b>1,098.3</b>	<b>1,335.6</b>
<b>Equity</b>		
5 Share capital	373.8	75.2
6 Share premium reserve	397.1	208.6
7 Translation reserve	(2.5)	7.3
8 Revaluation reserve	6.1	6.1
9 Other reserves	231.3	464.8
10 Unappropriated result	(701.2)	(247.2)
<b>Total equity</b>	<b>304.6</b>	<b>514.8</b>
<b>Liabilities</b>		
11 Provisions	3.4	16.3
12 Due to Group companies	261.9	261.9
13 Non-current liabilities	0.9	–
<b>Total non-current liabilities</b>	<b>266.2</b>	<b>278.2</b>
Bank overdraft	382.2	43.3
Due to group companies	69.2	27.7
Syndicated bank loans	48.7	430.0
14 Other liabilities	27.4	41.6
<b>Total current liabilities</b>	<b>527.5</b>	<b>542.6</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,098.3</b>	<b>1,335.6</b>

<sup>1</sup> Restated, see note 3 to the consolidated financial statements.

## COMPANY PROFIT AND LOSS ACCOUNT

*In millions of euro*

	<u>2013</u>	<u>2012<sup>1</sup></u>
Result from participations after taxation	(633.3)	(209.8)
Other income and expenses after taxation	<u>(67.9)</u>	<u>(37.4)</u>
<b>Net result</b>	<b>(701.2)</b>	<b>(247.2)</b>

<sup>1</sup> Restated, see note 3 to the consolidated financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

*In millions of euro*

### Principles of valuation for the financial statements

In determining the principles for the valuation of assets and liabilities and the determination of result for its company financial statements, the Company has made use of the option offered in Article 2:362 Clause 8 of the Netherlands Civil Code. This means that the accounting policies for the valuation of assets and liabilities and the determination of result (hereafter 'accounting policies') applied to the Company financial statements are the same as those applied for the consolidated financial statements. Article 402, Book 2 of the Netherlands Civil Code is applied, which allows a simplified company profit and loss account in the Company financial statements in the event that a comprehensive profit and loss account is included in the consolidated Group financial statements. Participations over which a significant influence is exercised are recognised at net asset value, whereby the net asset value is determined on the basis of the accounting policies applied in the consolidated financial statements.

1	Property, plant and equipment	2013	2012	
	Carrying amount on 1 January	0.9	0.8	
	Acquired	0.1	0.3	
	Depreciation	(0.2)	(0.2)	
	<b>Carrying amount on 31 December</b>	<b>0.8</b>	<b>0.9</b>	
	Specified as follows:			
	Cost	1.4	1.3	
	Cumulative depreciation	(0.6)	(0.4)	
2	Intangible assets	Goodwill	Other intangible assets	Total
	Carrying amount as at 1 January 2013	194.6	1.3	195.9
	Investments	–	0.2	0.2
	Amortisation	–	(0.6)	(0.6)
	Adjustment purchase price/fair value	(2.3)	–	(2.3)
	<b>Carrying amount as at 31 December 2013</b>	<b>192.3</b>	<b>0.9</b>	<b>193.2</b>
	Specified as follows:			
	Cost	192.3	3.8	196.1
	Cumulative amortisation and impairment	–	(2.9)	(2.9)



### 3 Financial fixed assets

	2013	2012
Participating interests in Group companies	732.1	995.4
Receivables from Group companies	1.9	6.8
Deferred tax	0.9	–
Other participating interests	8.4	9.0
<b>Total</b>	<b>743.3</b>	<b>1,011.2</b>

#### Participating interests in Group companies

Participating interests in Group companies are stated at the net asset value and the movement was as follows:

	2013	2012
Balance as at 1 January		1,214.8
Impact of change in accounting policy		26.0
Restated balance as at 1 January	995.4	1,240.8
Increase in investments	370.4	39.0
Deconsolidation	0.9	(2.8)
Results	(633.3)	(209.8)
Remeasurements of defined benefit liability (net of tax)	6.5	(42.3)
Dividends received	(3.6)	(37.2)
Effect of changes in exchange rates	(8.2)	18.1
Movement in hedging reserve of investments	5.2	(9.4)
Other movements	(1.2)	(1.0)
<b>Balance as at 31 December</b>	<b>732.1</b>	<b>995.4</b>

A list of Group companies and other investments compiled in accordance with Article 379, Book 2 of the Netherlands Civil Code has been filed at the Commercial Registry Office in Rotterdam.

### 4 Receivables

	2013	2012
Receivables from Group companies	140.1	10.2
Taxes and social security premiums	1.9	0.6
Other receivables and accruals	16.4	10.2
<b>Total</b>	<b>158.4</b>	<b>21.0</b>

### 5 Share capital

On 31 December 2013 the number of outstanding ordinary shares with a par value of 0.80 euro was 445,747,485 (31 December 2012: 89,106,689). On 31 December 2013 the issued capital amounted to 450,657,904 ordinary shares (31 December 2012: 94,059,916) of which 4,910,419 (31 December 2012: 4,953,227) were held by the Company to cover the obligations arising from the share scheme for the Board of Management and the share option scheme. Reference is made to note 8 of the consolidated financial statements.

6 Share premium reserve	2013	2012
Balance as at 31 December	397.1	208.6
Comprises:		
■ Distribution subject to taxation	8.6	8.6
■ Distribution exempt from taxation	388.5	200.0
<b>Total</b>	<b>397.1</b>	<b>208.6</b>

In 2013 no amount was charged to the tax-free distributable share premium reserve (2012: 1.0 million euro as a result of the stock dividend).

7 Translation reserve	2013	2012
Balance as at 1 January	7.3	(1.6)
Effect of movement in exchange rates on the valuation of investments	(9.8)	8.9
<b>Balance as at 31 December</b>	<b>(2.5)</b>	<b>7.3</b>

8 Revaluation reserve	2013	2012
<b>Balance as at 31 December</b>	<b>6.1</b>	<b>6.1</b>

The revaluation reserve relates to a remeasurement of a previously held equity interest in 2011. This legal reserve will be reversed upon disposal of the underlying subsidiary.

## 9 Other reserves

	2013	2012
Balance as at 1 January, as previously reported		432.7
Impact of change in accounting policy		22.7
Restated balance as at 1 January	464.8	455.4
Profit appropriation	(247.2)	64.1
Remeasurements of defined benefit liability (net of tax)	4.7	(40.6)
Purchased own shares	0.4	(24.7)
Share options exercised in ordinary shares	–	10.5
Share-based payments	2.4	5.8
Movements in hedge reserve	6.2	(4.8)
Acquisition of non-controlling interests	–	(0.9)
<b>Balance as at 31 December</b>	<b>231.3</b>	<b>464.8</b>

Other reserves include legal reserves relating to capitalised R&D expenses for an amount of 11.7 million euro (2012: 11.1 million euro) and non-distributed profits of Group and/or associated companies for an amount of 1.3 million euro (2012: 3.4 million euro). The purchase price of the repurchased shares has been deducted from the other reserves.

## 10 Unappropriated result

	2013	2012
<b>To transfer to other reserves</b>	<b>(701,2)</b>	<b>(247.2)</b>

## 11 Provisions

	Deferred tax liabilities	Pensions	Warranties and claims	Total
Balance as at 1 January 2012	20.3	2.2	5.9	28.4
Impact of change in accounting policy	–	3.3	–	3.3
Restated balance as at 1 January 2012	20.3	5.5	5.9	31.7
Withdrawals	(8.3)	(3.4)	(2.0)	(13.7)
Remeasurements of defined benefit liability (net of tax)	–	(1.7)	–	(1.7)
Balance as at 31 December 2012	12.0	0.4	3.9	16.3
Balance as at 1 January 2013	12.0	0.4	3.9	16.3
Additions	–	–	0.4	0.4
Withdrawals	(12.0)	(0.3)	(1.5)	(13.8)
Remeasurements of defined benefit liability (net of tax)	–	0.5	–	0.5
<b>Balance as at 31 December 2013</b>	<b>–</b>	<b>0.6</b>	<b>2.8</b>	<b>3.4</b>

For the unrecognised deferred tax assets reference is made to note 18 to the consolidated financial statements.

**12 Due to Group companies**

As at 31 December 2013, the average remaining term is 6.8 years and the weighted average interest rate is 4.8% (31 December 2012: 7.8 years and 4.8% respectively).

**13 Non-current liabilities**

	2013	2012
<b>Interest payable</b>	<b>0.9</b>	<b>–</b>

The interest payable is due in 2016.

**14 Other liabilities**

	2013	2012
Taxes and social security premiums	6.7	4.8
Derivatives at fair value	–	1.2
Various liabilities	20.7	35.6
<b>Total</b>	<b>27.4</b>	<b>41.6</b>

**Contingent assets and liabilities**

Royal Imtech N.V. has issued a declaration of joint and several liability for the majority of its Dutch subsidiaries on the grounds of Article 403 Book 2 of the Netherlands Civil Code. In addition, Royal Imtech N.V. has provided separate guarantees as additional security on behalf of subsidiaries relating to the fulfilment of specifically defined contractual commitments to third parties. These parent company warranties relate to so-called advance payment warranties in the technical contracting sector and purely performance warranties. A large part of these warranties have been given for companies for which the aforementioned declaration of joint and several liability was issued and filed at the Commercial Registry Office. On the balance sheet date the liabilities of these subsidiaries amounted to 1,009 million euro (2012: 1,070 million euro). Royal Imtech N.V. is also jointly and severally liable for the debts of its subsidiaries by virtue of the credit, senior notes and guarantee facilities. Finally, as the parent company of the fiscal unities with regard to corporate income tax and value added tax Royal Imtech N.V. is severally liable for the tax liabilities of these fiscal unities.

Furthermore, reference is made to note 32 to the consolidated financial statements.

#### 15 Auditor's fees

With reference to Section 2:382a of the Netherlands Civil Code, KPMG has charged the following fees to the Company, its subsidiaries and other consolidated entities:

	2013			2012		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Audit of financial statements	1.8	3.7	5.5	5.7	6.5	12.2
Other audit services	1.5	1.6	3.1	–	–	–
Tax advisory services	–	0.1	0.1	–	1.1	1.1
Other non-audit services	–	–	–	–	1.0	1.0
<b>Total</b>	<b>3.3</b>	<b>5.4</b>	<b>8.7</b>	<b>5.7</b>	<b>8.6</b>	<b>14.3</b>

The members of the Board of Management have signed the Annual Report and financial statements in fulfilment of their legal obligations on the grounds of Article 2:101 Clause 2 of the Netherlands Civil Code and Article 5:25 c Clause 2 sub C of the Financial Supervision Act. The members of the Supervisory Board have signed the financial statements in fulfilment of their legal obligations on the grounds of Article 2:101 Clause 2 of the Netherlands Civil Code.

#### 16 Personnel

The remuneration of members of the Supervisory Board and the Board of Management is disclosed in note 8 to the consolidated financial statements. During 2013 58 were employed by Royal Imtech N.V. and working in The Netherlands.

Gouda, 17 March 2014

##### Supervisory Board

C.J.A. van Lede  
F.J.G.M. Cremers  
R.D. van Andel  
J.J. de Rooij

##### Board of Management

G.J.A van de Aast, CEO  
J. Turkesteen, CFO  
F.N.E. Colsman  
P.C. van Gelder



# OTHER INFORMATION

To the Shareholders of Royal Imtech N.V.

## INDEPENDENT AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements 2013 of Royal Imtech N.V., Gouda (statutory seat in Rotterdam). The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for 2013, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company profit and loss account for 2013 and the notes, comprising a summary of the accounting policies and other explanatory information.

### Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

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

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

### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Royal Imtech N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

### **Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Royal Imtech N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### **Emphasis of uncertainties with respect to the going concern assumption**

We draw attention to note 2 to the consolidated financial statements which indicates the existence of material uncertainties which may cast significant doubt about the entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report of Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 17 March 2014

KPMG Accountants N.V.

M.J.P. Thunnissen RA



### **Statutory provisions regarding the appropriation of net result**

The regulations regarding the appropriation of net result are contained in Articles 24.3 to 24.12 of the Articles of Association of the Company and in essence are as follows:

#### **Preference shares**

A dividend is paid on preference shares that is equal to the average euro base interest rate as applied by ABN Amro N.V. or its legal successor, raised or lowered by two percent. If and for so far as the profit is insufficient to pay this dividend in full, the Board of Management may resolve to pay the shortfall out of the reserves (with the exception of the reserve established specifically for financing preference shares). If and for so far as this dividend also cannot be paid out of the reserves, profit booked in subsequent years must first be used to pay, in full, the deficit to holders of preference shares before any dividend may be paid on the financing preference shares or ordinary shares.

#### **Financing preference shares**

On every financing preference share of a series a dividend is paid (or added to the reserve established for this purpose) that is equal to the interest on government loans with a (remaining) term of ten years, effective for the last trading day prior to the day the relevant series of preference shares was issued, raised or lowered as necessary depending on prevailing market conditions by a surcharge equal to a maximum of two and a half percent points or a reduction of a maximum of two and a half percent points, which surcharge or reduction can vary per series. Once every ten years the dividend percentage of financing preference shares of the relevant series will be adjusted to the then valid yield of the government loans applicable for this purpose, if necessary raised or lowered by the surcharge, respectively reduction, mentioned above. If and in so far as the profit is insufficient to allow this dividend to be paid in full, the shortfall will be paid out of the reserve established specifically for this purpose. If and for so far as the dividend also cannot be paid out of this reserve, profit booked in subsequent years must first be used to pay, in full, the deficit owed to holders of financing preference shares (or be added to the reserve specifically established for this purpose) before any dividend may be paid on ordinary shares.

#### **Ordinary shares**

The Board of Management, with the approval of the Supervisory Board, decides how much of the profit remaining after the application of the above provisions will be reserved. The profit remaining after the application of these provisions is at the disposal of the Annual General Meeting.

### **Proposal regarding the appropriation of the result**

It shall be proposed to the Annual General Meeting to include the net result of (701.2) million euro in the other reserves.

### **Special statutory rights regarding control**

No individuals have a special statutory right regarding control of the Company. No profit-sharing certificates have been issued.





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