VolkerWessels

Annual report 2019

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Profile, activities and markets

VolkerWessels is a leading integrated and diversified construction group with a "think global, act local" mindset. VolkerWessels' operating model combines a local sales and client focus with a centralized control and support structure at divisional level that optimises scale and expertise across its operating companies.

VolkerWessels operates primarily in the Netherlands, the United Kingdom, North America and Germany. Operationally, its business is organised in six segments. In the countries in which VolkerWessels operates it has over 120 local operating companies, which have national and regional offices and management.

SCAN ME

The Netherlands

Construction & Real Estate Development

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

Infrastructure

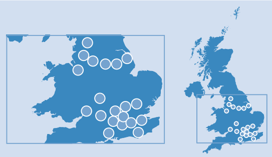
- Road construction, service and maintenance and asphalt production
- Railway construction, services and maintenance
- Civil engineering activities for roads, waterways and rail
- Multi-disciplinary project management capabilities for complex projects
- Traffic management systems for roads and railways

Energy & Telecoms Infrastructure*

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

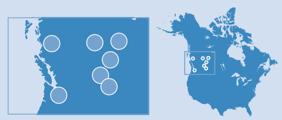
*Segment includes Belgium

United Kingdom



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

North America



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

Germany

- Construction of residential real estate
- Real estate development
- Focus on selected major urban areas in Germany, in particular around Berlin, North Rhine-Westphalia and Frankfurt

Preface

To our shareholders:

We reported FY 2019 EBITDA of €269 million*, which is in line with the Q3 2019 outlook. All our divisions contributed positively to this result. Especially in Construction & Real Estate Development, Energy & Telecoms Infrastructure, Germany and in the UK, our operations reported solid results. As already indicated in our nine month update, weather-related issues caused our North American operations to end below the result of last year. Dutch Infrastructure reported a substantial increase in EBITDA relative to last year. However, excluding the impact of OpenIJ, the results of Infrastructure were lower than in 2018.

2019 was a year of mixed developments, especially in the Dutch Infrastructure segment. We are pleased with the progress made on the OpenIJ project and the start of our new Infrastructure leadership team. On the other hand, we are disappointed by the general underperformance of the Dutch Infrastructure segment. Apart from the Dutch Infrastructure segment and the weather-related underperformance in North America, we are pleased with our results for the year. Our net cash position at year end improved to €563 million* which is an increase of €197 million compared to the end of 2018. In 2019 we have realised a further reduction in our strategic working capital of €40 million bringing the total reduction over the last three years to €180 million.

Our EBITDA margin at 4.1%* is 10 bps below last year, which is below our medium term objective. Rising labour costs and underperformance in the Dutch Infrastructure segment negatively impacted our margin development. Our order book at the end of the year remains high at €8.9 billion which is in line with 2018 (however with a different composition).

* Excluding IFRS 16 impact.

Construction & Real Estate Development Netherlands (C&RED)
Demand from (international) investors for residential rental products continues to be strong. This continued strong demand leads to additional market pressure in especially the major cities. As a result, certain city councils are considering new regulations to curb investor demand and in particular to support first time buyers. Because of the increased prices in the Randstad conurbation, growth outside the Randstad is gathering pace. We finished Brainport Industry Campus (BIC) in Eindhoven in 2019. BIC was officially opened by His Majesty King Willem Alexander on October 3, 2019. In Amsterdam, we completed construction of the new ING head office. Additions to our order book include the construction of De Open Veste in Purmerend, the Westfield logistics centre in Eindhoven, residential units in Eindhoven, the Schiphol Trade Parc and the renovation of 226 homes in Leiden. We produced and sold around 450 MorgenWonen prefab single-family homes in 2019, this is around 16% of our total production of homes in 2019.

Dutch Infrastructure
The market for multidisciplinary infra projects was severely disrupted by the nitrogen, PFAS and PFOS issues from the summer of 2019 onwards. As a consequence, government entities are delaying Infrastructure projects which translates in lower capacity utilization and margin pressure going forward. We experience delays in the tendering of large infrastructure projects. VolkerWessels continues to work on the reconstruction of the Amstelveenlijn, Noorderspoort railway project, the renovation of the Waalbrug near Nijmegen, the ‘Room for the River’ flood protection project in the IJsseldelta, Markermeerdijken, Rotterdamse baan and a number of long term maintenance contracts for Prorail. The Amstelveenlijn and Noorderspoort tracks were closed for respectively six weeks and 17 days during summer to enable VolkerWessels to work non-stop on these projects with the aim to make the tracks in time available for commuters. Both blockades were effectively and successfully managed leading to a minimum of inconvenience for the people living near the project.

Energy & Telecoms Infrastructure (E&T)
The transition to sustainable energy sources, such as wind, solar and H2 continues to be an important driver for the demand in the energy infrastructure market in the Netherlands. We are currently installing the export cable for Windpark Fryslan, who i s currently building a new 320 MW windfarm in the IJsselmeer. This export cable will transport wind energy for 340,000 households and this will lead to a CO_2 reduction of 800,000 tonnes annually.

Digital transformation is an important ongoing driver in the telecoms market, requiring a continuing need for fast data transmission (such as optical fibre, VDSL, IoT, Smart City, Big data, Blockchain and robotisation). VolkerWessels Telecom installed 24,000 DOCSIS cards (enabling high speed internet for more than 700,000 households) for Giganet. Giganet is a cooperation between Vodafone and Ziggo to provide ultrafast broadband and improve the use of IoT in the Netherlands.

United Kingdom (UK)
In 2019, VolkerWessels UK maintained its strong position in the infrastructure sector and delivered a strong performance, despite a general slowdown across the wider construction sector in the UK, and a challenging and distracting economic and political backdrop.

The business saw significant activity in the defence, airport, marine and energy sectors, as well as in flood and coastal erosion management, and in industrial buildings and warehouses.

Looking ahead, it is expected that a more stable political climate, the Government’s confirmed commitment to transport infrastructure work, and its consent for the full High Speed 2 (HS2) project to go ahead as planned, will enable market activity to continue being driven by major rail, roads and water infrastructure projects. VolkerWessels UK remains well positioned to benefit from these anticipated long term trends.

North America (NA)
In February 2019 we announced that we successfully tendered for three seven-year maintenance contracts in the province of Alberta in excess of C$300 million which have now been increased to C$450 million and extended to ten-year contracts. In June 2019 we announced that we had won a ten-year contract for highway maintenance in North-western British Columbia Canada ("Service Area 28"), with a five-year extension option.

Germany
VolkerWessels expects to see ongoing favourable market conditions over the coming years, with strong demand in Germany for owner-occupied and rented apartments, as well as for office, commercial and logistics space for all three regions where VolkerWessels is active. The high quality order book declined compared with year end 2019 but still amounts to 1.7 times the revenue in 2019. VolkerWessels is closely monitoring political developments in the Berlin housing market. One of these developments is a bill by the state government of Berlin, to set a new upper rental limit for apartments built before 2014. This law passed in January 2020 and will likely be effective from the second quarter of 2020. It intends to limit rental price increases for existing properties over a period of five years. The medium term impact of this legislation remains uncertain.

Safety
We very much regret the fatal accident of a colleague in our Canadian operations. The Occupational Health and Safety (OHS) of the province of Alberta is investigating this accident. Creating and safeguarding a culture in which working safely is embedded is an ongoing process. Safety is one of our core values which is reflected in the way our employees act and feel. We work safely or we do not work at all. Every injury is one too many, our Incident Frequency rate for the group decreased to 4.1 from 4.4 in 2018.

Innovation, digitalisation & sustainability
Digitalisation, together with innovation, is one of the four strategic pillars of VolkerWessels. Our own people, clients and suppliers are asking for more digital solutions and we are convinced that this will only increase in the near future. The increased use of data and technology will also lead to higher productivity and lower failure costs and is therefore a huge opportunity to structurally improve our profitability. The future is constantly evolving at an ever-faster pace and trend watchers predict that the change in our industry over the next decade will exceed the change in the last 100 years. As a group, we already control a number of important future technologies. We have a variety of specialist digital companies in the field of 'Internet of Things' (Hyrde), data science and analytics (Asset.Insight.), digital software development (Recognize) and Ground Penetrating Radar surveys (MapXact). Our aim is to be a data-driven construction company that embraces all available technology, and is able to make the right decisions at the right time.

More ambitious goals with respect to our CO_2 footprint and the reduction of primary resources require a different way of working going forward. We formulated six KPI's to measure our ongoing contribution to sustainability. These KPI's are: (i) waste separation, (ii) car fleet, (iii) people at a disadvantage on the labour market, (iv) circular design, (v) sustainable materials and (vi) sustainable equipment and transport.

Nitrogen
Especially during the 2nd half of the year we experienced increased margin pressure as a result of the PFAS and nitrogen deposition issues in the Netherlands. The issues surrounding nitrogen have not been resolved as yet. It is clear that after the summer the call for action has become very loud and the Dutch government promised that an interim solution would be announced before 1 December 2019. In December a new, higher, standard was communicated in relation to PFAS and PFOS and this will bring some relief but is not a total solution. On nitrogen deposition, the measures that have been announced, so far, will have limited impact especially on new large integrated infra projects. More decisive action is clearly needed in order to unlock a large number of projects, especially in infra. Reduced demand is depressing margins whilst certain buyers are adding to this effect by delaying projects in order to obtain lower prices going forward. We expect that the infra market will continue to see the impact of this re-balancing between demand and supply during 2020.

We announced the launch of our in-house developed NoNox filter which enables us to lower our nitrogen deposition up to 99% during the construction phase of our projects. With this innovative solution, we are taking our part in making our sector more sustainable. However, the nitrogen deposition during the user phase needs a political solution and that is outside our control.

OpenIJ
The percentage completion of project OpenIJ at the end of the year is approximately 80%. During the 4th quarter VolkerWessels' share of the the loss provision for OpenIJ was reduced by €4 million, lowering the total addition for 2019 to €4 million (and the provision at the year end to €111 million).

Offer
On October 8, 2019 we received a letter of interest from the majority shareholder Reggeborgh for all shares of VolkerWessels. The independent members of the Supervisory Board and the members of the Management Board, following a careful review of alternatives and of the different stakeholders' interests unanimously concluded that the offer is in the best interest of VolkerWessels and its stakeholders. Accordingly we decided to support the offer. The offer memorandum was formally published on December 23, 2019 and the offer period will expire on February 28, 2020, subject to certain conditions. Post the announcement of the offer on November 12, 2019 Reggeborgh started to purchase shares in the open market and now holds 75.1% of our shares at close of business on February 12, 2020.

On October 29, 2019 the company made a public announcement pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014) that it has been approached by its majority shareholder Reggeborgh in connection with a potential public offer for all the issued and outstanding shares of VolkerWessels at a proposed offer price per share of €21.75 (cum interim dividend). Following this announcement the AFM has decided to conduct further investigations into compliance with European Market Abuse Regulation. The company will fully cooperate with this investigation. At the date of this annual report no further details of this investigation are known.

Dividend
VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) in November 2019. Due the formal launch of the offer by the majority shareholder Reggeborgh, the company will not propose to pay a final dividend over 2019.

Outlook
Looking forward, we expect our 2020 financial performance to be in line with 2019.

Last but not least we would like to express our gratitude to all our employees. Without their skills, knowhow and efforts we would not be able to achieve our goals.

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

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

VolkerWessels at a glance

Financial highlights 2019

Underlying operational performance (excluding the OpenIJ provision and IFRS 16)

	Net result attributable to shareholders	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order book	Revenue
2019	€149 million	€273 million	4.1%	25.3%	33.4%	€563 million	€8,916 million	€6,642 million
	10.2%	5.9%	80bps	130bps	90bps	€197mln	=	12.1%
2018	€166 million	€290 million	4.9%	24.0%	32.5%	€366 million	€8,924 million	€5,924 million

Financial performance (including the OpenIJ provision and excluding IFRS 16)

	Net result attributable to shareholders	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order book	Revenue
2019	€146 million	€269 million	4.1%	25.8%	33.4%	€563 million	€8,916 million	€6,642 million
	6.6%	7.2%	10bps	570bps	90bps	€197mln	=	12.1%
2018	€137 million	€251 million	4.2%	20.1%	32.5%	€366 million	€8,924 million	€5,924 million

Reported financial performance (including the OpenIJ provision and IFRS 16)*

	Net result attributable to shareholders	EBITDA	EBITDA margin	ROCE	Solvency	Net cash position	Order book	Revenue
2019	€145 million	€342 million	5.2%	19.0%	31.4%	€312 million	€8,916 million	€6,642 million
	5.8%	36.3%	100bps	110bps	110bps	€54mln	=	12.1%
2018	€137 million	€251 million	4.2%	20.1%	32.5%	€366 million	€8,924 million	€5,924 million

All numbers exclude share incentive charge (2019: €4 million; 2018: €6 million).

* The comparative information for 2018 is not restated for IFRS 16.

Business highlights 2019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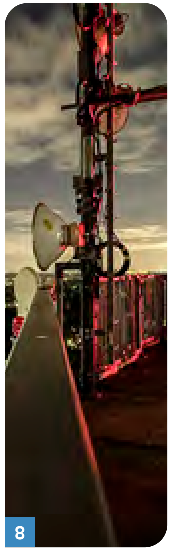
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1 Track extention, Zwolle

2 Head office ING, Amsterdam

3 Brainport Industries Campus, Eindhoven

4 Grandaire, Berlin, Germany

5 Waalbrug, Nijmegen

6 Robot plotter

7 Underwater robot

8 Roll out of Digitenne

9 80-metre, 1,000 tonne bridge for Luton DART fast transit system, UK

10 Paleis Het Loo, Apeldoorn

Business highlights 2019 (continued)

11 Submerging second caisson at New sea lock, IJmuiden

12 Highway maintenance, North-America

13 Fryslân wind farm

14 Hes Hartel Tank Terminal, Rotterdam

15 New fibre-optic network, the Hague

16 Offshore high-voltage substations, off the coast of Borssele

17 Valley, Amsterdam

18 Hybrid rolling mill

19 Circuit, Zandvoort

Supervisory Board report

Composition of the Supervisory Board

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

- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in 2021)
- **Committees** Selection and Governance Committee (chairman), Audit Committee, Remuneration Committee and Projects Committee
- **Other and previous positions** Mr Hommen holds a supervisory board membership at Royal Ahold Delhaize NV as chairman. Mr Hommen is also chairman (senior advisor) of BlackRock Netherlands BV and member of the board of Stichting Continuity ProQR Therapeutics.
- Mr Hommen has served as CEO of ING Group, CEO of KPMG (Netherlands), CFO of Royal Phlips Electronics NV and CFO of Alcoa.

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

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

E. (Eelco) Blok (1957)

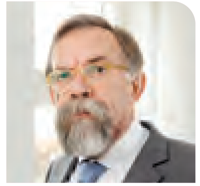
- **Nationality** Dutch
- **Appointed** 18 April 2019 (current term expires on the date of the General Meeting of Shareholders to be held in 2023)
- **Committees** Remuneration Committee (chairman) and Projects Committee
- **Other and previous positions** Mr Blok is a non-executive director of Telstra Corporation, member of the supervisory board of Signify, member of the supervisory board of Post NL, non-executive director OTE and advisor of Reggeborgh Group.
- Mr Blok previously had various management positions at KPN, lastly as chair and CEO of the management board.

S. (Sietze) Hepkema (1953)

- **Nationality** Dutch
- **Appointed** 12 May 2017 (current term expires on the date of the General Meeting of Shareholders to be held in the year 2021)
- **Committees** Remuneration Committee and Audit Committee
- **Other and previous positions** Mr Hepkema currently holds supervisory board memberships at Wavin BV (chairman) and SBM Offshore NV. Mr Hepkema is a senior advisor with Bain Capital Private Equity Europe and furthermore a member of the Dutch Corporate Governance Code Monitoring Committee and a member of the board of the association of security-issuing companies (Vereniging Effecten Uitgevende Ondernemingen (VEUO)).
- Mr Hepkema previously served as Chief Governance & Compliance Officer and as a member of the Management Board of SBM Offshore NV, as a partner of Allen & Overy LLP and as a supervisory board member of The Royal Bank of Scotland NV.

A.H. (Anja) Montijn-Groenewoud (1962)

- **Nationality** Dutch
- **Appointed** 18 April 2019 (current term expires on the date of the General Meeting of Shareholders to be held in the year 2023)
- **Committees** Member of Selection and Governance and Projects Committee
- **Other and previous positions** Mrs Montijn is a non-executive board member OCI NV, member of the supervisory board of Fugro NV, member of the board of the association of security-issuing companies (Vereniging Effecten Uitgevende Ondernemingen (VEUO)), chair supervisory board Foundation Plan Nederland and advisor Reggeborgh Group.
- Mrs Montijn previously had various management positions at Accenture, lastly as Global Managing Director Resources Management Consulting.



F.A. (Frank) Verhoeven (1951)

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

Report of the Supervisory Board

To our shareholders:

2019 Annual report
We hereby present you the annual report drawn up by the Management Board for the year ended 31 December 2019. The annual report includes the financial statements for 2019 as audited by Deloitte Accountants BV and accompanied by an unqualified auditor's report. The auditor's report is included on pages 191-196 of this annual report. At the Annual General Meeting of Shareholders to be held on 16 April 2020 you will be invited to adopt the financial statements for 2019 and the proposal made by the Management Board for the appropriation of profit. We will also request that you grant discharge to the Management Board of its governance for the 2019 financial year and to the Supervisory Board for the supervision conducted upon it. The Supervisory Board recommends that you exercise your voting right in accordance with these proposals.

Composition of the Management Board in 2019
In 2019 the Management Board consisted of five members: Jan de Ruiter (chairman), Jan van Rooijen (CFO), Alfred Vos (COO), Dick Boers and Alan Robertson. There were no changes in the Management Board in 2019.

Composition of the Supervisory Board in 2019
As of 18 April 2019 the Supervisory Board consists of six members. On that date both Anja Montijn and Eelco Blok were appointed by the General Meeting of Shareholders as members of the Supervisory Board. Mr Blok chairs the Remuneration Committee and replaced Mr Kuipers who resigned as member of the Supervisory Board on that same date. Mr Kuipers had been a member of the Supervisory Board for five consecutive years and during that period he made a significant contribution to the Supervisory Board and the supervision exercised.

There have been no other changes to the composition of the Supervisory Board in 2019. Other than Mr Holterman, Mrs Montijn and Mr Blok the other three members of the Supervisory Board are independent (within the meaning of best practice principle 2.1.8 of the Dutch Corporate Governance Code). The Dutch Corporate Governance Code (best practice principle 2.1.7) requires that more than half of the members of the Supervisory Board are independent. As a consequence hereof it cannot be stated that the independence requirements have been complied with (as prescribed in best practice provision 2.1.10). All other independence requirements referred to in best practice provisions 2.1.7 up to and including 2.1.9 of the Dutch Corporate Governance Code have been adhered to. Please see the Corporate Governance chapter for more information.

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

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

Offer by Reggeborgh
The final quarter of 2019 was to a large extent dominated by the offer by Reggeborgh Holding on all issued and outstanding ordinary shares in the company (the Offer), firstly expressed by the letter of interest expressing its interest to make a public offer for all the shares. Immediately after receipt of the letter of interest, Messrs Hommen, Hepkema and Verhoeven – being the independent members of the Supervisory Board – together with the Management Board considered whether a conflict of interests exists between any of them and VolkerWessels. Pursuant to such analysis, Mr Holterman, Mr Blok and Mrs Montijn, the non-independent members of the Supervisory Board who were nominated for appointment by Reggeborgh, have not participated in any discussions and decision-making process in respect of the offer due to a conflict of interest in relation to the offer and the transactions contemplated thereby. As a consequence, the non-independent members of the Supervisory Board did not participate in meetings of the Supervisory Board and their committees (nor did they receive any related information), or other activities of the company, as of the first expression of interest by Reggeborgh (with the exception of the meeting during which the nine-month financial results and the interim dividend payment of €0.28 per share were approved).

Subsequently, the Management Board (either in full, or Mr De Ruiter and Mr Van Rooijen as delegated member of a Special Committee, together with the independent members of the Supervisory Board and the company secretary) and the independent members of the Supervisory Board have frequently met to discuss the developments, discussions, process and preparations in relation to the offer throughout the process since receipt of Reggeborgh's initial letter of interest.

Consistent with their fiduciary duties the independent members of the Supervisory Board and the members of the Management Board, following a careful review of alternatives and of the different stakeholders' interests and with the support of their legal and financial advisers, have carefully and extensively reviewed the offer and negotiated with Reggeborgh on the terms and conditions of the offer, which has resulted in the improved offer of €22.20 per share including an interim dividend of €0.28 per share (an increase of €0.45 per share). The independent members of the Supervisory Board and the members of the Management Board unanimously concluded that the offer is in the best interest of VolkerWessels, the sustainable success of its business and clients, employees, shareholders and other stakeholders.

SCAN ME

The Market Hotel Groningen The Market Hotel is an integrated VolkerWessels project in the heart of Groningen. Various companies are involved, both as client and main contractor, and also as suppliers of precast concrete, technical installations and experts in building physics.

Accordingly, the independent members of the Supervisory Board and the members of the Management Board unanimously decided to support the offer, recommend that the shareholders accept the offer and tender their shares in the offer, and recommend that the shareholders vote in favour of the resolutions relating to the Offer at the extraordinary general meeting, to be held during the initial offer period.

On 23 December 2019 the offer was announced formally by a joint press release and by publication of the offer memorandum and the company's position statement which can also be found on the company's website. As part of the non-financial covenants in respect of the Offer, Mr Hommen, Mr Hepkema and Mrs Montijn shall resign subject to settlement of the Offer and effective immediately after the annual general meeting on 16 April 2020. As of that date the Supervisory Board will be composed as follows: Mr Verhoeven (qualifying as independent within the meaning of the Dutch Corporate Governance Code) Mr Holterman and Mr Blok.

Supervision and advice

In 2019 the Supervisory Board had seven joint meetings with the Management Board. The attendance rate of the individual members at the Supervisory Board meetings and the committee meetings was as follows:

	Supervisory Board	Audit Committee	Remuneration Committee	Selection & Governance Committee	Projects Committee
Mr J.H.M. Hommen	100%	100%	100%	100%	100%
Mr H.M. Holterman*	85%	80%	n.a.	100%	n.a.
Mr S. Hepkema	100%	100%	100%	n.a.	n.a.
Mr F.A. Verhoeven	100%	n.a.	n.a.	n.a.	100%
Mr E. Blok*	85%	n.a.	100%	n.a.	100%
Mrs A.H. Montijn-Groenewoud*	85%	n.a.	n.a.	100%	100%

* Due to the offer made by Reggeborgh Holding on all shares in the company Mr Holterman, Mr Blok and Mrs Montijn-Groenewoud, all being non-independent members of the Supervisory Board, did not participate in the relevant Supervisory Board and committee meetings or any other VolkerWessels activity as of the announcement of the proposal for offer, as a result of which their attendance rate was less than 100%.

In addition there were several other meetings and consultations between members of the Supervisory Board and the executives of VolkerWessels, including a combined Supervisory Board and Management Board offsite meeting to discuss strategy. The chairman of the Supervisory Board and the chairman of the Management Board have held, and will continue to hold, regular talks through weekly update calls or meetings and are in contact if and when necessary.
As part of the onboarding process an induction program was followed by Mrs Montijn and Mr Blok, whereby they were introduced to different segments of the company and visited projects on site. As part of their education/training program, the Supervisory Board members followed the company's safety e-learning. No further training needs were identified.

The Supervisory Board focussed on the strategy and objectives defined by the Management Board for the medium and long term, the accompanying policy and the implementation thereof. At each regular meeting the development of results, focus on margins over volume and financial position of VolkerWessels were permanent items on the agenda and, as such, were discussed in detail. This included discussing the operational and financial performance of the various operating companies and projects, the risk distribution between the business, its clients and counterparties and the market conditions in each of the segments in which the company operates. Risk management and working capital management (including reduction of strategic working capital and non-core assets) were other topics discussed by the Supervisory Board.

Next to the financial items on the Supervisory Board agenda, non-financial matters also formed an important part of the discussions with the Management Board. This included matters relating to corporate social responsibility, integrity (including prevention of fraud), staffing, safety, sustainability, as well as digitalisation and innovation. The activities in its international (home) markets and related political issues (Brexit), litigation, the implementation of relevant new legislation and the market conditions in each of the segments in which VolkerWessels operates were discussed during the year. The impact of restrictions related to nitrogen emissions and PFAS on infrastructure and construction projects have also been thoroughly discussed. The Supervisory Board also discussed specific project-related matters including the execution of the OpenIJ sea lock project and the related discussions held with the client.

In the year under review the Supervisory Board formally approved tenders for large infrastructure projects including the high-speed railway project High Speed 2 as well as the East West Rail project (both VolkerWessels UK projects). Prior to such approval the Projects Committee pre-discussed these tenders and gave advice to the Supervisory Board. In addition to tenders for projects, the Projects Committee also discussed (amongst other things) operational projects, tender strategy and reduction of failure costs. The Projects Committee serves as extra support to the Supervisory Board to identify risks and failures in accordance with the four basic risk principles applicable to projects: (i) identify risks and measures before start of project and periodically, (ii) risks must be in reasonable proportion to expected results, (iii) risks are only accepted if capable of being insured on reasonable terms and conditions or to the extent capable of being influenced by the company, (iv) limitation of liability and guarantees (see table at chapter Risk Management, page 55). The Supervisory Board and also approved financial matters such as the first quarter trading update, the half year financial results, the nine-month financial results and the interim dividend payment of €0.28 per share as announced on 12 November 2019 and the approval of the company's 2020 budget. Other matters resolved upon were the internal audit plan, the engagement of the company's external auditor, the extension of the company's €600 million revolving credit facility and various M&A- and real estate transactions. The Supervisory Board and the Audit Committee discussed the (half) year financial results with the company's auditor as well as the results of the interim audit.

Audit Committee
In 2019, the Audit Committee consisted of Messrs Holterman (chair), Hepkema and Hommen. The composition of the Audit Committee is in compliance with best practice principle 2.3.4 of the Dutch Corporate Governance Code. The Audit Committee undertakes preparatory work for the Supervisory Board's decision-making regarding the integrity and quality of the financial reporting and the effectiveness of its internal risk management and control systems. The Audit Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are laid down in the Audit Committee rules which are published on our website (Corporate Governance section).

The Audit Committee met four times in 2019: prior to the publication of the 2018 financial results, the 2019 half year results, prior to the first quarter trading update and prior to the approval of the interim dividend. The last meeting of the Audit Committee was held in December 2019 in order to discuss the company's budget for 2020 as well as the external auditor's management letter. As of the offer by Reggeborgh Holding, Mr Holterman did not participate in meetings of the Audit Committee, nor did he (or any other non-independent member of the Supervisory Board) receive any meeting documents. Both Mr Van Rooijen (CFO), the external auditor from Deloitte and the head of the company's Internal Audit department joined the meetings of the Audit Committee. The members of the Audit Committee frequently discussed matters with the external auditor from Deloitte without members of the Management Board being present.

The regular topics that were discussed during the Audit Committee meetings were the company's financial performance including development of liquidity and net-debt, treasury matters and reduction of strategic working capital, the annual financial statements, interim financial reporting, financial press publications, the external auditor's audit plan and related fees, tax matters, the 2020 budget, the external auditor's draft management letter, integrity matters, compliance and insurance matters. These topics are presented to the Audit Committee by the CFO by means of a CFO letter.
In addition to these regular topics, the Audit Committee held discussions about the internal audit function and the internal audit plan (both the actions and findings under the 2019 plan as well as the plan for 2020) and other matters such as the evaluation of the external auditor, project- and project risk control systems, specific developments on projects, counterparty risks, specific transactions (M&A), ICT, cybersecurity and digitalisation throughout the VolkerWessels group.

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

Remuneration Committee
In 2019, the Remuneration Committee consisted of Mr Blok (chair) (as per the resignation of Mr Kuipers from the Supervisory Board), Mr Hepkema and Mr Hommen.
The composition of the Remuneration Committee is in compliance with best practice principle 2.3.4 of the Dutch Corporate Governance Code. The Remuneration Committee is responsible for the Supervisory Board's decision making with regard to the determination of remuneration and reports to the Supervisory Board on its deliberations and findings.
The Remuneration Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are published on our website (Corporate Governance section).

The Remuneration Committee met two times in 2019 whereby – among other things – the execution of the remuneration policy in view of the performance of the individual Managing Directors on their balanced scorecards was discussed.

Also discussed was the implementation of the revised shareholders rights directive into Dutch legislation and the consequences for the company's remuneration policy- and report, for which purpose external advice in the form of a gap analysis was obtained. The remuneration policy applicable to the Management Board was set up in 2017 in due observance of the best practice principles of the Dutch Corporate Governance Code. Depending on the outcome of the offer by Reggeborgh Holding on all issues shares in the company, the remuneration policy will be on the agenda for the general meeting in 2020. The remuneration of, and other agreements with, the Managing Directors are determined by the Supervisory Board, with due observance of the remuneration policy. The remuneration policy can be found on the company's website (section Corporate Governance). The Remuneration Committee prepares the remuneration report which is included in the financial statements 2019 (note 37) as part of the 2019 annual report as well as on our website. The Remuneration Committee reported its findings to the Supervisory Board after each meeting.

Selection and Governance Committee

In 2019, the Selection and Governance Committee consisted of Mr Hommen (chair), Mr Holterman and Mrs Montijn as per her appointment to the Supervisory Board on 18 April 2019.
The Selection and Governance Committee deals with decision-making on the selection and appointment of members of the Management Board and the Supervisory Board and reports to the Supervisory Board on its deliberations and findings.
The Selection and Governance Committee's rules regarding duties and responsibilities, composition, meetings and resolutions are laid down in the Selection and Governance Committee rules which are published on our website (Corporate Governance section).

The Selection and Governance Committee met two times in 2019. The following topics were on the agenda of the Selection and Governance Committee: nomination for appointment of Mr Blok and Mrs Montijn and the resignation of Mr Kuipers as members of the Supervisory Board, ongoing assessment of the composition of the Supervisory Board (and its committees) and Management Board – in this respect diversity (both in terms of experience & know-how and gender diversity) is one of the main drivers, succession planning (both for the Management Board and for the management of the segments), management development programmes and periodic evaluation of the Supervisory Board (including its committees) and Management Board and both their individual members.

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

Evaluation

In 2019, the Supervisory Board performed a self-assessment regarding its own performance, functioning, profile, competencies, expertise and composition, including its committees and individual members of the Supervisory Board compared to the Supervisory Board profile and the conclusions that are attached to such evaluation. A similar evaluation was undertaken by the Supervisory Board in respect of the Management Board and its individual members. Other topics that were discussed are the relationship with the Management Board, the composition of the Management Board and succession of the Management Board members. The outcome of the evaluations of both the Management Board and the Supervisory Board shall be used to further improve the overall management of the company. The Supervisory Board concluded that the members of both the Management Board and the Supervisory Board as well as the Management Board and Supervisory Board as a whole are functioning well.

The Supervisory Board wishes to express its appreciation for the great efforts made by the management and employees of VolkerWessels in 2019. We wish the Management Board and the employees success in further improving performance in 2020 and beyond.

J.H.M. Hommen
H.M. Holterman
S. Hepkema
F.A. Verhoeven
E. Blok
A.H. Montijn-Groenewoud

Cadzand A wooden beach balcony offers walkers a beautiful view of the sea at Cadzand.

Management Board report

Composition of the Management Board

Management Board

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

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

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

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

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

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

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

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

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

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

Overall performance of VolkerWessels

Summary overview of results

(€ million, unless stated otherwise)	FY 2019	FY 2018[2]
Revenue	6,642	5,924
Operating expenses[1]	−6,486	−5,790
Share in results of associates and JVs (after income tax and third party result)	26	33
Operating result	**182**	167
Net financial result	−4	3
Earnings before tax (EBT)	**178**	170
Income tax	−29	−30
Net result from continuing operations	**149**	140
Net result from discontinued operations (after tax)	−2	−2
Net result for the financial period	**147**	138
Minority interests	2	1
Net result attributable to shareholders	**145**	137
Operating result	182	167
Interest accrued on lease liablilities (IFRS 16)	−2	–
Operating result before IFRS 16	**180**	167
Depreciation and impairment of property, plant & equipment	76	75
Amortisation and impairment of intangible assets	13	9
EBITDA	**269**	251
IFRS 16 impact	73	–
EBITDA incl. IFRS 16 impact	**342**	251
EBITDA margin excl. IFRS 16 (%)	4.1%	4.2%
EBITDA excluding OpenIJ provision	273	290
EBT margin (%)	2.7%	2.9%
Order book (per end of period)	8,916	8,924
Interim dividend (€)	22.4	22.4
(Proposed) final dividend (€)	N/A	61.6
(Proposed) total dividend (€)	**22.4**	84.0
Per share data attributable to shareholders		
Number of shares (in million)	80	80
Earnings per share (€)	1.81	1.71
Earnings per share continuing operations (€)	1.84	1.74
Earnings per share from discontinued operations (€)	−0.03	−0.03
Interim dividend (€)	0.28	0.28
(Proposed) final dividend (€)	N/A	0.77
(Proposed) total dividend (€)	**0.28**	1.05

1 Under IFRS any benefit due to the Managing Directors or any of the relevant key managers will need to be reflected in the annual accounts of VolkerWessels as personnel expenses, irrespective of the fact whether the costs are borne by VolkerWessels or not. The cash flow effects related to the share incentive, including the tax effects, are borne in full by Reggeborgh Holding and consequently, the cash flow effects for VolkerWessels will be nil. For FY 2019 the total amount is €4 million (FY 2018: €6 million), this is adjusted in comparison to the financial statements.

2 The comparative information has not been restated for IFRS 16.

Financial results

General
Our net result attributable to shareholders for the year was €145 million which represents an increase of €8 million versus 2018 (+5.8%). Earnings per share attributable to shareholders increased from €1.71 to €1.81. Our revenue for the year was €6.6 billion (increase of 12.1% compared with 2018). Revenues increased in all segments, except in North America, where it was stable. At the end of 2019 our order book remains high at €8.9 billion.

EBITDA (excl. IFRS 16) in 2019 came in at €269 million, which is €18 million higher than 2018 in line with our expectation at the time of our nine-month trading update. We saw EBITDA growth in most of our businesses. Only our North American business came in lower than last year due to continued weather-related impacts in our operating businesses.

IFRS 16 transition
VolkerWessels adopted IFRS 16 with a date of initial application of 1 Januari 2019, using the simplified transition approach and therefore the comparative information for 2018 has not been restated. As a result of this new accounting standard EBITDA in 2019 increased approximately €73 million. The impact on our net result for 2019 was limited. On adoption of IFRS 16, we have recognized, in addition to the already existing finance lease agreements, right-of-use assets of €235 million and corresponding lease liabilities of €235 million. Operating cash flows increased and financing cash flows decreased by €73 million as repayment of the principal portion of the lease liabilities are classified as cash flows from financing activities instead of cash flows from operating activities.

As a consequence of IFRS16, we have decided to replace EBITDA and EBITDA margin in our medium term objectives with EBT and EBT margin as from 2020.

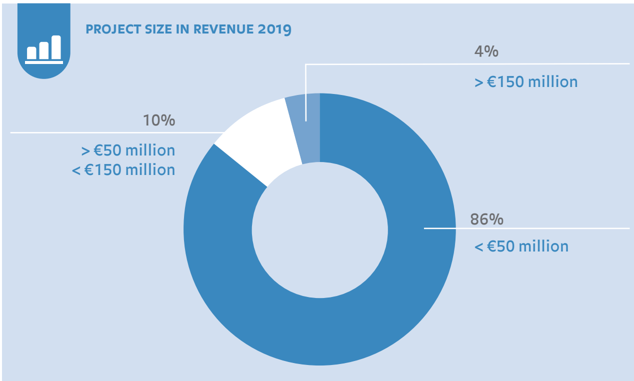
OpenIJ update
The loss provision for OpenIJ since the end of the year is €111 million which is a reduction of €4 million since the end of the 3rd quarter. The percentage completion stands at 80% at year end 2019 and 92% of the provision has been funded.

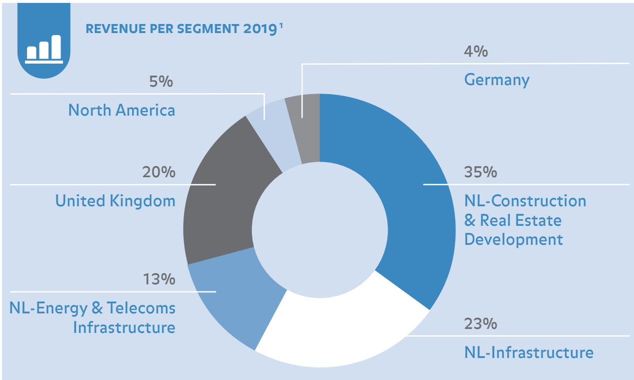
In our third quarter results we communicated our current expectation with respect to project OpenIJ. At the end of the fourth quarter this expectation remains unchanged. As a consequence of the release of our management expectation and taking into account the fact that OpenIJ is behaving more and more like any other large integrated infrastructure project, we will refrain from further financial disclosure on this project going forward.

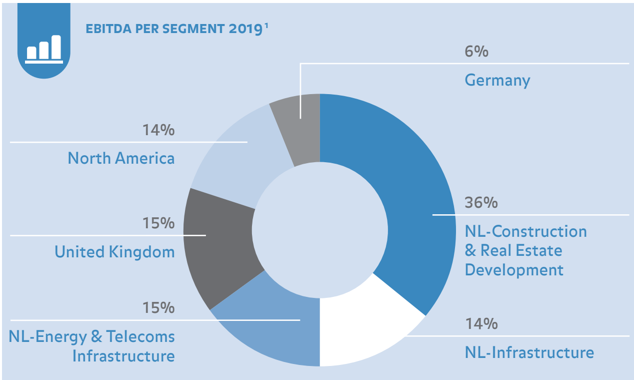
Markets
Demand from (international) investors in residential rental products continues to be strong. This continued strong demand leads to additional market pressure in especially the major cities. As a result, certain city councils are considering new regulations to curb investor demand and in particular to support first time buyers. Because of the increased prices in the Randstad conurbation, growth outside the Randstad is gathering pace.

The market for multidisciplinary infra projects was severely disrupted by the nitrogen, PFAS and PFOS issues from the summer of 2019 onwards. As a consequence, government entities are delaying infrastructure projects which translates in lower capacity utilization and margin pressure going forward. We experience delays in the tendering of large infrastructure projects. We expect that the repair and replace market (timely inspection) and projects related to water management will increase and accelerate in the coming period.

The transition to sustainable energy sources, such as wind, solar and H2 continues to be an important driver for the demand in the energy infrastructure market in the Netherlands. VolkerWessels' energy business is focused on the associated transmission and distribution infrastructure for







[1] Breakdown excludes Other/Eliminations and the IFRS 16 impact, NL-E&T Infrastructure includes the activities in Belgium.

these energy sources. Digital transformation is an important ongoing trend in the telecoms market, requiring a continuing need for fast data transmission (such as optical fibre, VDSL, IoT, Smart City, Big data, Blockchain and robotisation). Connectivity is seen as a basic need and is therefore becoming a growing commodity. The roll-out of 5G, optical fibre and IoT will have a positive impact on VolkerWessels Telecoms.

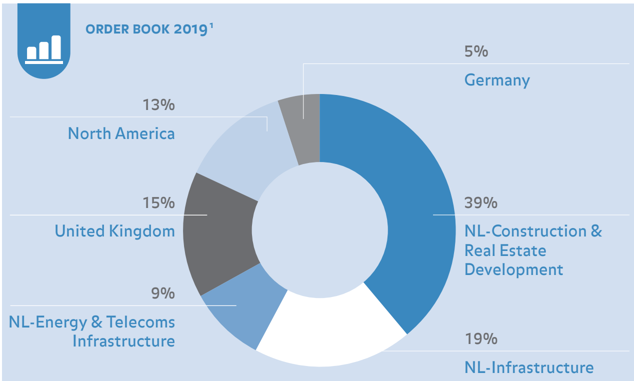
Despite the challenges and uncertainty, VolkerWessels UK has maintained its strong position in the infrastructure sector, with a quality order book and sound financial footing, a track record of delivery and effective risk management processes.

In February 2019 we announced that we successfully tendered for three seven-year maintenance contracts in the province of Alberta in excess of C$ 300 million which have now been increased to C$ 450 million and extended to ten-year contracts. In June 2019 we announced that we had won a ten-year contract for highway maintenance in North-western British Columbia Canada ("Service Area 28"), with a five-year extension option.

VolkerWessels expects to see ongoing favourable market conditions over the coming years, with strong demand in Germany for owner-occupied and rented apartments, as well as for office, commercial and logistics space for all three regions where VolkerWessels is active.

Order book

VolkerWessels' order book at 31 December 2019 remains stable at €8,916 million as compared to €8,924 million at 31 December 2018, however with a different composition. Order book of C&RED and Infrastructure are stable. The order book in North America increased due to the renewal / winning of several long-term maintenance contracts. The decrease in the secured order book in the UK since the prior year, reflects a change in the mix of contract type in the order book with fewer high value projects and a higher level of zero value framework contracts, for which specific values will only be released over the duration of the framework as individual projects are allocated. The decrease in the E&T segment is due to the volumes delivered on long-term framework contracts. Underlying, the order book increased significantly.

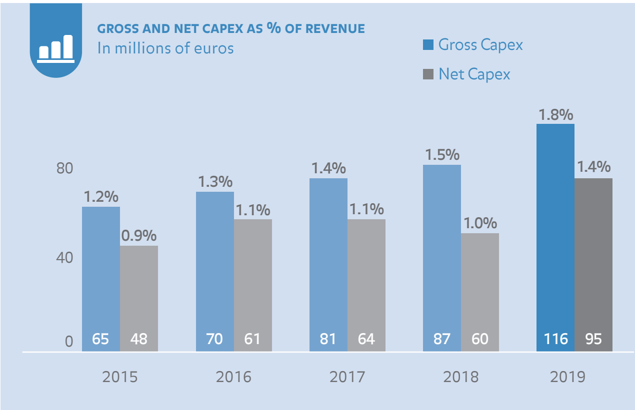


[1] Breakdown excludes Other/Eliminations, NL-E&T Infra includes the activities in Belgium.

Summary overview of results per operating segments

(€ million, unless stated otherwise)	Revenue FY 2019	Revenue FY 2018	Revenue Δ	EBITDA FY 2019	EBITDA FY 2018	EBITDA Δ	Order book 31 Dec 2019	Order book 31 Dec 2018	Order book Δ
NL – C&RED	2,358	2,105	12.0%	110	100	10.0%	3,477	3,493	–0.5%
NL – Infrastructure	1,513	1,414	7.0%	46	61	–24.6%	1,676	1,660	1.0%
NL – E&T Infrastructure	865	751	15.2%	44	39	12.8%	798	932	–14.4%
United Kingdom	1,344	1,116	20.4%	46	39	17.9%	1,353	1,528	–11.5%
Local currency (GBP)	*1,180*	*984*	*19.9%*	*40*	*34*	*17.6%*	*1,151*	*1,367*	*–15.8%*
North America	338	350	–3.4%	41	47	–12.8%	1,145	764	49.9%
Local currency (CAD)	*507*	*538*	*–5.8%*	*62*	*72*	*–13.9%*	*1,672*	*1,193*	*40.2%*
Germany	301	268	12.3%	18	16	12.5%	497	595	–16.5%
Other/eliminations	–77	–80	–	–32	–12	–	–30	–48	–
Subtotal	6,642	5,924	12.1%	273[1]	290[1]	–5.9%	8,916	8,924	–0.1%
OpenIJ provision				–4	–39				
Subtotal	6,642	5,924	12.1%	269[1]	251[1]	7.2%	8,916	8,924	–0.1%
IFRS 16 impact				73	–				
Total	6,642	5,924	12.1%	342[1]	251[1]	36.3%	8,916	8,924	–0.1%

[1] EBITDA 2019 and 2018 excluding share incentive charge (2019: €4 million, 2018: €6 million).



In Germany our order book decreased compared with 2018 but is still very strong and amounts to 1.7 times the revenue delivered in 2019.

We take a prudent approach to order book recognition; we only include signed contracts, and for framework contracts, work packages agreed with our clients.

Revenue

Revenue in 2019 increased by 12.1%, or €718 million, to €6,642 million as compared to €5,924 million in 2018. Revenue increased in all segments, except in North America, where revenue was stable.

EBITDA and EBITDA margin

Excluding the impact of IFRS 16, EBITDA increased from €251 million to €269 million in 2019. However, excluding the impact of OpenIJ, EBITDA decreased from €290 million to €273 million in 2019. Excluding IFRS 16 and the additional loss provision for OpenIJ, our EBITDA margin was 4.1% (80 bps lower than in the same period last year). Reported EBITDA increased by 36.3% to €342 million (including the effect of IFRS 16 of €73 million) and the EBITDA margin was 5.2%.

The C&RED (+€10 million), E&T (+€5 million), UK (+€7 million) and Germany (+€2 million) segments delivered increased EBITDA results due to the strong operational performance and positive momentum in these businesses. The Infrastructure segment improved by €20 million delivering a result of €42 million in 2019, which is driven by a lower loss provision for OpenIJ in 2019. In North America, our results are behind last year which is primarily weather-related as well as the effect from lower results from participating interests and lower land sales in the US. Increased expenses for digitisation and innovation projects and lower book profits on non-core asset sales are included in "Other".

Net financial result

The net financial result decreased in 2019 to €4 million negative (2018: €3 million positive). Due to our strong operational performance and continued strong focus on working capital, our net debt position significantly improved. This resulted in an over-hedged position, with a cost of €2 million which has been accounted for as a loss. Furthermore, the net financial result was impacted by an amount of €2 million negative in respect of the transition to IFRS 16 as lease interest expenses are shown separately under IFRS 16.

Income tax

Income tax decreased from €30 million in 2018 to €29 million in 2019. The effective tax rate decreased slightly from 18.3% in 2018 to 16.7% in 2019. The lower effective tax rate is especially driven by results in participating interests.

Net result

The 2019 net result attributable to shareholders amounted to €145 million (2018: €137 million).

Return On Capital Employed (ROCE)

ROCE decreased from 20.1% in 2018 to 19% in 2019. As a result of the IFRS 16 transition the balance sheet total increased by €251 million at 31 December 2019. Excluding the IFRS 16 effect the ROCE increased to 25.8%.

Capital Expenditure

In 2019, the gross capital expenditure relating to property, plant and equipment amounted to €116 million, 1.8% of revenue (FY 2018: €87 million, 1.5% of revenue). In 2019, the net capital expenditure relating to property, plant and equipment amounted to €95 million, 1.4% of revenue (FY 2018: €60 million, 1.0% of revenue). The increased capital expenditure is predominantly the result of contract renewals and our growing highway maintenance business in Canada. The company expects its capital expenditures in 2020 to decrease compared with 2019.

Solvency

VolkerWessels has a solid capital structure, with a solvency ratio of 31.4% at 31 December 2019 (32.5% at 31 December 2018). Total group equity increased by €68 million to €1.3 billion at 31 December 2019. This is the net impact after allocation of the profit over FY 2019 and reduction for dividends of €84 million, including both the final dividend for 2018 and the interim dividend for 2019. As a result of the IFRS 16 transition the balance sheet total increased by €251 million at 31 December 2019. Excluding the IFRS 16 effect solvency increased to 33.4%.

Dividend

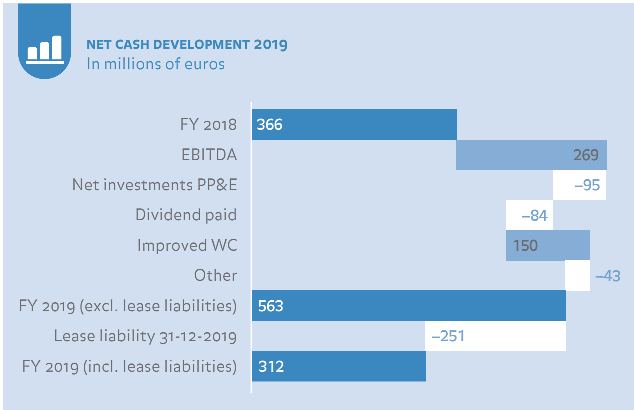
VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) in November 2019. Due the formal launch of the offer by the majority shareholder Reggeborgh, the company will not propose to pay a final dividend over 2019. Under the terms of the offer, any dividend announced or paid after signing of the merger protocol (the merger protocol was signed on 11 November 2019) will be deducted from the offer price of €22.20 per share (subsequently lowered after payment of the interim dividend of €0.28 in November 2019 to €21.92 per share).

Net cash position

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

In August 2019, VolkerWessels successfully amended the loan documentation of the RCF to reflect IFRS 16, the new accounting policy for lease contracts applied from 1 January 2019. The amendments included, amongst others, updated definitions and a step-up of the financial covenant for leverage and pricing (leverage) grid.

Over the last few years, our focus on profitable and cash flow generating projects, divestment of non-core assets and working capital improvements resulted in a strong improvement in liquidity over 2019. Our net cash position decreased by €54 million, resulting in a net cash position of €312 million at 31 December 2019. Excluding the IFRS 16 impact the net cash position increased by €197 million compared to 31 December 2018. This improvement is the net combined result of the cash flow generated by our operations, our continued focus on working capital, divestment of non-core assets and dividend payments for an amount of €84 million in 2019 (final 2018 dividend and interim 2019 dividend).

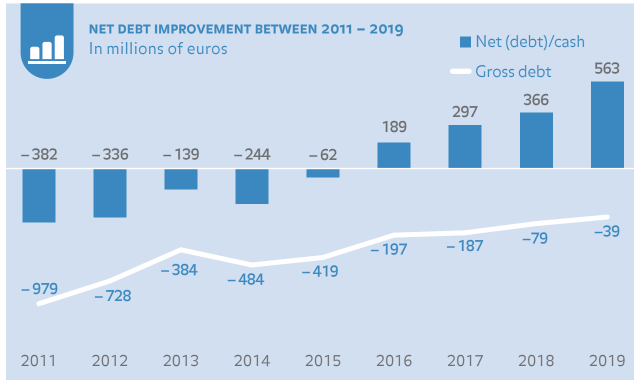


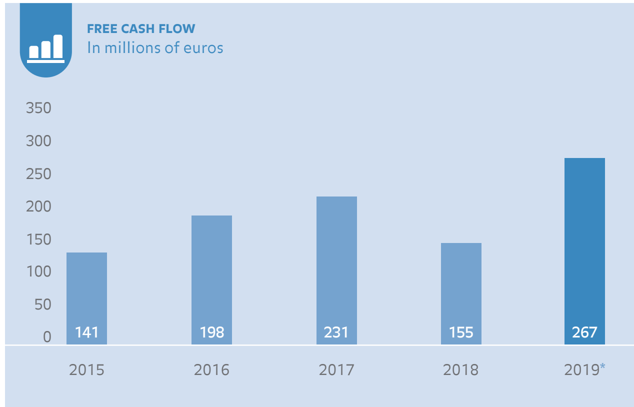
We are targeting a free cash flow that is, on average, in line with our net result. Free cash flow excluding IFRS 16 was €267 million in 2019, 1.8 times net result attributable to shareholders.

As at 31 December 2019 and as at 31 December 2018 VolkerWessels had no outstanding borrowings under the RCF. The covenants in respect of our bank facilities were comfortably met at 31 December 2019.

Other financing

Other specific loans were drawn down to finance land for property development and property development work in progress and, where possible, were obtained on a stand-alone basis with several banks. The interest on these loans is mostly variable and based on Euribor plus a margin. In addition to the RCF, the VolkerWessels group has three overdraft facilities in the Netherlands to support its cash management: an uncommitted overdraft facility of €30 million (with ABN Amro Bank NV), an uncommitted overdraft facility of €20 million (with ING Bank NV) and an uncommitted overdraft facility of €10 million (with Coöperatieve Rabobank UA). VolkerWessels UK has





* Including IFRS 16 the free cash flow amounts to €340 million.

Working capital overview

(€ million)	31 Dec 2019	31 Dec 2018
Inventories (excl. property development)	75	76
Contract balances (incl. provision onerous construction contracts)	–94	–28
Trade and other receivables (excl. receivables from associates and joint ventures and current third party loans)	811	839
Trade and other payables (excl. amounts owed to associates and joint ventures)	–1,522	–1,497
Net taxes	–5	–15
Traditional working capital	–735	–625
Land	174	184
Property development	36	81
Property held for sale	23	42
Associates and JVs less provision	148	132
Non-current receivables from associates and joint ventures	77	71
Net receivables on participations	113	101
Strategic working capital	571	611
Net working capital	–164	–14

access to an overdraft facility of GBP 15 million with BNP Paribas SA and an uncommitted credit facility of CAD 21 million with HSBC Bank Canada for our Canadian activities. In addition, VolkerWessels has a number of (uncommitted) lease facilities in the Netherlands and abroad.

Working capital
Traditional working capital improved to - €735 million at 31 December 2019 compared to - €625 million at 31 December 2018. This is mainly due to the impact of an improvement in contract balances of €66 million.

Strategic working capital improved by €40 million to €571 million at 31 December 2019. This mainly relates to a lower working capital requirement for property development following the sale of several properties. The directly owned land bank decreased by €10 million to €174 million at 31 December 2019. Compared with 31 December 2016 strategic working capital decreased by €180 million.

Overall net working capital improved by €150 million to a working capital position of - €164 million at 31 December 2019 compared to - €14 million at 31 December 2018.

Acquisitions and divestments
VolkerWessels sold its 60% interest in Holland Systemen Elektronische Beveiliging Den Haag (Holland Systemen) to ENGIE Services Nederland (ENGIE).

Fryslân wind farm Visser & Smit Hanab delivering Horizontal Directional Drilling of around 1370 metres for Windpark Fryslân.

Five year summary

Summary overview of results

(€ million, unless stated otherwise)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue	6,642	5,924	5,714	5,490	5,318
Operating expenses	–6,486[1]	–5,790[1]	–5,558[1]	–5,335	–5,178
Share in results of associates and JVs (after income tax and third party result)	26	33	27[1]	10	8[3]
Operating result	182	167	183	165	148
Net financial result	–4	3	4	–26	–33
Earnings before tax (EBT)	178	170	187	139	115
Income tax	–29	–30	–45	–36	–30
Net result from continuing operations	149	140	142	103	85
Net result from discontinued operations (after tax)	–2	–2	1	38	16
Net result for the financial period	147	138	143	141	101
Minority interests	2	1	3	2	6
Net result attributable to shareholders	145	137	140	139	95
Operating result	182	167	183	165	148
Interest accrued on lease liabilities (IFRS 16)	–2	–	–	–	–
Operating result excluding IFRS 16	180	167	183	165	148
Depreciation and impairment of property, plant & equipment	76	75	69	73	77
Amortisation and impairment of intangible assets	13	9	13	16	9
EBITDA excluding IFRS 16	269	251	265	254	234[3]
IFRS 16 impact	73	–	–	–	–
EBITDA	342	251	265	254	234[3]
EBITDA margin excluding IFRS 16	4.1%	4.2%	4.6%	4.6%	4.4%[3]
EBT margin	2.7%	2.9%	3.3%	2.5%	2.2%
Order book (per end of period)	8,916	8,924	8,091	8,157	7,712
Interim dividend (€)	22.4	22.4	22.4	–	–
(Proposed) final dividend (€)	N/A	61.6	61.6	83.2	–
(Proposed) total dividend (€)	22.4	84.0	84.0	83.2	–
Per share data attributable to shareholders					
Number of shares (in million)[2]	80	80	80	80	80
Earnings per share (€)	1.81	1.71	1.75	1.74	1.34
Earnings per share continuing operations (€)	1.84	1.74	1.74	1.26	1.14
Earnings per share from discontinued operations (€)	–0.03	–0.03	0.01	0.48	0.20
Interim dividend (€)	0.28	0.28	0.28	–	–
(Proposed) final dividend (€)	N/A	0.77	0.77	1.04	–
(Proposed) total dividend (€)	0.28	1.05	1.05	1.04	–

1 Under IFRS any benefit due to the Managing Directors or any of the relevant key managers will need to be reflected in the annual accounts of VolkerWessels as personnel expenses, irrespective of the fact whether the costs are borne by VolkerWessels or not. The cash flow effects related to the share incentive, including the tax effects, are borne in full by Reggeborgh Holding and consequently, the cash flow effects for VolkerWessels will be nil. For FY 2019 the total amount is €4 million (FY 2018: €6 million and for the period 12 May 2017-31 December 2017 the total amount is €5 million). In addition, in the line item Share in results of associates and JVs in FY 2017 an amount of €13 million third party result is excluded. Both amounts are adjusted in this summary in comparison to the financial statements.

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

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

Summary overview of financial position and ratios

(FY 2019 figures including IFRS 16, unless stated otherwise)

(€ million, unless stated otherwise)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Property, plant and equipment	515	482	483	488	550
Right-of-Use assets	257	–	–	–	–
Intangible assets	481	484	436	432	463
Other non-current assets	318	297	292	292	336
Total non-current assets	1,571	1,263	1,211	1,212	1,349
Inventories and contract assets (construction contracts)	662	736	651	697	786
Land, property held for sale, trade and other receivables and accruals	1,173	1,218	1,249	1,253	1,271
Cash and cash equivalents	624	467	494	412	407
Total assets	4,030	3,684	3,605	3,574	3,813
Equity attributable to owners of the company	1,252	1,182	1,124	1,116	426
Minority interest	12	14	11	12	11
Total equity	1,264	1,196	1,135	1,128	437
Provisions (current and non-current)	351	345	246	275	269
Loans and other financing obligations (current and non-current)	58	101	197	223	967
Lease liabilities (current and non-current)	251	–	–	–	–
Other current liabilities	2,106	2,042	2,027	1,948	2,140
Total equity and liabilities	4,030	3,684	3,605	3,574	3,813
Ratios					
Current ratio	1.17	1.19	1.18	1.21	1.15
Solvency	31.4%	32.5%	31.5%	31.6%	24.5%
EBITDA as % of revenue (excluding IFRS 16)	4.1%	4.2%	4.6%	4.6%	4.4%[1]
Net result as % of revenue	2.2%	2.3%	2.5%	2.6%	1.9%
Tax rate	16.7%	18.3%	23.1%	25.9%	23.5%
ROCE	19.0%	20.1%	21.8%	17.6%	13.4%[1]
Other information					
Order book	8,916	8,924	8,091	8,157	7,712
Average number of employees	17,044	16,630	16,179	15,785	15,487
Free cash flow (excluding IFRS 16)	267	155	231	198	141
Net working capital	–164	–14	21	142	208
Net cash position (-debt)	312	366	297	189	–62

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

Summary overview segments

(€ million, unless stated otherwise)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue					
The Netherlands – Construction & Real Estate Development	2,358	2,105	2,043	1,946	1,747
The Netherlands – Infrastructure	1,513	1,414	1,474	1,371	1,378
The Netherlands – Energy & Telecoms Infrastructure	865	751	674	649	590
United Kingdom	1,344	1,116	995	1,071	1,174
North America	338	350	351	317	301
Germany	301	268	244	207	214
Other/eliminations	–77	–80	–67	–71	–86
Total revenue	6,642	5,924	5,714	5,490	5,318
EBITDA					
The Netherlands – Construction & Real Estate Development	110	100	93[2]	79	53[1]
The Netherlands – Infrastructure	42	22	52	73	70
The Netherlands – Energy & Telecoms Infrastructure	44	39	32	31	34
United Kingdom	46	39	33	34	35
North America	41	47	55	46	46
Germany	18	16	17	12	10
Other/eliminations	–32[5]	–12[4]	–17[3]	–21	–14
Total EBITDA	269[5/6]	251[4]	265[2/3]	254	234[1]
EBITDA-margin					
The Netherlands – Construction & Real Estate Development	4.7%	4.8%	4.6%[2]	4.1%	3.0%[1]
The Netherlands – Infrastructure	2.8%	1.6%	3.5%	5.3%	5.1%
The Netherlands – Energy & Telecoms Infrastructure	5.1%	5.2%	4.7%	4.8%	5.8%
United Kingdom	3.4%	3.5%	3.3%	3.2%	3.0%
North America	12.1%	13.4%	15.7%	14.5%	15.3%
Germany	6.0%	6.0%	7.0%	5.8%	4.7%
Total EBITDA	4.1%[5/6]	4.2%[4]	4.6%[2/3]	4.6%	4.4%[1]
Order book					
The Netherlands – Construction & Real Estate Development	3,477	3,493	2,831	2,737	2,514
The Netherlands – Infrastructure	1,676	1,660	1,568	1,562	1,451
The Netherlands – Energy & Telecoms Infrastructure	798	932	1,005	1,151	1,378
United Kingdom	1,353	1,528	1,213	1,176	1,222
North America	1,145	764	828	886	796
Germany	497	595	684	667	351
Other/eliminations	–30	–48	–38	–22	–
Total order book	8,916	8,924	8,091	8,157	7,712

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

2 Excluding €13 million third party result.

3 Excluding €5 million share incentive.

4 Excluding €6 million share incentive.

5 Excluding €4 million share incentive.

6 Excluding IFRS 16 impact.

Outlook

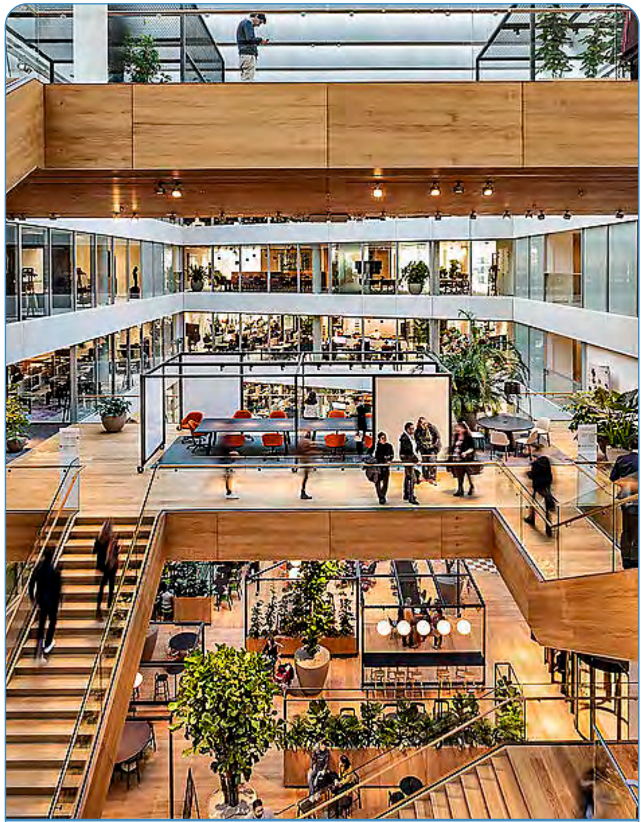
We expect that economic conditions in the markets in which we operate will remain favourable in 2020, despite the many uncertainties that have arisen on the global stage. We saw rising costs of labour and the increased margin pressure in the Dutch infrastructure market as a consequence of PFAS, PFOS and nitrogen deposition issues in 2019 and we expect both trends to continue in 2020.

Our industry is late cyclical by nature and our record high order book provides a solid base for delivery in 2020. In the Netherlands we see continued demand for new build homes, an improved market f or local infrastructure projects and continued investment that supports our Energy & Telecoms Infrastructure businesses.

In the UK, it is anticipated that negative sentiment in the market should start to reduce, given the diminishing uncertainty surrounding Brexit, and the new Government's confirmed commitment to increasing investment in infrastructure.

In Germany we expect market conditions to remain favourable and we expect our North American operations to do well in 2020. As we have evidenced in 2019, performance, especially in North America is weather dependent.

Looking forward, we expect our 2020 financial performance to be in line with 2019.



Head office ING
In collaboration with ING and co-developer EDGE Technologies, VolkerWessels has delivered a sustainable new head office for ING in South East Amsterdam. 14,000 tonnes of demolition concrete from the old buildings was re-used in the construction, the roof is completely covered with solar panels, and the technology in the b uilding ensures smart and sustainable (energy) use. This was rewarded with the highest possible sustainability certification - BREEAM Outstanding. ING's old head office will be converted into an apartment complex with over 330 homes.

SIMON WHITE

Chief Digital Officer at VolkerWessels UK

DIGITALISATION

Creating a culture for digital construction and innovation

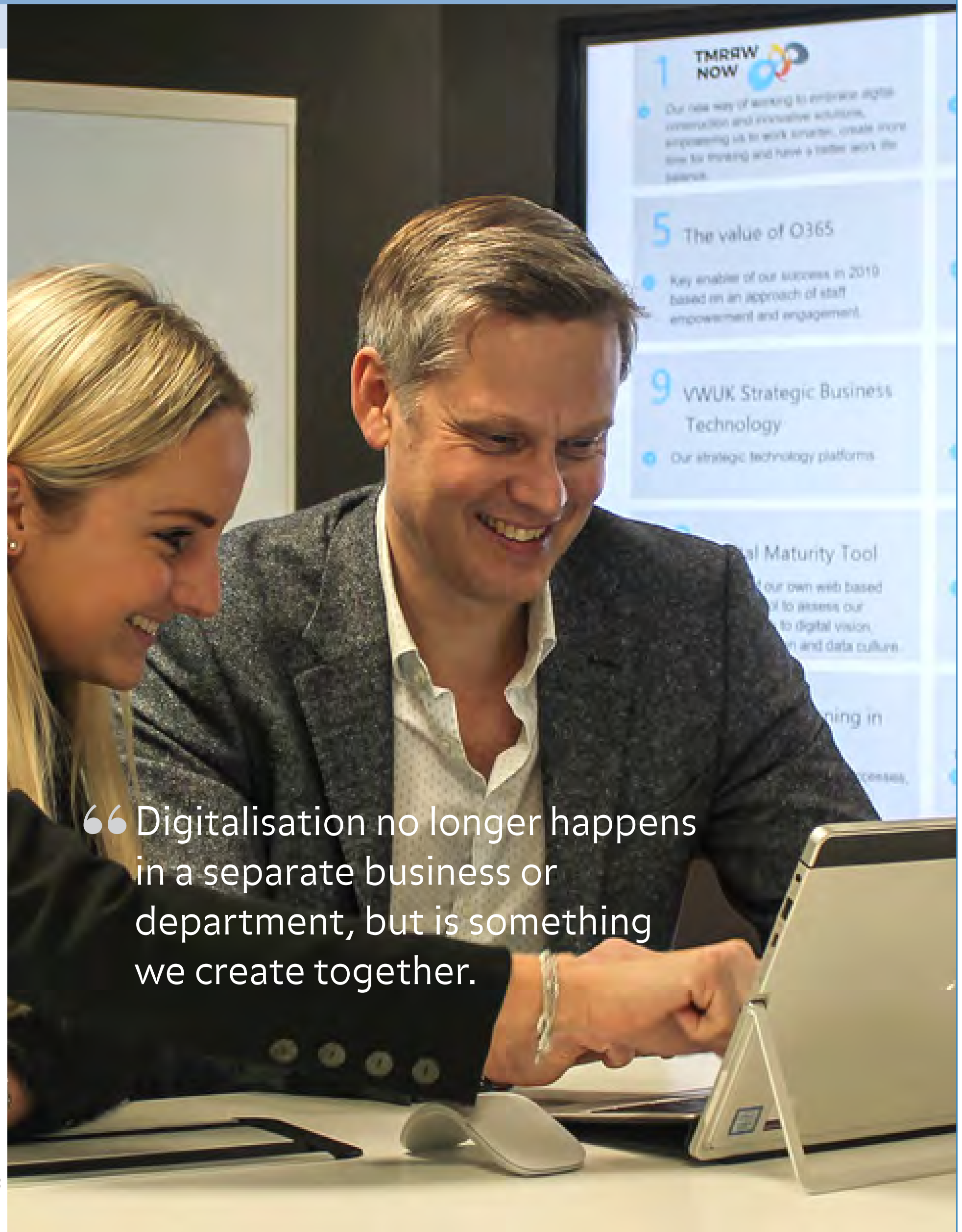
"In spring 2019, we launched 'TomorrowNow' as part of our digital transformation programme at VolkerWessels UK. TomorrowNow is a new way of working to embrace digital construction and innovative solutions. Ultimately, our aim is to empower everyone within the business to work smarter, create more time for thinking and have a better work life balance.

One of the first things we did when we started TomorrowNow, was to focus on people's everyday business frustrations, of which we identified around 300, many relating to administrative or bureaucratic processes. For example, our site engineers spent a lot of time checking whether equipment had been serviced or not, for which they had to find a reference code, look it up on a spreadsheet, sign a piece of paper and then physically take it to the site office and file it. By co-developing an easy-to-use app and QR-codes on all the equipment, we have removed repetitive processes and given thinking time back to our people. Another example is that people felt intimidated by all the jargon that is used when others talk about digitalisation. We have therefore developed a web based 'Jargon Buster', to provide simple definitions for digital terminology.

A key success is that all these solutions are co-productions between our development team and enthusiastic people from all parts and different levels within our business. With the support of our digital team, anyone can develop their own app, digital form or dashboard, even without any previous coding experience.

The main benefit is that digitalisation is no longer something that happens within a separate business or department, but it is something we create together. To reinforce this message, we have made a big effort to get people excited about the use of Office 365 and particularly Teams, an application to organise group calls, share screens and work together. Using an approach of staff empowerment and a fast track strategy for roll out, within three months, 80% of our people had voluntarily downloaded Office365, which was a step change compared to traditional roll out strategies from the past.

We are now just over a year into our digital construction and innovation journey and it has been a challenging and exciting journey. The success of our approach to date has been reflected by the feedback from our staff, efficiency saving being calculated on our digital pilot projects and finally by our digital construction and innovation team being named the UK's 2019 Digital Team of the Year by Construction News. We want to move even faster in 2020."

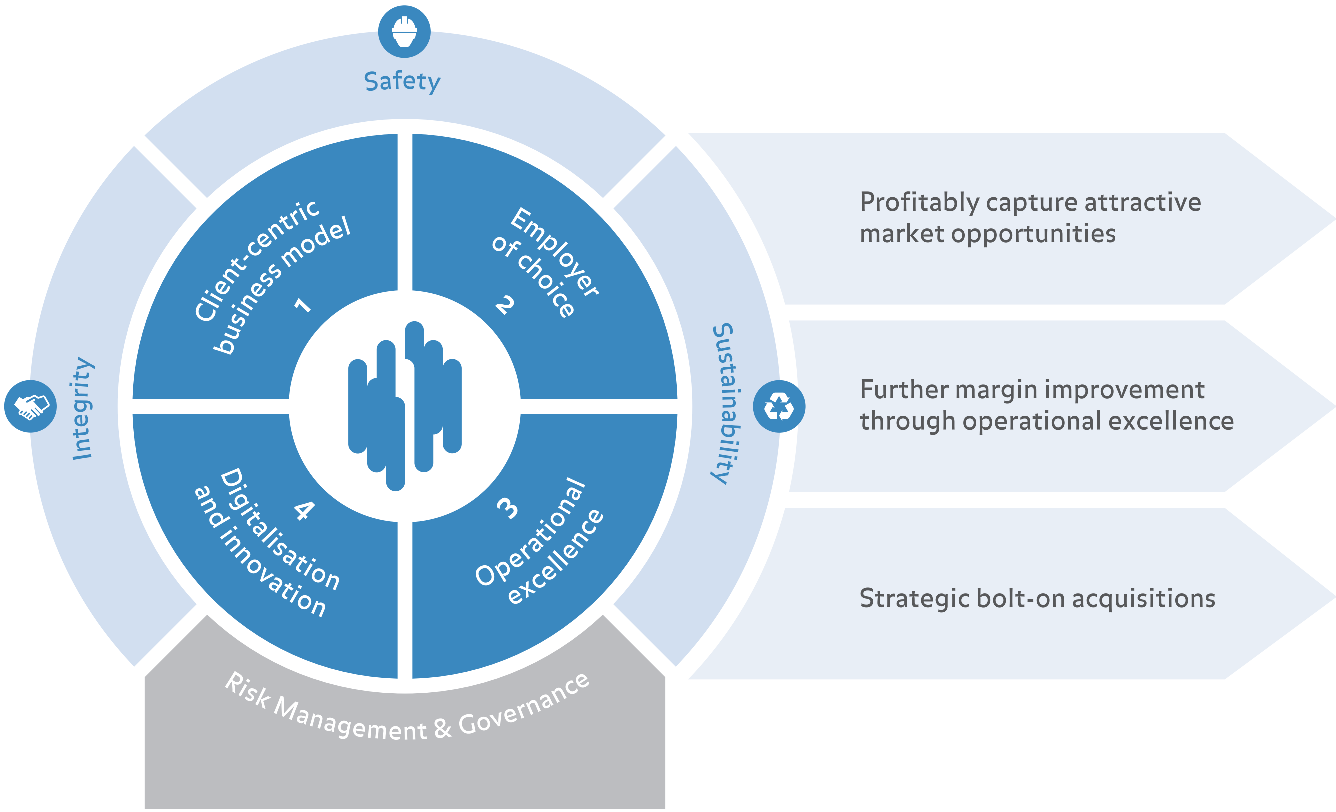


"Digitalisation no longer happens in a separate business or department, but is something we create together.

Strategy and medium-term objectives

The focus at VolkerWessels is on quality and efficiency to drive controlled and profitable growth, with historic positive and stable results. These results are driven by VolkerWessels' core principles focused on a 'diversified portfolio' approach (across countries, sectors, products, and projects), local entrepreneurship, and centralised risk management processes, with continuous focus on profitability and cash returns rather than revenue. VolkerWessels' decentralised operating model is a key element for sustained growth and profitability. By having a local focus through its operating companies, VolkerWessels' directors and employees can respond swiftly to market developments and are able to work closely with their clients on their local projects, increasing their understanding of their overall business needs, as well as the technical requirements of their specific projects.

VolkerWessels aims to pursue the development of long-term relationships and alliances with its clients through its local focus and connections. VolkerWessels is focused on opportunities in the Dutch construction and real estate market as well as its strategic land bank opportunities. In addition, VolkerWessels is pursuing opportunities to develop its UK, North America and Germany operations to match anticipated increasing levels of public infrastructure investments and housing investments. Combining its local focus with the centralised control and support structures and its ability to share client insights/expertise across operating companies, VolkerWessels believes that its operating model is able to provide a strong basis to capture local market opportunities and to offer innovative solutions in the market. This operating model provides VolkerWessels with the shared expertise to market the project services that its clients are expected to need in the pre-design phase, such as planning or innovative solutions for projects; in the design phase, such as project coordination across its range of services; and in the construction phases, including operations and maintenance services.



VolkerWessels has on opportunity-driven policy for strategic acquisitions. The core principle for any acquisition is that it should have the right fit with VolkerWessels' corporate culture, strengthen its local capabilities and contribute to the strategic priorities. Whilst business acquisitions are not a specific medium-term objective on its own, VolkerWessels believes that its capital position enables it to engage in selected acquisitions, under suitable market conditions, in order to realise additional growth.

Strategic focus

Going forward, VolkerWessels will continue to have a diversified portfolio with a similar balanced mix of activities across VolkerWessels' four home markets, market segments, products, and a large base of small projects. To remain market leader in each of these segments, VolkerWessels will continue to optimize its proposition in each of its segments, specifically towards profitable niches, and will focus on growing new activities. To further improve the performance in its multiple market segments, VolkerWessels will focus on four strategic priorities as set out below. Next to these core priorities, risk management & governance and VolkerWessels' core values (safety, sustainability, and integrity) will remain central to its strategy.

(1) Client-centric business model

VolkerWessels values its large base of small projects based on its business model of local entrepreneurship that enables a deep understanding of VolkerWessels' clients, local market circumstances, its people and projects. VolkerWessels complements this work with (larger) multidisciplinary projects that enables it to excel by sharing the knowledge and expertise to collaborate within the VolkerWessels Group. VolkerWessels' natural preference is towards relationship-driven clients and contracts where it has a more collaborative way of working with more focus on adding value for its clients. VolkerWessels pursues fair and clear terms for the work it does, to minimize conflicts and to allow for swift change orders in case the scope of work changes.

(2) Employer of choice

VolkerWessels's people are the bedrock of the company. VolkerWessels wants to attract and retain the highest quality employees. For this it focusses on inspiring leadership that sets a culture of transparency, collaboration, and performance management. Also, VolkerWessels offers development pathways for all disciplines, focusing on contract management, planning/work preparation, risk management, finance, and blue collar professionals. Lastly, VolkerWessels continuously strengthens its employer brand and employee pride. This is how VolkerWessels aims to be, and remain, the employer of choice.

(3) Operational excellence

VolkerWessels offers high quality projects in terms of design, preparation, execution, service and maintenance. In this way, VolkerWessels optimizes value for its clients and minimize failure costs. VolkerWessels invests intensively in expertise and tools for improving the way it uses project control data / insights to steer on costs, time, and risks and to learn across multiple projects (evaluate and improve). VolkerWessels also industrializes its processes by modularizing, prefabricating and standardizing components to remain distinctive in delivering its unique projects. This creates a continuous operational improvement cycle which is key to VolkerWessels' future success.

(4) Digitalisation and innovation

VolkerWessels must lead change to retain its market leading role. VolkerWessels believes the sector will change more in the next few years than it has done in the past, both in what we make as well as how we make it. Digitalisation and the energy transition are for example major drivers of this change. To drive the growth of new activities, VolkerWessels focusses on speeding up the identification, development and scaling of its innovations (such as PlasticRoad).

Risk management & Governance

VolkerWessels' risk management and governance processes ensure that its operating companies maintain a disciplined approach when undertaking projects that is based on prudent budgeting and project selection. VolkerWessels continuously improves the reliability and timeliness of management information to proactively predict and manage the business. Our governance is aimed to secure compliance with internal procedures, laws and regulations and the protection of assets and information.

Paleis Het Loo In Apeldoorn, Volker Staal en Funderingen worked for a year on the underground expansion of the Paleis Het Loo museum. A ten-metre deep excavation pit has been constructed, part of which runs underneath existing monument buildings. The palace, which is over 300 years old, has withstood the drastic underground work without sustaining any damage.

Core values

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

Safety

We either work safely, or we do not work at all. Creating and safeguarding a culture in which working safely is the standard, is an ongoing process. We have set higher objectives that we want to meet by 2020. Safety is one of our core values that is reflected in the way our employees act and feel. A safe working environment is the collective responsibility of all our employees, our subcontractors and other relevant stakeholders. We have agreed new safety targets to be achieved in 2020 and will strongly focus on our safety culture. The 2019 safety theme was "commit and comply" (aanspreken en afspreken). In 2020 the focus will be on behaviour and its impact on safety. To this end we will introduce the concept of "Brain Based Safety" in our company. Our WAVE (Wees Alert! Veiligheid Eerst! – Be Alert! Safety First!) safety programme contributes towards this and our annual company-wide Safety Day was again an important key event to focus everyone on the importance of working safely.

Integrity

Integrity is a prerequisite for doing business and therefore this core value ranks equal in importance at VolkerWessels as safety and sustainability. VolkerWessels expects everyone at all group levels and in every company to demonstrate integrity and professionalism in the workplace. VolkerWessels continuously improves the culture of integrity though awareness workshops, Management Board meetings and e-learning courses. It also expects its supply chain partners to act with integrity as well. Subcontractors are required to sign the Code of Conduct and the Guiding Principles for Commissioning Construction Companies, which VolkerWessels drew up in collaboration with six other major Dutch construction companies.

Sustainability

Within the overarching core value of sustainability, quality of life is a key theme for VolkerWessels. When building, VolkerWessels takes its surroundings into consideration in line with its view that everything it creates should genuinely contribute to society by improving quality of life. VolkerWessels aims to take another step towards a circular economy by trying to make the best possible use of raw materials. Reusing raw materials and using alternative materials will be central to a number of projects in the coming years. VolkerWessels will make a difference in six areas: waste separation, CO_2 footprint of its company car scheme, Social Return, Circular Design & Construction, lowering the CO_2 footprint of its concrete usage as well as asphalt production and making its own equipment companies more sustainable. VolkerWessels works towards targets on each of those six areas for 2020 and for 2025.

Update on medium-term objectives

Medium-term objectives (MTO)
The medium-term objectives[1] were published early 2017 (reference year 2016). By 30 June 2018 we had already reduced our strategic working capital by close to €100 million, therefore, we changed our medium-term objective to improving strategic working capital from €100 million to €200 million. At year-end 2019 we have reduced our strategic working capital by €180 million.

Due to the implementation of IFRS 16, we will emphasize EBT rather than EBITDA as a proxy for our financial performance going forward.

The medium-term goals we aim to achieve by pursuing our strategy are:
- revenue growth: profitable growth over market volume growth in each of VolkerWessels' respective markets, with a compound annual growth rate of 3% to 4%;
- EBITDA and EBITDA margin: growth of EBITDA in absolute terms and an annual EBITDA margin on average of 4.5 – 5.5% in the medium-term; (because of the implementation of IFRS 16 VolkerWessels will set medium-term objectives for EBT and EBT margin as from 2020);
- capital expenditure: a sustainable capital expenditure level of approximately 1.3% of the company's annual revenues;
- working capital: develop the traditional working capital position in line with revenue development; further improve efficiency on strategic working capital by reducing it to approximately €200 million and focusing the land bank on actionable development;
- tax: fully utilise the €40 million deferred tax assets in relation to the tax losses carried forward as at 31 December 2016 in the medium-term; and
- capital allocation: focus on efficient use of capital employed and a ROCE higher than 18.0%.

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

Circuit Zandvoort
VolkerWessels is a proud sponsor of the Formula 1 Heineken Dutch Grand Prix, which will take place from 1-3 May 2020 at Circuit Zandvoort. At the end of 2019, VolkerWessels companies KWS, Gebr. Van Kessel, Holland Scherm, Kondor Wessels Amsterdam and De Groot Vroomshoop have already started converting the circuit to a level that befits an event of this magnitude. The work involves replacing and widening the existing track using reusable materials and recycled asphalt to the extent possible, installing prefab pedestrian tunnels, building a brand new paddock area, expanding the existing pit building and creating a new fully circular, wooden medical centre.

KEY METRIC	MEDIUM-TERM OBJECTIVE	2019 RESULTS	2018 RESULTS	2017 RESULTS	AVERAGE/TOTAL
EBITDA	■ Generally improved market conditions in the Netherlands Construction & Real Estate Development segment ■ Operations efficiency programme implemented across all segments ■ Focus on further reduction of failure costs across all segments ■ Maintain historic track record of resiliant margins throughout construction cycles ■ Margin 4.5-5.5%*	■ EBITDA margin 4.1%	■ EBITDA margin 4.2%	■ EBITDA margin 4.6%	Average ■ EBITDA margin 4.3%
REVENUE GROWTH[1]	■ Leverage leading position to capture growth opportunities from recovery in Dutch construction market ■ Focus on selected international niche markets ■ Key management focus on profitable growth over market volume growth in each of the markets ■ Good visibility on profitable growth from prudent and conservative order book development and composition ■ Compound average growth rate between 3-4%	■ 12.1%	■ 3.7%	■ 5.6% (excluding €79 million revenue in 2016)	Average ■ 7.6%
CAPEX	■ Maintain well invested asset base with capex levels continuing at around ~1.3% of revenue	■ 1.8% (gross) ■ 1.4% (net)	■ 1.5% (gross) ■ 1.0% (net)	■ 1.4% gross ■ 1.1% (net)	Average ■ 1.6% (gross) ■ 1.2% (net)
WORKING CAPITAL	■ Traditional working capital (TWC) development in line with revenue development ■ By 30 June 2018 we had already reduced our strategic working capital (SWC) close to €100 million, therefore we changed our medium-term objective to improve strategic working capital from €100 million to € 200 million. ■ Focus land bank on actionable development	■ SWC €40 million decrease	■ SWC €97 million decrease	■ SWC €43 million decrease	Total ■ SWC €180 million decrease
TAX	■ Deferred tax assets in relation to losses carried forward of €40 million to be fully utilised in the medium-term	■ €10 million utilised in 2019	■ €15 million utilised in 2018	■ €22 million utilised in 2017	Total ■ €47 million utilised
CAPITAL ALLOCATION	■ Focus on efficient use of capital employed, targeting ROCE >18.0%*	■ ROCE: 25.8%	■ ROCE: 20.1%	■ ROCE: 21.8%	Average ■ ROCE: 22.6%
DIVIDENDS	■ Pay-out ratio of 50 – 70% of results for the year, DPS expected to grow in line with the results for the year 60%	■ N/A	■ 61%	■ 60%	Average ■ N/A

* Excluding IFRS 16 impact

STIJN VAN SCHAIJK

DIGITALISATION

Process manager at DigiBase

Construction site capturing

"Construction site capturing is a catch-all phrase for the automated capture of developments on the construction site. My role at DigiBase involves making this technology accessible, and facilitating our construction and real estate companies in working with it.

One method used in capturing is to fly a drone over the construction site. We started experimenting with this in early 2018. In ten minutes, the drone can capture more than 200 high-resolution images which are then merged using photogrammetry. Projecting a plan onto this enables you to see directly whether work has been performed correctly. It was how we discovered, for example, that a ditch had not been dug in quite the right place. Being able to spot things like this immediately means that you can solve them before they cause any problems.

However, operating drones is labour-intensive and is not possible in many places; certainly not in inner city areas. A more efficient alternative is to rig up cameras on the boom of a crane. Images are captured every time the boom moves five degrees. By doing this twice a day we can gather data in an automated and structured way. Within a day you are then able to look back and see exactly what has happened. Even if you do nothing with the information at the time, it means you have a complete visual log available at all times. People are automatically filtered out or made unrecognisable.

Once the basic shell has been completed and we start the indoor work, we switch to a 360-degree camera mounted on a hard hat. Once the images have been processed, a contractor can take a digital walk through the building. Is a waste pipe in the wrong place? Are there any cables missing? By comparing the images with the BIM model we can spot things like that straight away. The images also make for much easier communication with the client, subcontractors and builders, especially if they speak different languages. Because it is so visual, the facts are no longer open to discussion; this saves a lot of time and enhances the transparency of the construction process.

Our basic principle in developing the system is that it must be extremely user-friendly and everyone can work with it intuitively. In the interests of scalability and ease of implementation, it is also crucial that the data is consistent and stable and that it is stored securely. We are currently working on organising this. We are already using construction site capturing at a number of large building sites, but in time this will be the case on every project. Clients are already asking for it and there is a great deal of enthusiasm internally, from directors to carpenters. In addition, it will also help us to comply.

Summary CSR

This chapter provides a summary of our sustainability vision, policy and performance in 2019. Here, we focus on our most important topics: our core values of safety and integrity, the use of materials, CO_2 emissions, employment and diversity. For a full and detailed explanation, please refer to our 2019 Sustainability Report, which is published together with our Annual Report and available on our website.

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

What input do we require for this?
In order to deliver our projects we need economic, social and environmental input, for example:
- **economic:** financing and capital goods such as equipment;
- **social:** knowledge and experience of employees and subcontractors;
- **environmental:** resources, building materials and energy.

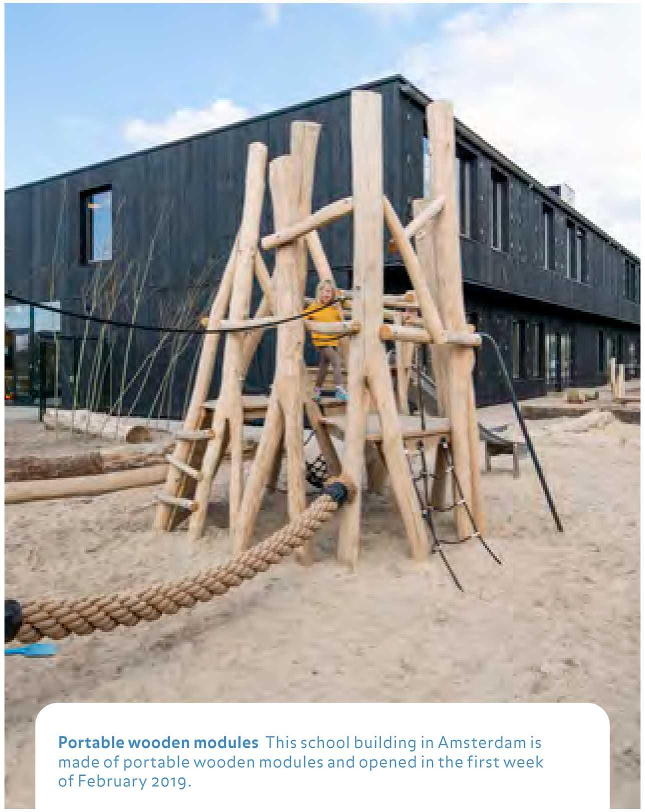
Our activities
Our company is an ecosystem of entrepreneurs and more than 120 local operating companies, with approximately 17,000 employees. The majority of our 25,000 projects a year are locally sourced, small scale, with low complexity and high repetition. This solid backbone enables us to take a selective approach towards additional large, complex projects. VolkerWessels acts primarily as the lead contractor, specifically focusing on activities such as project, contract and risk management. Whilst subcontracting the majority of the actual construction work, it maintains strategic and tactical positions across the value chain. Our core values of safety, sustainability and integrity are key in performing our work. This means we pay attention to such things as a tidy, safe and sustainable construction site, economical use of our equipment and thorough separation of waste to optimise recycling.

Vision our contribution to society	**QUALITY OF LIFE**		
Core values how we achieve the vision	Safety	Sustainability	Integrity
Internal resources safeguard the core values	WAVE	Sustainability communication	Code of Conduct and Trust Line

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

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

In our separate sustainability report, as well as in the following non-financial information section in this annual report, we outline our performance in 2019 and our targets and ambitions for 2020 and beyond in each of these three areas.



Portable wooden modules This school building in Amsterdam is made of portable wooden modules and opened in the first week of February 2019.

Input

What we need in order to perform our activities

Economic

Financing and capital for assets and innovation

Building equipment, leased cars and company cars

Environmental

Resources and building materials

Energy for asphalt plants, construction sites, transport and offices

Social

Knowledge and experience of employees

Cooperation partners, suppliers and subcontractors

Activities and output

What we do: design and build an entire living environment

Result

A living environment that contributes to quality of life

Health and wellbeing

Safe neighbourhood and construction site, well-being and vitality, healthy homes and outside air

Natural environment

Circularly built, climate-neutral and adaptive, nature-inclusive

Work and social activities

Social partner on the labour market, conscious and honest builder, attractive company for employees

Building a better quality of life

At VolkerWessels, we want to build a better quality of life. Our ambition is to contribute to the sustainable development of our society. To build in such a way that enables people to live and work in a happy and healthy way. In the areas where we as a construction group can make a difference, we offer sustainable solutions, such as the increase of secondary material use and the use of smart innovative technologies. By developing effective sustainable alternatives we can make a positive contribution to the transition to a climate-neutral, circular construction sector.

We share a common goal in our transition to a climate neutral, circular and healthy living environment. The construction sector is a key player in the realisation of climate targets, such as sustainable energy supply for housing. These ambitious goals and the rapid pace of developments in our market present complex challenges that require sustainable solutions. Together with our value chain partners and clients we will work together towards such targets. This presents opportunities for innovation and further development of our knowledge base. At the same time, we note that an increase in the pace of sustainable development is required, from both industry and government alike, to bring our sustainable performance in line with our common goals.

As an international construction firm we have a lot of opportunities to influence the way we design our future living environment. This is particularly true for our role as developer and designer. The design phase is crucial in the circular transformation of our buildings and infrastructure. But our other roles such as producer, purchaser and operator also offer opportunities for sustainable choices. This means we have to take responsibility for those choices which are in our sphere of influence. Our influence is more limited in projects where we only have the role of contractor. Nevertheless, we always explore ways in which we can help our client achieve a more sustainable design.

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

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

Our External Review Committee, consisting of experts from the fields of science and business, advises our senior management in relation to our vision and strategy with regard to quality of life. We consider it important to be able to demonstrate the value we add to society. This regularly presents us with challenges, especially when consensus about definitions, methodology and KPIs is still lacking, as is the case with the topic of circular construction. Therefore, in 2019 we focused our question for our External Review Committee on measuring circularity. The Committee helped us to formulate additional clear, meaningful targets and KPIs for this topic, which we will implement in 2020 and further.

CSR key figures for VolkerWessels in the Netherlands

		2019	2018	2017
Health and wellbeing				
Safety	IF rate	3.3	4.6	5.3
Natural environment				
Raw materials	Volume of waste in kilotonnes	783	680[1]	72
	Waste separation rate	94%	93%[1]	53%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	129	127	134
	CO_2 footprint (Scope 3) of concrete products in kg CO_2 per m³	169	161	154
Work and social activities				
Employment	Percentage of people at a disadvantage on the labour market (Social Return score)[2]	1.2%	0.7%[2]	2.3%
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	22	49	32

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

[2] The decline in the figure in 2018 is mainly due to a change in methodology and data collection methods and not due to a change in performance. For more information, see 'About this Report' in our Sustainability Report.

Health and wellbeing

There is growing awareness of the impact our built environment has on our health and wellbeing. As a developer and builder we are able to influence the health of the indoor and outdoor climate. Examples are ensuring a high level of air quality in homes and offices, or reducing fine particulate matter through the type of asphalt we use. Our work involves certain risks, on the construction site, in the car but also in the office. At VolkerWessels our policy is aimed at promoting a strong safety culture and keeping our employees healthy.

Targets for 2020 – Health and wellbeing

Safety

- IF rate < 3.5
- Reinforce the safety culture
- Further rollout of the central register of accidents
- Involve subcontractors in WAVE

Safety

We make no concessions when it comes to safety. Openness about working safely must be the norm. Our safety policy focuses on the working culture. We make the topic visible through our WAVE (Wees Alert! Veiligheid Eerst! – Be Alert! Safety First!) safety programme. We believe that the WAVE programme should go beyond the safety philosophy and basic rules and agreements, and have therefore enhanced the programme with 'induction and training of employees'. In the interests of working safely it is important that we are not afraid to call each other to account and that we accept it when we are called to account. This was our central theme for 2019.

The spearheads of our WAVE programme are:

1. Introduction and training of employees;
2. Expanding the safety culture;
3. Healthy reporting climate;
4. Better analyses of accidents and near misses.

The Safety Ladder is a tool for working on the safety culture. It indicates to what extent safety is part of people's actions and the culture of the organisation. Our objective is for all our companies to implement level 3 by no later than 2022. Level 3 stands for 'calculating: we have the system in place'. Some of our companies already operate at level 4, which stands for 'safety has a high priority and is deeply ingrained in the company's operations'. We note that follow-up steps are necessary in this area in order to move further towards level 3 of the Safety Ladder. This will be our area of focus in the coming years.

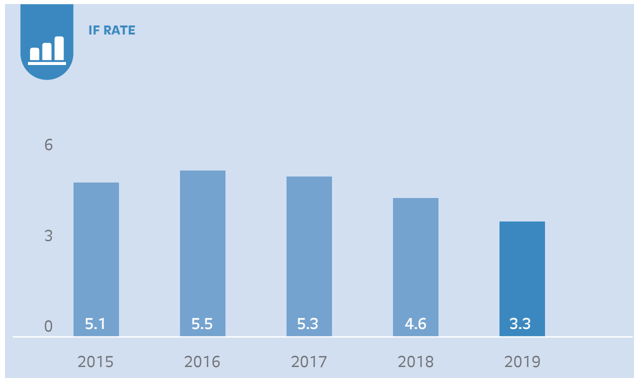
A great example of promoting safety awareness in your own environment concerns a project in the Frisian village of Wolsum, where we joined forces with TenneT to hand out bike lights to passing cyclists and moped riders early in the morning. The initiative was aimed at raising awareness of the importance of visibility in traffic, especially in the vicinity of building sites where there is a lot of construction traffic.

Good targets depend on reliable and complete figures. To obtain better and more complete safety figures we made some major changes to our WAVE app. In 2019 we increased our reporting frequency from quarterly to monthly WAVE reporting. This enables us to respond more rapidly. The results are displayed on the Safety Dashboard, which is used by all levels of management throughout the organisation. Under a new Management Board initiative in 2019 all statutory directors must perform at least eight site visits a year. Visits are registered in the WAVE app, enabling us to track the number of completed project visits and – more importantly – compile the lessons we can learn from them.

We know that some unsafe situations go unreported. Particularly where an unsafe act or situation (UAUC) has no adverse consequences employees do not automatically think to report it. We are therefore aiming for an increase in UAUC reporting in 2020, targeting a 10% increase compared to 2019 for all businesses. Because we believe it is important to take a positive approach the best UAUC reports will be rewarded on a quarterly basis, with each company deciding how to implement this reward policy. Rewarding is a positive way to promote safety behaviour among employees.

Our target for 2020 is an IF rate of < 3.5. In 2019 there were 87 accidents with absenteeism, compared to 116 accidents with absenteeism in 2018. This results in an IF rate of 3.3, which means that our IF rate target of 4.1 in 2019 was met. The IF rate was significantly lower than the IF rate for 2018, which was 4.6. The number of accidents with absenteeism was at a historical low. Analysis of the accidents with absenteeism shows that tripping, slipping and stumbling are the most common types of accident in all segments. In light of this tripping, slipping and stumbling have been chosen as the theme for the 2020 Safety Day.

What really matters to us is the "story" behind the IF rate. Using real-time insight, we have an up-to-date overview on a daily basis, including the various causes of accidents. To prevent future similar accidents, it is important that we act immediately on such insights, to learn from them and to implement the necessary improvements.



Natural environment

In the future we see a constant circulation of materials. Our end goal as VolkerWessels is to be able to build all our projects in a fully circular way. The natural environment is given a boost because nature is integrated in the built environment. The energy transition means sustainable alternatives for our machines and fleet of vehicles. And we generate positive impact by developing new energy neutral or energy positive concepts for homes and offices, or by innovations in heat technology such as low temperature geothermal power.

Targets for 2020 – Natural environment

Raw materials

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

CO_2 and energy

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

Raw materials

In the construction sector we use large amounts of primary and scarce materials. It is necessary to transform our construction sector to a sector where materials circulate in a closed loop. Our materials policy focusses on four aspects:

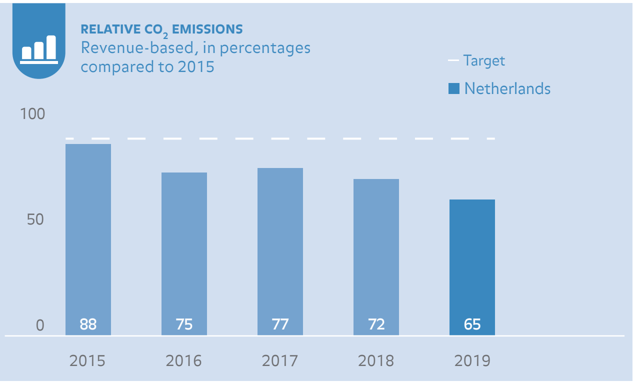
1. Sustainable use of materials to increase the use of secondary materials;
2. Circular design strategies to ensure products, elements and materials are suitable for high quality reuse at the end of their function;
3. Material Passport with a circularity index to capture and store information about materials in buildings and objects;
4. Waste management to increase separation and reuse of our waste.

Our four most important materials are concrete, asphalt, steel and wood. We have modified our asphalt plants to ensure the increase in production capacity for asphalt with a high secondary material content. We also monitor the percentage of recycled materials in our asphalt and concrete products. Concrete remains a challenging material when it comes to high quality recycling, since the technology required is still being developed. For this reason, easy disassembly of concrete elements to facilitate direct reuse will be a prime focus in our design. In 2019, 3% of concrete products was composed of secondary materials. This year we expanded our data set, which now also includes one of our own companies in the Construction and Real Estate Development segment. According to the previous scope, the percentage of secondary materials used in concrete products increased to 75%.

The percentage of secondary materials in asphalt was 43%. This is an increase of 2% compared to 2018. This is due to the increased technological developments for processing higher percentages of asphalt granulate in our asphalt mixes. At Schiphol Trade Park, we used 100% recycled asphalt for all layers of the road (top, middle and bottom layer) for the first time on a large scale. Compared to a regular asphalt construction, this reduced CO_2-emissions during production of the asphalt by 75%.

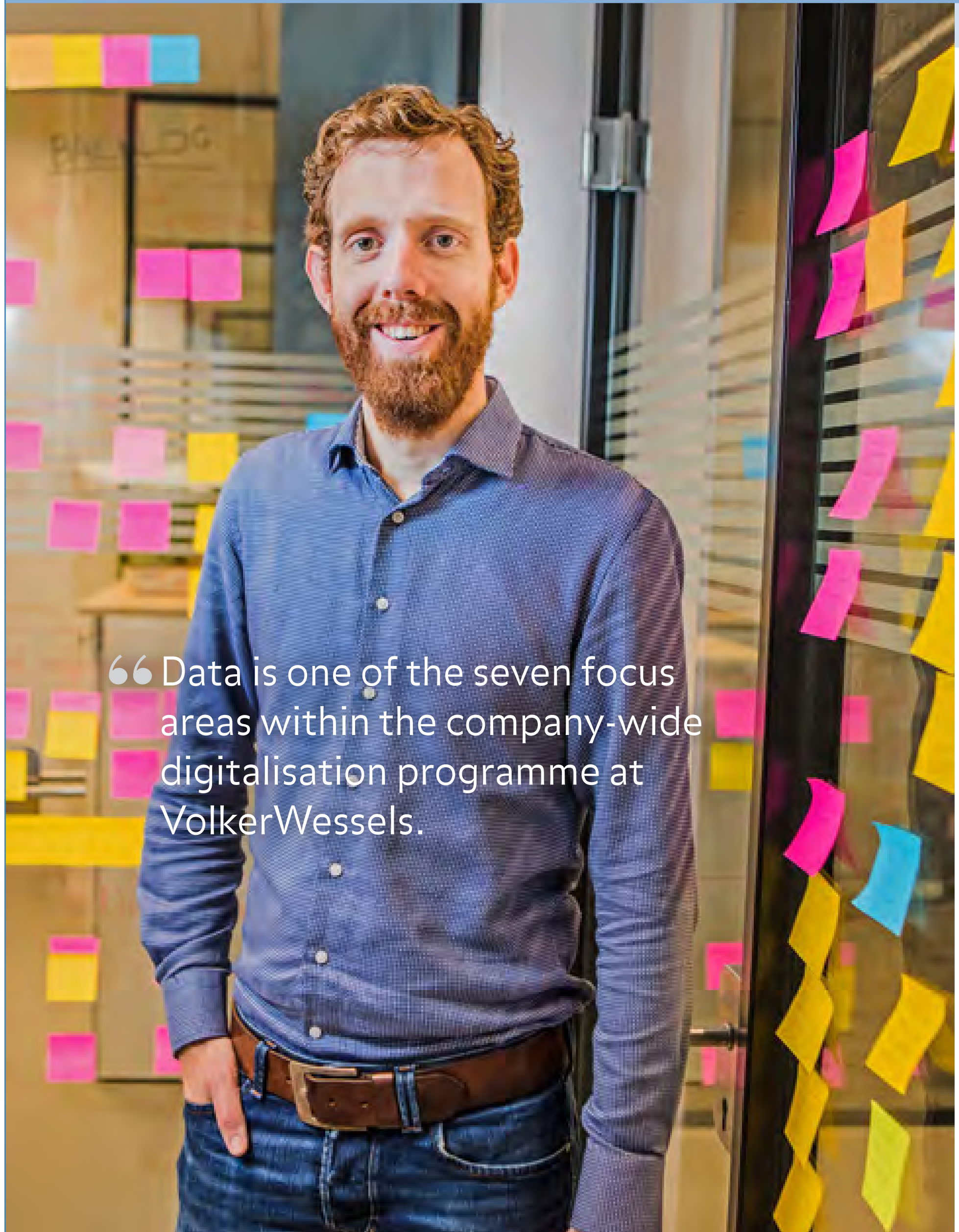
To facilitate our design teams in applying these new design principles, we held various in-company training sessions about circular design in 2019. The circular design principles which we developed in our Circular Viaduct project form a central part of the training programme. In 2020, an online version of this training will become available for all VolkerWessels employees.

In developing our new housing concept PuurWonen all these natural elements come together. In a thorough and iterative design process we developed solutions to come to a circular, healthy and commercially viable concept. We set high standards for the construction, materials and building method. The construction is a combination of wood and steel, the elements are connected with screws and easily disassembled and all paint and glue used has been carefully selected to be non-toxic. Measurable and 'pure' claims about the sustainability of this concept are another key characteristic in our approach. We compare this new concept to our other earlier housing concepts and to traditional methods of building homes. In 2020 the first test houses will be built. We also apply these principles in other projects. One example is the Klein Amsterdam school which was finished in 2019. The temporary construction of the school is fully detachable due to the use of wooden modules and can be reassembled at the future final location of the school in a few years' time. This success could only be achieved through the shared mindset



DIGITALISATION **STEVEN WOUDENBERG**

Advanced analytics manager at Asset.Insight.



Data science

"Along with my team of nine data scientists and data engineers I provide support to colleagues at VolkerWessels in the area of data management and data science. We make our knowledge available for specific projects and in so doing help build data expertise within the companies.

Data is one of the seven focus areas within the company-wide digitalisation programme at VolkerWessels. At Asset.Insight. we are currently working on a platform that will enable the whole of VolkerWessels to gather, store and use data securely, including for example IoT data flows and 360-degree images. With file sizes often measuring several terabytes it is crucial to have the right storage space for the data. Users of the platform will always have real-time access to their own data, to publicly available data and to data uploaded by us or another party, thus saving a great deal of time. The ultimate goal is to enable all users to link data and apply algorithms themselves.

For example, a lot of data is generated in the infra sector when using laser technology to perform road measurements. This involves a stationary or moving device shooting off laser beams which reflect off objects such as buildings, roads, trees or railway tracks. This creates what is known as a 3D point cloud which allows you to pinpoint with millimetre accuracy whether a road has subsided or a stretch of railway needs additional ballast.

Such information is very valuable to asset owners. The data platform we are currently working on will enable us to link this kind of information to other data, such as 360-degree images or a GIS map. By using algorithms we can also speed up the analysis process.

Algorithms on 3D point clouds can be applied in a wide range of domains. In the rail sector, for example, it can be used to locate risky trees in the near proximity of the rails which can cause a serious accident when they fall in a storm. It is also possible to determine whether enough ballast is present; when this is done for multiple times it is the basis for the prediction of when and where additional ballast is to be unloaded.

In the domain of highways the quality of the road can be determined in a number of ways, including rut detection, IRI measurements and slope. Similar to the ballast analysis, these measurements can be performed on a regular basis which provides enough data to predict where the road quality will be reduced in the future and appropriate maintenance can be performed on time."

of all parties involved. Another example is our Plastic Road concept, which consists of recycled plastic modules which are easily assembled, transported and disassembled.

We believe in the Material Passport as a tool for our circular ambitions, because it matches well with our design practice. To further facilitate the making of material passports, we developed our own software tool which allows for the generation of a passport with one push of a button. We expect this will fuel the rapid and large scale creation of Madaster Material Passports for all our Construction and Real Estate projects in the coming years. Material Passports for infrastructure are not yet common, as there is no standardised approach and no experience with the use of this instrument in the infrastructure sector. In 2019, we started various pilots together with our design and software experts to develop our approach and to generate the first passports for infrastructure. One of these pilots is our long-term maintenance project for Schiphol, which because of its scale and timeline is very well

> “We believe in the Material Passport as a tool for our circular ambitions

suited for innovative processes such as these. We have also signed a declaration of intent, expressing our ambition to generate a Material Passport for all buildings developed or built by VolkerWessels. We are convinced that we will see an increase in the use of wood as a building material in the coming years, given its sustainable properties. Wood is reneable, suitable for prefabrication and much lighter than other materials such as concrete. Sustainably managed forests help regulate our climate and store CO_2. In 2019 we joined forces with the Union of Forest Groups and FSC Nederland in a new investment project which aims to increase the climate resilience of 500 hectares of Dutch forests. In the long term we hope to use sustainably sourced wood from these forests in our own projects. Of the total amount of wood we used in 2019, 98% was FCS or PEFC certified.

Our performance when it comes to waste management and recycling is not yet in line with our ambitions for circular material use. In 2019, the waste separation rate increased slightly to 94%, compared to 93% in 2018. This means that we almost achieved our target of 100% waste separation in 2020. Since 2018, residual flows processed by a waste processing plant or by one of our own companies before being ready for reuse as raw materials are registered as waste. An example of this is milling asphalt. This explains the enormous increase in the volume of waste compared to 2017. However, according to the 2017 definition, the waste separation percentage is 53%. This is the same as last year. We are working together with our waste management supplier to increase our data on waste scenarios for our various waste streams, to enable us to monitor the rate of high quality and low quality recycling.

CO_2 and energy

We are in the middle of the energy transition, which brings a number of large-scale challenges such as the sustainable transformation of existing buildings and organising zero emission logistics which requires the participation of all parties in the value chain. In line with the ambitions of the Climate Agreement we are committed to reducing CO_2 emissions of our own offices, building sites and vehicle fleet, with the ultimate aim of a climate neutral society. To work towards a fully sustainable energy supply in 2050, we need to increase the pace of our efforts, not just in the area of technique but also in politics and process innovation.

Our contribution to this necessary acceleration includes supporting the availability of renewable energy and the development of new energy neutral and energy positive concepts. An example is the use of geothermal power to heat homes and offices. This year at Borselle we installed high-voltage cables that connect offshore wind farms to the shore, ensuring a supply of energy for 2 million households in the future. Similarly, we installed power cables to connect wind farm 'Windpark Fryslân' on the IJsselmeer to the grid, which will provide enough sustainable energy for 400,000 households. In the area of solar power we used floating solar panels, which solve the problem of the scarcity of available and suitable space on land, in the delivery of the energy neutral sports complex Haga in Schiedam.

The CO_2 emissions of our construction sites, buildings and vehicle fleet are still significant, which is why we have to continue to focus our efforts to reduce them and other harmful emissions as much as possible. Our measures include the use of renewable fuels, green electricity and the use of electric machines. In 2019 we debuted our first electrical truck and hybrid asphalt roller. We also commissioned a number of electrical vans and our first hydrogen car. We welcome stricter regulations when it comes to sustainable construction equipment, as this well help accelerate technological development and availability of sustainable alternatives. Innovations like electrical vans match well with our efforts in the area of sustainable logistics and with our Building Hub initiative. In addition to our existing Building Hub in Utrecht, we are currently developing a second circular Building Hub in Amsterdam which will be fully operational in 2021. Finally, we started an energy pilot study in our group office at the end of 2019, to measure and analyse the energy use, indoor climate and the effect of measures we take in these areas by using sensors.

During the last years, our relative CO_2 emissions showed a steady decreasing trend. In 2019 our relative CO_2 emissions decreased by 9% compared to 2018. With this result, we are on track to meet the 2020 target. We carry out our activities in an energy-efficient manner. Our figures show that emissions from equipment (8%) and our fleet of vehicles (6%) have decreased, while turnover has increased. We are continuing to increase the amount of zero-energy bill homes. In 2019 we built 568 zero-energy bill homes in total.

Work and social activities

As a large employer we have a significant influence on the work satisfaction of our people. We realise that this influence can be positive and negative. For example high workloads could lead to stress or difficult situations in the work place and well-functioning teams contribute to a pleasant working atmosphere. At VolkerWessels we work actively to create a pleasant work environment with sufficient opportunities for learning and development. We also endeavour to increase our positive impact by contributing to labour participation and social entrepreneurship. This means that we offer people at a disadvantage on the labour market a chance to come work with us, and that we focus on increasing their education and skills to ensure a permanent positive development in their labour participation.

Employment

Our employees form the basis of our work. In order to be able to execute our projects and to face the growing challenges in building industry demand, our organisation needs to be agile and focussed on sustainable employability. There is an intense shortage on the labour market, which applies to both young talent and experienced professionals. Innovation plays a key role here. In order to be the preferred employer for our current and future employees, our ambition is to be an organisation that is able to learn from its mistakes, is focussed on cooperation and on the development of sustainable alternatives. In a competitive labour market it is important for our employees to feel and be seen and heard in our organisation. Every year we ask our employees to give their opinion about our culture and leadership. This year's employee survey showed that openness and honesty are highly valued, but that inspiring leadership can be improved.

Our strategy therefore focusses on five aspects:

1. From management to leadership;
2. Transparant culture;
3. Learning and development;
4. Labour market communication 'Make tomorrow possible';
5. Inceasing labour participation of vulnerable groups.

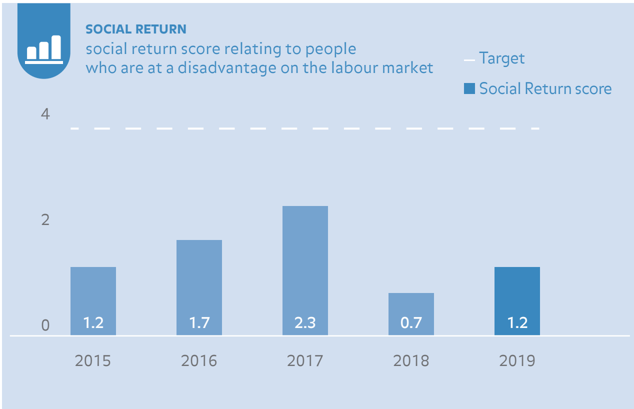
This is supported by our development programme for management. We encourage and stimulate our future leaders and talented managers to develop their leadership. They need to be able to coach and train our employees, and they need an understanding of when it is necessary to act decisively themselves and when to step back. A good work environment requires our employees, in all positions, to work in line with our core values of integrity, safety and sustainability. This is why we invest a lot of time and energy in campaigns and workshops to increase the awareness of our employees about these core values.

VolkerWessels has a dedicated training centre: the VolkerWessels Academy. The Academy offers modular training programmes with a strong focus on getting to know VolkerWessels, project management and leadership development. In 2019, we added a digital environment to our Academy, and implemented a Learning Management System (LMS). Sustainability will be an important topic in this digital Academy environment for 2020. We are developing dedicated courses that focus on those sustainability areas that may require additional knowledge and new skills from our employees: circular design, sustainable material use, sustainable logistics and social return. In 2019 we launched a first e-learning module on sustainability as a kick-off for this full programme in 2020.

We consider it important to have diversity and a range of different cultural backgrounds in our organisation. We mean diversity in the broadest sense of the word: gender, age, education, background, skills, values, standards and beliefs. In 2017 we started monitoring on a quarterly basis how our employment of people at a disadvantage on the labour market compares to the average for companies, based on an externally benchmarked percentage. The Social Return (SR) score increased to 1.2%, a 71% increase in performance compared to 2018. An increased performance is visible across all segments. The most significant increase was found for the Energy & Telecoms Infrastructure segment. We see that an increasingly larger group of companies are becoming more knowledgeable about the subject.

Since 2018, the Social Return score is included in the assurance of our Sustainability Report. It has proven challenging to provide both the total numbers of FTEs for subcontractors as well as all necessary evidence regarding the 'starting position' of people with a disadvantage on the labour market. This is why the figure of 2018 and 2019 consists of only the direct contribution, the number of directly employed people with a disadvantage on the labour market in relation to our total direct workforce. As a result, figures of 2017 and 2018 are not comparable and it is expected that the 2020 target of 3.7% will not be achieved. The 2025 target has been set at 1.9%.
For more information, see 'About this Report' in our Sustainability Report.

At our circulair BouwHub (Building Hub) in Amsterdam, for instance, this year we set up a permanent workshop aimed at training people at a disadvantage on the labour market, with the ultimate end goal of helping them find suitable employment. Amongst other things, they will be involved in the processing of materials harvested from demolition projects. The plan is to enrich more future BouwHubs we develop with



SCAN ME

this TalentHub, in keeping with our ambition to contribute positively to the quality of life of people faced with reduced labour participation. Two other examples are the Rotterdamsebaan, where in the past few years 96 job seekers in total joined the project, of which over 85% are still employed either by the project or elsewhere, and the Waalbrug renovation, where 15 people at a disadvantage on the labour market are employed.

Central Works Council (CWC)

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

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

The CWC currently has 19 members. The executive committee is responsible for the day-to-day running of the council, and comprises the chairman, secretary and vice-chairman. The duties of the CWC are as follows:

- to represent the staff and consult with the Executive Board;
- to promote the common interests of the Group;
- to discuss topics relating to the Group's policy and matters which are common to all companies, or to the majority of them, and on which decision-making takes place at a central level;
- to discuss matters that affect one company in particular, but which are part of a major organisational or other change for the Group.

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

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

In 2019, the CWC discussed and advised as necessary on topics including the sustainable employability of staff, the review of the company car lease scheme, the implementation of StudyTube, evaluation of AFAS profit, evaluation of the guidelines for the use of digital devices, internet and email, reward ration within the company, digitalisation, alcohol and drug policy, work clothes / work wear and negotiation regarding the extension of the Social Plan. During meetings with members of the Supervisory Board, the following topics were discussed: the composition of the Supervisory Board, the appointment of Anja Montijn and Eelco Blok, the presentation of the annual and half-year results, large projects, new innovations, securing contracts in the various sectors, strategy (opportunities and threats), discussion about central vs decentral, 'binding and fascinating' (boeien en binden) employees and OpenIJ. The topic for the annual theme day organised by the CWC was: the VolkerWessels Strategy.

The Chairman of the Management Board and the CWC met five times during 2019 to discuss ongoing developments. Separately, the executive committee of the CWC meets four times per year with the Chairman of the Management Board. Twice per year, at the presentation of the annual and semi-annual results, the CWC meets with the entire Management Board.

The EWC and the Chairman of the Management Board met three during 2019.

Prior to giving their advice with respect to the offer of the majority shareholder Reggeborgh, the CWC council met with the independent Chairman of the Supervisory Board as well as with Mr H.H. Holterman from Reggeborgh.

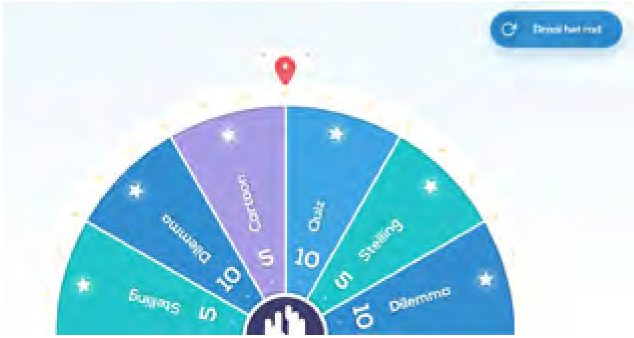
Integrity

Acting with integrity is a prerequisite for successful business operations. That is why integrity is one of our core values. We feel strongly that, regardless of their position, an employee is responsible for their own behaviour and that of colleagues. We conduct an annual employee survey, which focusses on a variety of topics including the culture of openness and trust at VolkerWessels. Based on the outcomes of this survey, the Integrity Platform decided to prioritise the conversation between employee and management about integrity issues for the years 2019 and 2020. By discussing integrity dilemma's

Average number of employees

	2019	2018	2017	2016	2015
The Netherlands – Construction & Real Estate Development	3,879	3,768	3,716	3,627	3,478
The Netherlands – Infrastructure	4,791	4,903	4,983	4,900	4,890
The Netherlands – Energy & Telecoms Infrastructure	3,178	2,950	2,789	2,819	2,955
United Kingdom	3,087	2,890	2,713	2,590	2,440
North America	1,364	1,400	1,348	1,223	1,082
Germany	336	353	335	334	333
Other/eliminations	409	366	295	292	309
Total	**17,044**	**16,630**	**16,179**	**15,785**	**15,487**

openly employees and management will increased their shared understanding of the choices they make and should make, based on our Code of Conduct.
VolkerWessels promotes the integrity awareness of its employees, with the aim of making a positive contribution to an open and honest corporate culture. This is based on clear rules on integrity. We have developed several e-learning modules that employees have to follow and which must also be completed by all new employees during the on boarding process with a score of at least 70%.
We have started 'The Wheel of Integrity', an online game to be available at all levels of the organisation in order to facilitate open discussion about integrity issues. Using dilemma's, 'true or false' questions, cartoons and quiz questions this game stimulates and facilitates a conversation between management and employees about the correct answers to the questions and dilemma's posed. In this way the right course of action and associated choices and the desired behaviour based on the Code of Conduct is topic of discussion. Roll-out started in 2019



at Board level, with conversations between the Management Board and statutory directors of our companies. From the end of 2019 and on into 2020, it will be rolled out across the rest of the group, at all levels of the organisation. In 2019 we also developed an e-learning about compliance with the national competition law.

Climate-proofing of Dutch forests
Over the next two years, VolkerWessels will make at least 500 hectares of forest in the Netherlands climate-proof. To this effect, the company has signed an agreement with the Union of Forest Groups and FSC® Netherlands. By taking smart measures, the forest captures more CO_2 and is more resistant to the consequences of climate change. In time, VolkerWessels wants to use the wood from these forests in its own construction projects. The total investment amounts to up to €100,000 and consists partly of voluntary contributions from employees, for which an internal campaign will be conducted in 2020.

The VolkerWessels Code of Conduct outlines the standards of behaviour expected at VolkerWessels and is aligned with the code of conduct of the Dutch confederation of construction companies (Bouwend Nederland). The code has a workable format and has clear rules for our day-to-day operations to ensure that everyone within the Group adheres to these rules. In addition to the Code of Conduct, VolkerWessels and six other large construction companies in the Netherlands endorse the Guiding Principles for the Commissioning Construction company. The objective is to make procurement procedures transparent for all partners in the construction process.
By signing the United Nations Global Compact (UNGC) VolkerWessels has committed itself to the ten universal principles in the field of human rights, employment, the environment and anti-corruption. Lastly, we are a member of the Dutch Association of the UNGC and report annually on how we implement these principles.

VolkerWessels employees can report integrity dilemmas or suspicions of misconduct to their manager or the Compliance Officer of their company. To lower the threshold for reporting integrity issues as much as possible, the employee can also always use the Trust Line. A special dedicated phone number and email address can be used for this purpose, which are managed by an external third party. In 2019, 334 employees took part in a course or workshop on integrity and 7.129 employees completed the integrity e-learning. In 2019, there were 22 reported suspicions of a breach of integrity or wrongdoing. This number is considerably lower than the 2018 total of 49. The reports resulted in five dismissals.

In 2018 it became known that VCI (Volker Construction International) and VSC (Volker Stevin Caribbean) are part of one of the ongoing and broader investigations by the Dutch authorities into construction projects on Sint Maarten. VolkerWessels is currently unable to provide an update as there is no news to report about the investigation.

Our sustainable process

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

In order to jumpstart this process, we have identified six specific focal points for the coming years. This helps us to translate our vision into tangible actions. These six focal points complement and strengthen our existing sustainability policy, KPI's and targets. The focal points are divided into two categories: increasing our impact, by developing new concepts, approaches and solutions that measurably and significantly contribute to quality of life and putting our own house in order, by improving our own sustainable performance.

Amsterdam Airport Schiphol In early 2019, KWS and VolkerRail signed a special contract with Amsterdam Airport Schiphol for 'Lot 2: Aircraft Handling'. These are the areas where aircraft park after a flight and where baggage is unloaded and loaded. The VolkerInfra Schiphol combination will be responsible for all maintenance of the infrastructure and technical installations in the coming years. Many sustainability measures are being taken both in design and implementation. The project will be realised in a climate-neutral way.

Increasing our impact

1. circular design;
2. sustainable materials;
3. sustainable equipment and transport.

Putting our house in order

4. waste separation;
5. car fleet;
6. people at disadvantage on the labour market.

We have developed roadmaps for each of these six focal points, including preliminary targets for 2025 and KPIs. These preliminary targets can be found in our 2019 Sustainability Report. A number of successes are worth mentioning in respect of these initiatives. We have signed an agreement with the Union of Forest Groups and the FSC Netherlands, whereby we will invest up to €100,000 to make 500 hectares of Dutch FSC Forest climate-proof. Examples of measures that are being taken are the stimulation of natural rejuvenation and planting species that are more resistant to climate change.
In time, we want to use the wood from these forests in our own construction projects.

We have made good progress with developing the Navigator software tool. This tool is specially designed to make industrial renovation projects more sustainable. With this software, we are able to articulate to housing corporations what the best possible sustainability measures are for the renovation tasks in relation to the budget to be spent.

Another example is that we are developing a circular Building Hub in Amsterdam. The location in the Westelijk Havengebied of Amsterdam is about ten hectares in size. We start by setting up two hectares as a Building Hub. We will expand this in the future. The location is located on the IJ-Channel, which makes it possible to transport materials and equipment over water.

Managing our CSR performance

The CSR (Corporate Social Responsibility) Steering Group holds ultimate responsibility for the sustainability policy and the group's performance in this area and is supported in this by the CSR Director and the CSR department. We report internally on both our financial figures and our sustainability KPIs on a quarterly basis, both at company level and for VolkerWessels as a whole. We aim to set and add targets and KPI's that make our contribution to quality of life measurable and concrete.
This will continue to be one of the key themes of policy development, as we continue working on our new targets for 2025.

We apply the principle of 'comply or exceed' for all our companies: either companies comply with the group-wide targets, or they set individual targets that fit their own context better, on the condition that these individual targets exceed the performance level required by the group target.

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

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

CSR in the UK
In the United Kingdom, we encourage a positive safety culture through different campaigns that focus on behaviour. A good example is our initiative aimed at improving the safety of our employees that operate machines. The programme focusses on safe behaviour, on increasing the risk awareness of drivers, and on their sense of responsibility. We pay special attention to the risks of decision making in traffic situations.

Health and safety is more than just physical safety. Mental health is still a relatively new topic in the construction sector, however. We are actively working to change this, by reducing perception barriers and creating a culture that allows our employees to openly discuss mental health issues and by offering support options.

When it comes to the natural environment, our priorities in the United Kingdom are to reduce and control residual waste streams, to increase reuse and recycling of materials and to prevent pollution. In addition, protecting local environmentally sensitive locations and preserving natural resources are also important themes. For example, in 2019 we planted trees as a way to compensate the CO_2 emissions of our project for the Royal Borough of Windsor & Maidenhead. We also installed 'frog ladders' as part of our maintenance work.

CSR key figures for VolkerWessels in the United Kingdom

		2019	2018	2017
Health and wellbeing				
Safety	IF rate	1.8	1.1	3.4
Natural environment				
Raw materials	Volume of waste in kilotonnes	771	321	500
	Waste separation rate	94%	93%	89%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	32	32	26
Work and social activities				
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	1	5	43

In a sector with low diversity and growing labour shortage, we recognise that a strategy for equality, diversity and inclusion (EDI) is necessary. In 2018 we launched our 'Building Inclusion Together' strategy, and our management team signed an EDI-commitment. In 2019 we trained all of our employees, including the management team, on the topic of EDI. We also started including EDI behaviour competencies in our personal development procedure. During 2019 we achieved investors in diversity accreditation and won two awards "Engineering company of the year" and "Most improved company" at the UK National diversity awards.

The IF rate has increased in 2019 (1.8) compared to 2018 (1.1), due to an increase in accidents resulting in absence. In total, there were 12 accidents with absenteeism. The waste separation rate was 94%, while the absolute volume of waste increased to 771 kilotonnes (2018: 321 kilotonnes). Due to the diversity of the projects the amount of waste fluctuates across the years, but also across individual waste streams. A big component of the total amount of waste is discarded soil. The strong increase in the absolute volume of waste this year is mainly due to an increase in the waste stream 'sand and minerals'. In 2019 we switched to a more robust approach for waste and resource management, to ensure a better circulation of building materials. Relative CO_2-emissions decreased by 17% compared to 2018. Absolute CO_2 emissions have remained stable compared to 2018. The decrease is therefore mainly due to a change in turnover, which has increased by 20%.
We are an active participant in the Considerate Constructors Scheme (CCS).

CSR in North America
The IF rate in North America is 14.3. There were 39 accidents with absenteeism. There is no discernible reason for the increase in the frequency of safety incidents. Management continues to consider options to improve the results.
The total CO_2 emissions in North America have increased by 2% in 2019. Sub-entities show varying performance when it comes to CO_2 emissions. Mainline Construction Ltd reduced their CO_2 emissions by 45% by reducing the use of heavy machinery. Other sub-entities saw an increase in their CO_2 emissions, mainly due to more accurate reporting of all consumed energy.
In the case of waste management, we see that there is currently no robust methodology available to collect waste data for our projects. In the coming years we will continue to focus our efforts to develop a method which leads to either reliable estimates or the collection of sufficient primary data.

Fatal accident in Canada

In spite of all our efforts in the area of safety, we have unfortunately been confronted with a fatal accident of a colleague at our operating company in Alberta, Canada.

The duration of our projects in North America varies widely. For this reason, we regularly employ temporary employees. Because of the very limited exchange of data with the unions who provide these temporary employees, it is difficult to gather sufficient data on absenteeism when this is not caused directly by an accident.

Germany

The IF-rate in Germany is 14.9, which is higher than 2018 (14.7). There were 8 incidents that resulted in absenteeism. The IF rate in Germany is higher than in the Netherlands. Due to German labour legislation, employees who are ill or who have been involved in an incident are sent to the company doctor, who can prescribe on or more days of rest if it is deemed necessary. Also, Germany has relatively few employees. This means that every accident involving absence from work has a relatively high weighting on the IF-rate.

In Germany waste processing is organised differently, compared to the Netherlands. In 2019 we have developed a method to calculate the average amount of waste per project category. As we use this method for the first time this year, the numbers are not comparable with previous years.
The amount of waste has increased significantly as well as our waste separation rate. In 2018 this was 78% and in 2019 the waste separation rate is 92%.

We also see a significant increase of 7% in CO_2 emissions for Germany, compared to 2018.This is due to an increase in business air travel and because air travel for 2018 was only included in the reported figure for part of the year.
We undertook steps to gather data of sufficient quality on integrity figures. The current process is insufficient to ensure completeness of data. In the coming year, we will work to establish a formal process that ensures a complete data-set for Germany. This will also increase our ability to act swiftly when integrity issues occur, and to ensure that all issues, large and small, can be evaluated and receive a proper follow-up.

CSR key figures for VolkerWessels in North America

		2019	2018
Health and wellbeing			
Safety	IF rate	14.3	7.5
Natural environment			
Raw materials	Volume of waste in kilotonnes	194	86
	Waste separation rate	88%	99%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	72	71
Work and social activities			
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	–	1

CSR key figures for VolkerWessels in Germany

		2019	2018
Health and wellbeing			
Safety	IF rate	14.9	14.7
Natural environment			
Raw materials	Volume of waste in kilotonnes	190	0.14*
	Waste separation rate	92%	78%
CO_2 emissions	CO_2 footprint (Scope 1 and 2) in kilotonnes	2	2
Work and social activities			
Integrity	Total number of reported suspicions of a breach of integrity and suspicions of wrongdoing	1	–

* Due to changed calculation method numbers are not comparable.

Privacy policy (protection of personal data)

Protest
VolkerWessels expressed its support for the broad construction and infrastructure protest which took place on 30 October at the Malieveld in The Hague, voicing its great concern about the nitrogen and PFAS/PFOS problems. In addition to a delegation from our Infra division, the construction companies in the West region were also represented.

General Data Protection Regulation (GDPR) and creating awareness among our employees has been and will remain essential within VolkerWessels.

Responsibilities
The protection of the personal data of our employees, suppliers and clients is important for VolkerWessels, At VolkerWessels, the Privacy Taskforce is responsible for drafting policy initiatives and providing support regarding privacy issues. The Privacy Taskforce discusses the most important developments in the field of privacy, establishes the annual privacy plan, and closely monitors the progress of all activities related to privacy at VolkerWessels. The Privacy Task Force is chaired by the Central Privacy Officer. Other members include a legal counsel, one of the Division Privacy Officers, and an external adviser. Since 2019, each Dutch division of VolkerWessels has had a Division Privacy Officer who supports the Privacy Contact Persons in the operating companies with their duties and who advises the Privacy Taskforce about, among other things, new policies and formats. Together, the members of the Privacy Taskforce and the Division Privacy Officers form the Extended Privacy Taskforce. The Privacy Contact Persons in the operating companies are responsible for implementing the VolkerWessels privacy policy and providing both the operating company's board and their colleagues with advice, both solicited and unsolicited, on all privacy issues. The division of tasks and responsibilities between Privacy Contact Persons, Division Privacy Officers, and Privacy taskforce is detailed in a matrix that has been approved by the Board of VolkerWessels.

Privacy awareness
VolkerWessels promotes its employees' privacy awareness with the aim of complying with the GDPR and local regulations regarding the protection of data subjects' personal data. After the awareness campaign in 2018, the Privacy Taskforce has conducted various campaigns in 2019 to raise awareness among all employees of the requirements of the GDPR consisting of an animation film, a mouse pad with 11 so called "golden rules" and a tool kit. In addition the Privacy Taskforce is working with a specialised third party to develop an employee e-learning programme to be rolled out in the first half year of 2020.

Reporting
As from 1 January 2020, the Privacy Contact Persons will report to the responsible Division Privacy Officer, in a format set by the Privacy Taskforce, on the progress made on the annual plan and the difficulties and problems they encounter in their day-to-day work. In turn, the Division Privacy Officers will report to the Privacy Taskforce, which will report to VolkerWessels' board.

Audits
The Dutch Data Protection Authority invited VolkerWessels to participate in the investigation regarding the private sector's compliance with the privacy rules. The Dutch DPA did not contact VolkerWessels with any questions or remarks on the documents which VolkerWessels submitted, which means that the quality was sufficient. VolkerWessels' Internal Audit Department audited the operating companies' implementation of the privacy policy in 2018. The outcome of that audit was the basis for the 2019 annual plan.

Security Incidents Response Team
The introduction of an unambiguous reporting process and a corporate point of contact for security incidents and data breaches, as well as procedures for the purpose of timely and adequate reporting and registration, are an integral part of the measures implemented. The point of contact has been operational 24/7 since 2017 and is staffed in turns by the members of the Security Incidents Response Team.

JongVolkerWessels

POLICY PLAN 2020

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

APPROACH

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

Young VolkerWessels On 14 October 2019 the very first ever meeting between the Young VolkerWessels group and the entire Board of Directors took place in the Paddock Club at the circuit in Zandvoort. Under the guise of 'ask us anything', the strategy and future of the company and topics such as sustainability, innovation, digitisation, diversity and cooperation were firmly debated. The discussions were then continued, over dinner.

01 CO-OPERATION / KNOWLEDGE SHARING

WHAT DO WE WANT:

- To promote knowledge sharing among younger employees within the VolkerWessels companies
- To cooperate with internal and external young employee associations
- To connect and engage employees

HOW WE ARE GOING TO ACHIEVE IT:

- Think tanks
- Sounding board sessions
- Project visits – with a networking component

WHEN:

- Thinktanks: 2020
- Sounding board sessions: 2020
- Project visits: 2020

02 THE BEST PEOPLE / EMPLOYER OF CHOICE

WHAT DO WE WANT:

- To promote the personal development of current employees
- To attract new talent
- To provide a platform for our own members

HOW WE ARE GOING TO ACHIEVE IT:

- Soft skills
- Networking
- Internal and external representation of Jong VolkerWessels, both online and offline
- More involvement of own members

WHEN:

- Soft skills: 2020
- Networking: 2020
- Representation of Jong VolkerWessels: 2020/2021
- Involvement of own members: 2020

03 THE VOLKERWESSELS OF THE FUTURE

WHAT DO WE WANT:

- To leverage innovative initiatives
- Cultural improvement
- To make VolkerWessels an employer of choice

HOW WE ARE GOING TO ACHIEVE IT:

- Director for a day
- Networking with external parties (clients and competitors)
- Sounding board sessions – up-to-date information
- Supporting ongoing initiatives such as Futurelab, Digibase and Helix

WHEN:

- Director for a day: 2020
- Networking with external parties: 2020
- Sounding board sessions: 2020
- Ongoing initiatives: 2020

Innovation

The world, as we know it, has been changing in an ever increasing pace, and in this turbulent environment, governments, our customers and society as a whole have high expectations of the construction industry. Fuelled by climate change, urbanisation and the rapid development of new technologies, the stakes of the innovation-game in the construction industry are higher than ever before. Changes in the regulatory framework, such as the Dutch government's ambition of decreasing CO_2 emissions by 49% in 2030 and the suspension of the so-called "PAS" legislative guideline in 2019, regulating activities involving the emission of nitrogen, prove to be disruptive forces in our industry. If we want to survive and thrive, we must cope with these challenges and benefit from the opportunities that arise in this challenging environment. To do this, change and innovation are key.

Focus on digitalisation, industrialisation and sustainability
We are focussing our innovation efforts on three broad topics: Digitalisation, Industrialisation and Sustainability.

Digitalisation allows us to work smarter and much more efficient, while implementing technological advances into our primary process. 3D BIM modelling, reality capturing, and digital asset tracking tools are excellent examples of how new ways of working are slowly replacing the old, significantly reducing the amount of man-hours required and the associated risks of failures for certain tasks. That is why we are utilising cameras and drones to capture the building progress to detect errors in an early stage and to streamline and optimize our processes on an increasing number of projects.

SCAN ME

Industrialisation on a large scale is the logical next step in the evolution of our industry. It enables us to exclude uncertain elements, like the weather, and move towards a more process oriented building approach in which we can fully utilise best practices from the production industries, such as the Lean principles. We are continuously improving our capabilities in this field and the new highly automated floor production facility for our MorgenWonen concept is a great example of this.

Sustainability focusses our efforts on market requirements and societal challenges, essentially providing a better quality of life for society as a whole. We have translated the sustainability challenges of emission free-, circular and nature-inclusive construction into innovations such as highly circular wooden homes and the development of the NoNox filter (see boxed text). We are also playing our part in the energy transition, for example shown by Visser & Smit Hanab who realized their first low-temperature geothermal project in Zevenbergen reducing CO_2 emissions by 80%.

Digitalisation, Industrialisation and Sustainability represent 'what' we focus our innovation efforts on and determine what kind of innovations this leads to. The other half of this journey represents 'how' we organise the process through which an innovation flows: how we collect challenges in need of new solutions, how we mobilize our collective experience to generate ideas and how we ensure decision making is based on proper analyses, so we only proceed with innovations that move the needle. To manage this process we have introduced a VolkerWessels wide innovation programme.

Innovation programme
With our Innovation programme we aim to foster a culture of innovation and stimulate collaboration between teams, departments and subsidiaries. The programme facilitates synergy amongst our 120+ companies and provides our subsidiaries with a clear way of working on innovation, which deviates significantly from the way we execute our operational activities. By employing tools and best practices used in other industries, like design thinking, lean start-up and agile methods, we ensure customer focus, rapid testing and rapid decision making in our innovation projects. Successful innovation depends on our ability to collaborate, both internally and externally.

NoNox
One of the examples where we are particularly proud of the speed in which we innovate within VolkerWessels is the development of the NoNox filter. Driven by an immediate need in the market due to the changes in the nitrogen regulations, we rapidly developed a unit that can be connected to the exhaust of existing diesel equipment that filters up to 99% of the nitrogen during the construction stage. Because of the arrangement in a generator frame, the initial unit is particularly suited for stationary and limited moving equipment such as generators and drilling racks. However, the team is already far advanced in the development of a mobile version also suitable for moving equipment such as excavators and asphalt spreaders.

Digitalisation

Overview
Digitalisation, together with innovation, is one of the four strategic pillars of VolkerWessels. Our own people, clients and suppliers are asking for more digital solutions and we are convinced that this will only increase in the near future. The increased use of data and technology will also lead to higher productivity and lower failure costs and is therefore a huge opportunity to structurally improve our profitability. At the same time digitalisation is also going to make our work more efficient, since we can add more value, make fewer mistakes and make better decisions.

The future is constantly evolving at an ever-faster pace and trend watchers predict that the change in our industry over the next decade will exceed the change in the last 100 years. As a group, we already control a number of important future technologies. We have a variety of specialist digital companies in the field of 'Internet of Things' (Hyrde), data science and analytics (Asset.Insight.), digital software developments (Recognize) and Ground Penetrating Radar surveys (MapXact). Our aim is to be a data-driven construction company that embraces all available technology, and is able to make the right decisions at the right time.

> “Our aim is to be a data-driven construction company that embraces all available technology

In this period of major social, political and technological change, we cannot possibly know what the future will look like. The only way to deal with this uncertainty is to be flexible. What we do know is that in the future VolkerWessels still wants to be a prominent and distinctive construction company that is at the heart of society and uses its knowledge and experience to add sustainable value for customers and employees at every stage of the value chain.

We also expect that technological transformation can disrupt value chains and lead to new business models in all sectors. Today's construction companies will increasingly grow into technology-oriented organisations that use data for the continuous improvement of their activities. They will deliver optimal design solutions in a shorter lead time and at lower costs, they will reduce failure costs, increase productivity, and start attractive and valuable new business models.

For VolkerWessels, digitalisation is therefore a very important part of the business strategy and is all about using technology and data to add value for all of our stakeholders:
- for our employees by making their work more interesting and impactful, being more distinctive, being able to make better decisions, making fewer mistakes and saving time by further digitising and automating processes;
- for our customers by providing more sustainable solutions with higher added value in a shorter lead time, with higher quality results and lower costs;
- for our shareholders by making our results more predictable, lower failure costs, having control over IT security, improving financial results and being prepared for future opportunities to achieve sustainable results in the longer term; and
- for our partners and supply chain by better aligning joint objectives and making cooperation more effective.

We are not new in the field of digitalisation. We have extensive experience in purchasing, starting up and scaling up technology-driven capabilities within VolkerWessels, including innovative companies like Hyrde, Recognize, DigiBase, Asset. Insight and MapXact. In our vision, VolkerWessels will become a sustainable, high-quality construction company based on modern technology, automation and data-driven decision-making processes. In everything we do, we will evaluate whether data and technology can help us to continuously improve our activities. We will combine internal and external technology, knowledge, skills and available data to remain valuable to our stakeholders currently and to prepare ourselves for new business models in the long term.

TomorrowNow
Because our customers and our people are essential in achieving our vision, we believe in the "think global, act local" principle. VolkerWessels must maintain its current strong local presence and customer focus, whilst at the same time taking advantage of the economies of scale of the group.

We are aware that this digital transformation is not only a responsibility for our digitally skilled colleagues. It is a task and a responsibility for everyone within our organisation. The most important thing in creating our own future will be transforming our organisation, processes, ways of working and our people. We want to do this in an orderly and careful manner and realise that it is a process of trial and error. We are going to take the right steps in the right direction, and ensure that we take everyone on this journey.

To give the digital transformation a place within VolkerWessels and to share success across the whole of VolkerWessels, the TomorrowNow logo is added to all communications around digitalisation and we have actively started to promote and communicate the most promising and value creating projects under the TomorrowNow banner. As our digitalisation effort is not only about technology, but rather about our people, our digitalisation slogan is "Powered by data, driven by people". It is important that we inspire each other and emphasise innovation and cooperation. As VolkerWessels, we are known for our integrity, dedication, passion, our commitment to customers and the difference we make with each other every day. The world is moving faster and faster around us. We must look at our projects in their entirety; from concept to delivery. We want to embrace change and involve everyone in integrating current and future technology, and continuing to look for new innovative ways of working.

Looking back on 2019

The launch of TomorrowNow is only one aspect of our activities in an important year for VolkerWessels' effort in digitalisation. In the past, our digitalisation efforts were often isolated within a single operating company and seldom coordinated across our divisions. With the launch of the digitalisation network in December 2018, we started to structurally connect our people with a digital mindset across the whole of VolkerWessels and we continued to grow this community throughout 2019.
A few of the highlights of 2019 that deserve particular mention:

- We kicked off the digitalisation platform in December 2018 with a handful of enthusiasts, setting the direction for our digital transformation. We finished the year with over 200 visitors to the 3rd digitalisation forum and added over 550 new subscribers to the digitalisation newsletter in a single day.
- The digitalisation platform now consists of seven multidisciplinary teams that actively share knowledge across our divisions. These teams consist of representation from across our divisions and span the entire life cycle of our projects, our digital competence centres, and have both the required Data and IT foundation to enable our digital transformation.

Multidisciplinary teams

- Tender management
- Design and engineering
- Project delivery
- Smart asset management
- Competence centres
- Data
- IT infrastructure and security

Digitalisation Forum The third Digitalisation Forum of VolkerWessels was held in the Future Lab in Vianen. Colleagues shared their latest initiatives through pitches and break-out sessions.

- The digitalisation platform made the capabilities of our digital competence centres much more visible across our divisions. In addition, our competence centres are involved in an increasing number of innovative projects.
- All of our divisions and operating companies are actively shaping their own digitalisation agendas and each division has digitalisation clearly organised in dedicated teams. An example of the outstanding work these teams deliver is the fact that the digitalisation and innovation team in the UK won the Digital Team of the Year award at the UK Construction News Talent Awards.
- We established several digital expert communities across a multitude of functional topics, for instance Data Science, where both practitioners and interested parties come together to discuss the latest developments, share their expertise and most importantly inspire each other.
- To increase our capabilities to extract the maximum value out of the data that we generate and store within VolkerWessels, we made our data foundation a central piece in our digital transformation, including the launch of several pilot projects. By increasing the value we extract from our data and in parallel increasing the amount of valuable data available to our companies, we are convinced that we will take a big step towards becoming a more data driven company.
- With the launch of Enterprise IT in the first half of 2019, we initiated a coordinating role across the entire IT domain for all of our divisions. We are convinced that this will continue to strengthen our IT infrastructure to enable safe, reliable and cost effective business operations for all of our operating companies.

Risk management

Key risks and risk limitation measures

RISK CATEGORY	RISK	IMPACT	MAIN RISK LIMITATION MEASURES
STRATEGIC AND MARKET RISKS	Inability to attract, develop and retain sufficient and the best employees and guaranteeing a safe workspace	o o o	■ VolkerWessels is active in the labour market through labour market communications 'Make tomorrow possible', apprenticeships and training schemes along with partnerships with educational institutions. ■ VolkerWessels has the VolkerWessels Academy and a variety of learning tools to satisfy the need for the development of its staff. ■ We have a young potential program to foster the development and retention of younger employees. ■ We have invested substantial resources in our health and safety programmes.
	Uncertainties in our external environment such as the economic cycle, financial markets and laws and regulations (such as nitrogen/PFAS, etc.)	o o o	■ We have measures in place to monitor uncertainties in the markets we operate, economic development and changing laws and regulations, in order to adapt en response into these changing conditions. Details are described more in detail on page 60-62.
OPERATIONAL RISKS	Exposure to significant counter party risk (joint venture or suppliers/subcontractors)	o o	■ VolkerWessels seeks to have a standardised process through its risk management approach, which aims to cover the preparation phases for selection of key partners, subcontractors and suppliers in the supply chain as well as the tender process and contract management. With an increased risk, the consortium partner will be required to provide additional surety. ■ VolkerWessels maintains long term strategic relationships with qualified subcontractors, which enables it to maintain subcontractor capacity. Additionally, VolkerWessels' ownership of its own production and supply resources helps to mitigate certain subcontractor related risks.
	Ineffective project control	o o o	■ Bids above €10 million are approved by the Management Board. For very large projects, the Supervisory board is also involved. ■ VolkerWessels operating model involves several project management measures, such as monthly project monitoring, risk and opportunities assessments and quality control. VolkerWessels senior management is involved from the start to the end of the project. In the tenderphase specialised contract managers are added to the tenderteam. ■ In our Infrastructure segment in the Netherlands we have our "top in projects" program and we perform gate reviews. In our Construction & Real Estate Development segment we standardized and optimised our risk management processes on projects to indentify the risk profile in a very early phase. ■ VolkerWessels continued a wide ranging contract management training initiative and appointed a director Contractmanagement in the Netherlands.
	Not having the appropriate level of ICT in place	o o	■ Our enterprise IT focusses on maintaining the appropriate level of ICT, therefore we have a high skilled ICT team, ICT policy and an ICT architecture fit for purpose in place.
	Fraud and Cyber Security breaches	o o	■ Integrity is embedded in our culture. ■ We have a code of conduct, controllers' instruction and perform an annual fraud risk analysis. ■ VolkerWessels applies measures concerning the security management regarding the availability and continuity of information including cyber security breaches. Based on this policy we embedded management measures for the various ICT systems.

o = Low o o = Medium o o o = High

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

VolkerWessels Risk Management Profile

Risk management philosophy

VolkerWessels recognises that risk awareness and effective risk management are crucial to the delivery of its medium-term objectives. During the last years, we have strengthened our formal risk management processes and supervision at segment level while maintaining our focus on ownership and responsibility throughout the organisation. VolkerWessels' risk management and internal control process is essential to its operating model and is implemented at four levels throughout the organisation:

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

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

Culture

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

Risk analysis, risk principles and risk appetite

VolkerWessels has identified certain general risks for its business, ranging from market risks to credit risks and fraud risks. The relevant strategic and market risks, operational risks and financial risks are identified every year both from a group company perspective and a project perspective. This process identifies general risks, including risks relating to economic cycles, interest rate developments, overcapacity and price constraints on the infrastructure market, a lack of capacity and pricing constraints for suppliers in the construction and real estate market, contract risks, liability risks, financial risks related to liquidity, interest rates, tax risks, foreign exchange rates and fraud risks. More details on the specific risks are included in the tables on pages 60-76.

Over the past decade construction contracts have increased significantly in size. In addition, contract conditions have become more difficult in an increasingly disciplinary environment. VolkerWessels pays special attention to the specific risks connected with aspects of contracts, including tendering, contracting, procurement, monitoring and controlling of projects. Rather than merely relying on mechanical and standardised contract management processes, VolkerWessels benefits from the personal involvement of the managing directors and statutory directors of the operating companies in order to best utilise available knowledge and experience as circumstances and conditions in a project can be unpredictable and subject to rapid change.

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

A specific risk appetite is set within the context of the interaction between risk assessment and our ability to mitigate and exert control over existing and potential risks. VolkerWessels' risk appetite is reviewed from time to time and any amendment is validated by the Management Board and the Audit Committee and implemented in our risk management processes through our senior management team and staff. Risk principles and risk appetite are not static concepts. In 2019 we have further clarified and specified our risk appetite.

THEME	STRATEGIC PRIORITY	RISK	RISK PRINCIPLES	RISK APPETITE			
				AVERSE	MINIMALIST	CAUTIOUS	OPEN
LAWS AND REGULATIONS	Appropriate policies and procedures are in place throughout the business.	The Group does not comply with all legal, tax and regulatory requirements.	■ Always apply with laws and regulations.				
CORE VALUES	Appropriate policies and procedures are in place throughout the business.	VolkerWessels works on potentially hazardous projects in various areas that require continued focus on safety risks and conduct-related risks.	■ We do not compromise on the safety of our employees and work based on the applicable safety standards. ■ We work with integrity, we treat stakeholders such as employees, clients and suppliers the way we want to be treated ourselves.				
VOLKERWESSELS OWN SPECIFIC FRAMEWORKS	Appropriate policies and procedures are in place throughout the business.	Unwittingly entering into risks and obligations.	■ We are doing business in line with our internal regulations adopted by the Management Board. ■ We only acquire projects in accordance with the authorization scheme and other internal agreements.				
PROJECTS	Appropriate policies and procedures are in place throughout the business.	Loss-making / unpredictable projects or dissatisfied customers.	■ Before a project starts and periodically, we identify the most important risks and implement measures to limit those risks. ■ We only acquire projects where the risks are in a reasonable proportion to the expected project result. ■ We only accept risks that we can insure on reasonable terms an conditions or which we can influence ourselves. ■ We limit our liabilities or guarantees to be provided as much as possible in time and money.				
ASSET AND DATA PROTECTION	Appropriate policies and procedures are in place throughout the business.	Loss of assets due to theft, improper use or insufficient insurance. Confidential and other information could fall into the wrong hands and can be a violation of privacy regulation (GDPR).	■ We always comply with applicable laws and regulations and we discourage and prefent theft and misuse, we insure assets in line with policy.				

Risk Management framework

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

Recognising that risk awareness and effective risk management are crucial to the delivery of its medium-term objectives, VolkerWessels continues to improve its risk management framework. In 2019 we have further increased our risk management framework on project level in our Construction & Real Estate Development segment. Improving our risk management process to identify the risk profile in a very early stage of a project which enables us to respond with an appropriate risk process to identify and control these risks. Furthermore, we have improved our contract management in the Netherlands. Contract managers are part of the project team to ensure a high level of quality on contract management. We have enhanced the level of knowledge regarding contract management by training directors, project managers and senior management. In our Infrastructure segment in the Netherlands we have continued our "top in projects" programme and gate reviews. Gate reviews focus specifically on the phase transitions in a project and define the primary decision moments during the pursuit, design, build and maintenance phases.

Internal regulations

The Management Board has adopted regulations that set out centralised standards for the management boards and employees of VolkerWessels' operating companies. These regulations provide various internal platforms and policies, including a central safety platform, an integrity committee and a corporate social responsibility platform. In 2019 the Management Board held meetings with our statutory directors in the Netherlands to give an overview and update on the internal regulations in place.

Management reporting cycle and financial management

The progress and development of the operating results, liquidity and financial position of each operating company, as well as the operational and financial risks, are recorded in regular management reports. Detailed reports are prepared by the management boards of the operating companies and discussed at Management Board level at monthly meetings with the management boards of the operating companies and/or the management boards of the divisions and regions for the VolkerWessels segments. All reporting is based on the VolkerWessels accounting manual, which sets out the format and standards for the provision and consolidation of information. VolkerWessels' treasury management system provides weekly updates on the liquidity position (at both operating company level and segment level) and monthly working capital reports to the Management Board. The cash management department deals with funding requests and monitors the internal limits of the operating companies. All financial (bank or parent company) guarantees are managed by the guarantee department and are based on a standard wording and in principle will include a cap and a termination date. Our Group Tax department assist local and group management in complying with the tax requirements and monitor the effectiveness of the internal controls relating to tax as well as the tax position of the Group.

Fraud risk analysis

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

In control statements

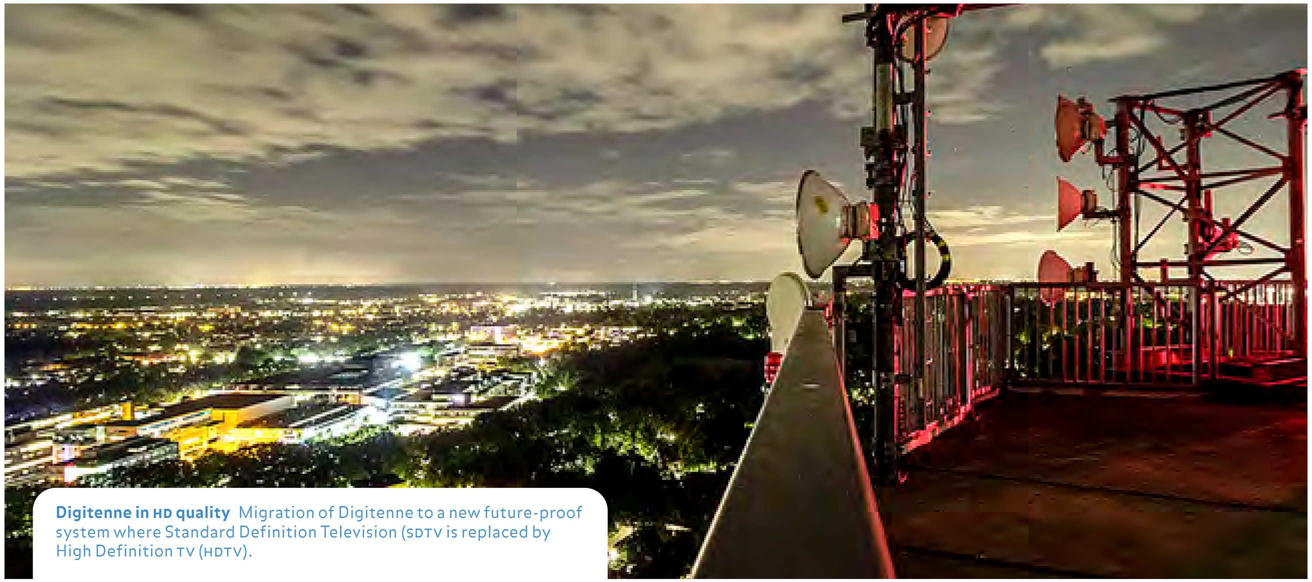
The local management boards and the financial controllers are accountable to the Management Board every year and annually sign off an In control statement relating to their risk management policies and those of each of the individual operating companies, joint ventures and large projects that are under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

Authorisation schedule

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

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

The company's Internal Audit Function is positioned independently and performs audits on behalf of the VolkerWessels' Management Board in the divisions, operating companies and project companies. The Internal Audit Function is tasked with monitoring the internal control systems, business processes as well as compliance with the law, regulations and directives and reports directly to the Management Board and the Audit Committee. Internal Audit performs a key role in the risk management system and supports the Management Board in this regard and in its managerial role with independent analyses, assessments, and recommendations. To this end, Internal Audit has extensive and unrestricted powers of information and examination within the Group. Internal Audit aims to protect corporate assets, to assess the reliability of the risk management and internal control systems, and to contribute toward improving those systems. The activities performed by Internal Audit follow international auditing standards and will be subject to regular independent quality assessments. In 2019 the Internal Audit Charter was updated and approved by the Management Board and Audit Committee. More focus was placed on conducting audits at operating companies in 2019. The purpose of these audits was to assess whether the most basic internal controls are implemented and executed. Other audits conducted in 2019 include project audits, information security audits and the follow up of management action plans.



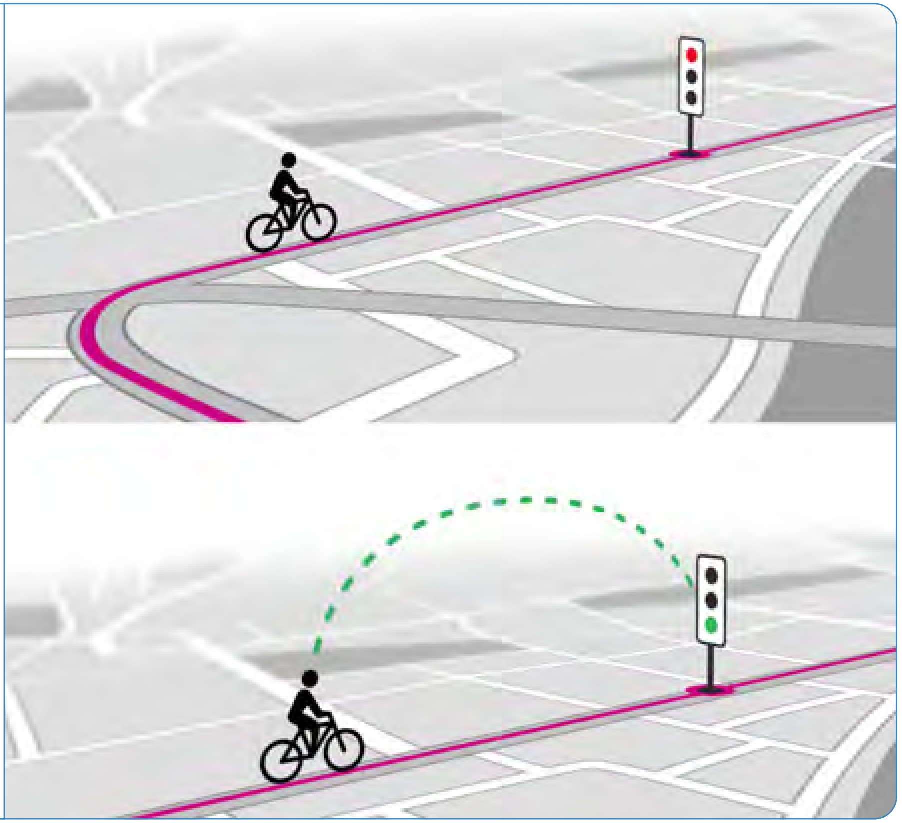
Digitenne in HD quality Migration of Digitenne to a new future-proof system where Standard Definition Television (SDTV is replaced by High Definition TV (HDTV).

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

Code of conduct and employee development
The VolkerWessels code of conduct provides practical guidelines that clarify the importance of acting with integrity. These guidelines cover a wide range of information including the contact between employees at VolkerWessels, dealings with subcontractors, suppliers and other contractors, bribery and corruption, fraud and theft, social media policy, conflicts of interest, privacy (GDPR) and fostering fair competition. Sanctions can be imposed if the code of conduct is breached. Our annual e-learning course on integrity is mandatory for all employees, managers and directors. The Management Board held meetings with our statutory directors in the Netherlands to discuss the necessity of a strong integrity culture. In the UK, North America and Germany we paid similar attention to this

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

Schwung app
A traffic light that turns green just when you approach by bike? With Schwung on your phone (which is ofcourse in your pocket or bag), it doesn't have to be a coincidence anymore. The smart app from Vialis requests a green light when a cyclist approaches a traffic light. The app improves traffic flow, increases traffic safety and offers a wealth of information for road authorities. The municipalities of Enschede and Den Bosch have already started using the app.



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

Finance function
VolkerWessels' finance function is essential for instilling trust in VolkerWessels, our companies and projects. The finance function contributes to VolkerWessels by focusing on delivering operational quality in the field of transaction processing and control, and by being a business partner that provides insight that supports decision-making based on management information and analyses. Across the various finance functions within the segments improvement plans are strengthening the finance function within the Group. These improvement plans are focused on four pillars: project control, operational quality and efficiency, development of finance staff and impact of the finance function. Construction projects have increased significantly in size and complexity over the past decade. Effective project control is a key element of our risk management framework. Further improving our project control in relation to project bidding, design, build and maintenance is high on our agenda. We are improving our people, systems and processes in order to stay ahead as project sizes and complexity increase. As part of the risk management framework, VolkerWessels has adopted a controller's instruction which aims to safeguard the independent position of the financial officers of VolkerWessels' operating companies. This instruction applies to all companies across VolkerWessels and sets out the exceptional position of the financial controllers in reporting on issues, risks and other exceptional items.

A key element for the VolkerWessels business is to ensure that the finance director (who is also required to be a statutory director) and the controllers of the operating companies have direct functional reporting lines to both the Chief Financial Officer at the divisional level and the Chief Financial Officer of VolkerWessels, in addition to their position in or reporting to the management board of the relevant operating company.

Risk Management Structure: three lines of defence

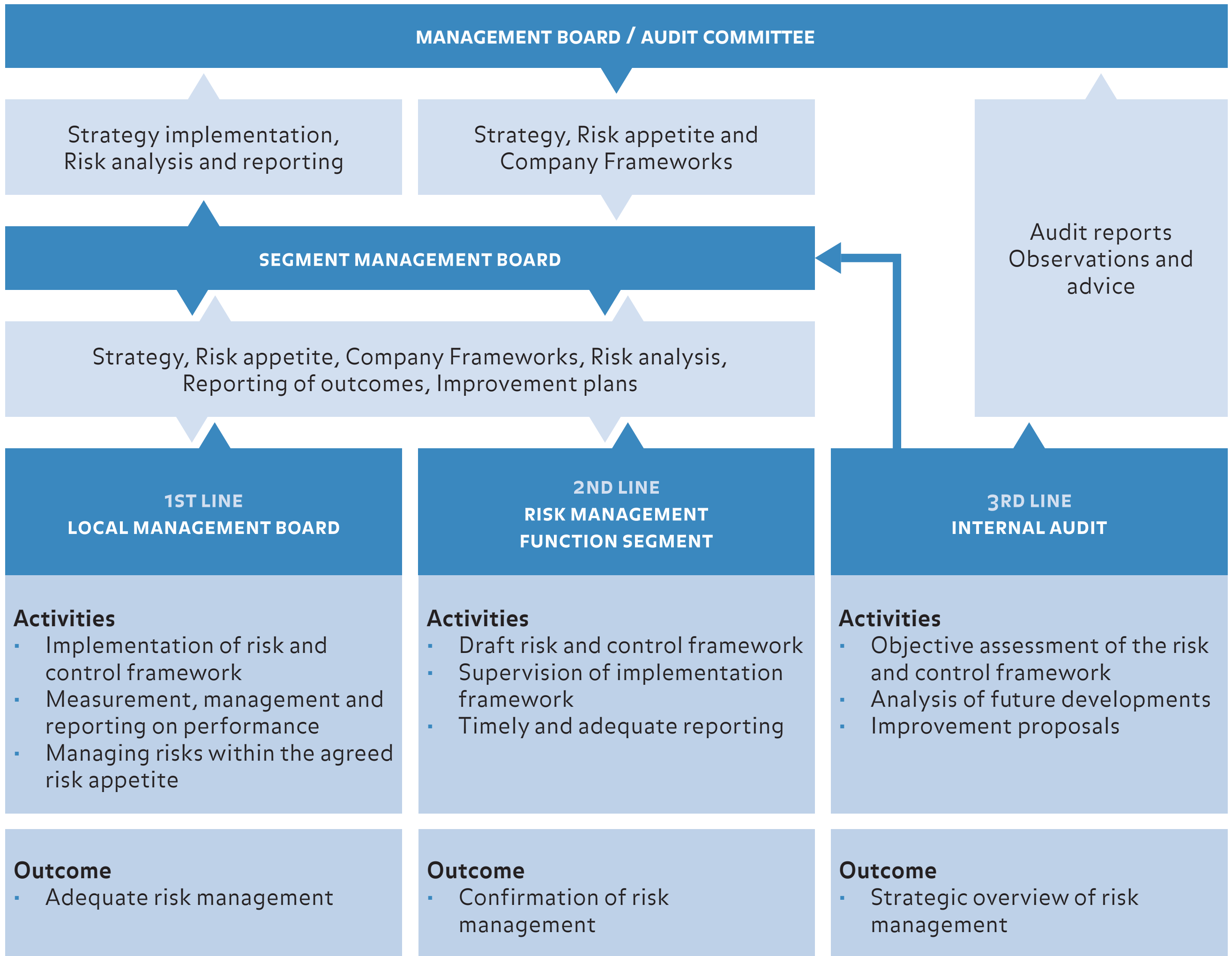
The Management Board of VolkerWessels has overall responsibility for risk management and determines the risk appetite with respect to principal risks. The Management Board is responsible for effective risk management and internal control systems to mitigate risks. For each segment within the Group, the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

The local management boards are responsible for risk management and the implementation of an appropriate risk control framework based on the Group framework. Local management boards are responsible for managing risks within the agreed risk appetite and as such are the first line of defence in adequate risk management. Local management boards are supported by a risk management function at segment level, with an officer whose job is to design the risk control framework and policies, to monitor implementation and to organize timely and adequate reporting. In smaller segments the finance function is the second line of defence in adequate risk management.

Finally, the Internal Audit Function is the third line of defence in adequate risk management. It is their responsibility to determine whether the segments comply with the risk management framework and whether the first and second lines of defence work together effectively.

The Internal Audit Function enhances and protects organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit department was established in 2017 and reports directly to the Management Board and the Audit Committee.

VolkerWessels Risk Management: three lines of defence



Strategy and market risks

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT		RISK LIMITATION MEASURES

The cyclical nature of the construction industry, which is exacerbated during economic down-turns, can lead to a lower level of business
 	
Owner: Management Board
	■ VolkerWessels provides services to a broad range of public and private sector clients. Adverse economic conditions may negatively impact VolkerWessels' clients' ability and willingness to fund their projects, and cause clients to reduce their capital expenditure, alter the mix of services purchased, seek more favourable prices and other contract terms, or otherwise slow their spending on Volker-Wessels' services.
	■ In addition, during economic downturns, private sector clients' ability to pay, or pay in a timely manner, VolkerWessels' accounts receivable may be negatively affected.
	■ VolkerWessels derives a significant portion of its revenue from public sector clients. Declines in national and local tax revenues, allocation of revenues by (local and regional) governments as well as economic declines may result in lower government spending and demand for VolkerWessels' services.
		○ ○ ○	■ The residential and commercial real estate sector is typically affected at an early stage of the economic cycle.
			■ The infrastructure sector is typically impacted at a later stage in the economic cycle. The competion in this market is fierce and we believe that price pressure will persist for the time being.
			■ Due to its decentralised operating model and focus on smaller and medium sized projects, VolkerWessels is less impacted by challenging market conditions.
				■ VolkerWessels responds to the changing circumstances in the housing market with the following measures:
				  ■ smaller-scale residential construction projects;
				  ■ sell more real estate development projects at early stages in the devel-opment process with forward funding commitments from de buyer;
				  ■ large development projects such as Delft, Shipdock and Amsterdam South-East are developed with partners to share the development risk;
				  ■ reduced delivery times through prefabrication of housing (the Morgen-Wonen – Future Living – concept);
				  ■ development of customer-oriented housing concepts.
				■ Projects go ahead only if the building to be built is sold (with a minimum rent guarantee) or largely let in advance.
				■ In addition, we focus on long-term maintenance contracts with recurring and predictable cash flows, creating more continuity in the order book.
				■ Through investments in integrated projects, VolkerWessels aims to create additional building volume for the operating companies. These more complex contract forms require extra attention in relation to contract management.
				■ The spread of activities over sectors and geographical areas aims to reduce the company's sensitivity to changing market and economic conditions.

○ = Low ○ ○ = Medium ○ ○ ○ = High

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT		RISK LIMITATION MEASURES
Uncertainty due to slow political decision making on nitrogen and other environmental requirements Owner: Management Board	■ The market for multidisciplinary infrastructure projects is severely disrupted by the nitrogen, PFAS and PFOS issues from the summer of 2019 onwards. As a consequence, government entities are delaying Infrastructure projects which translates in lower capacity utilization and increased pricing pressure going forward. ■ In December a new - raised - norm was communicated in relation to PFAS and PFOS and will bring some relief but is not a total solution. On nitrogen deposition, the measures that have been announced, so far, will have limited impact especially on new large integrated infra projects. More decisive action is clearly needed in order to unlock – especially in infra – a large number of projects. Reduced demand is depressing prices whilst certain buyers are adding to this effect by delaying projects in order to obtain lower prices going forward. The nitrogen deposition during the user phase needs a political solution and is beyond our control. We expect that the infra market will continue to see the impact of this re-balancing between demand and supply during 2020.	ooo	■ It slows down our market, due to uncertainty with our clients. The public sector has an ambitious plan on building residential houses and buildings, but this looks rather blocked by the current nitrogen- and other environmental regulations. Due to the nature of these businesses, a (relatively) small increase of the deposition norm will benefit C&RED more than our Infrastructure business where nitrogen deposition is normally higher (requiring a more substantial increase). ■ The new environmental regulations can affect our current projects and potential projects. Even in a situation when the Dutch government decides to raise the current very low deposition norm for nitrogen, we expect that large infrastructure tenders will be delayed.	■ Frequent meetings with management of the divisions C&RED and Infrastructure Netherland to discuss potential impact on project portfolio/tenders and sharing observations and ideas for solutions/approach ■ Pro-active intensive consultation with regulators, political decision-making bodies and working groups (Politics/VNO-NCW/Bouwend Nederland) ■ Intensive cooperation with investment in required expertise: – Dedicated lawyer hired specialized in the field of "ecology" – Internal knowledge center set up at our engineering firm Aveco de Bondt to assess "projects at stake" in the field of nitrogen deposition (using Aerius calculation model) and to think along with changes so that any problems are solved ■ Targeted investment / innovations/ approaches to mitigate nitrogen deposition in "projects at stake": a. Material fleet b. AI technology related to mobility c. Logistical building hubs ■ Our innovation team is closely working together with our business to lower our nitogren emissions. Recently we announced the launch of our in-house developed NoNox filter which enables us to lower our nitrogen deposition up to 99% during the construction phase of our projects. With this innovative solution, we take our responsibility in making our sector more sustainable. ■ Drawing up scenarios and plans to absorb the possible effect of lower revenues in our businesses ■ Other regulations on environmental issues (such as PFAS) are being closely monitored.

o = Low oo = Medium ooo = High

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT		RISK LIMITATION MEASURES
Negative impact of political decisions & legislation Owner: Group and Management Boards divisions	**Political uncertainty arising from UK's exit from the EU** ■ Following the exit from the European Union on 31 January 2020, there is now a transition arrangement in place as the discussions on the exact details of that exit continue. During that period the risk continues to be that our UK business may not be able to manage the uncertainty surrounding the terms of the UK's exit from the EU. ■ The UK's vote to exit the EU has already impacted the exchange rate between GBP and EUR. Any significant further change or uncertainty surrounding the terms of the UK's exit from the EU may have subsequent additional exchange rate consequences.	o o	■ Restrictions to the availability of skilled labour and/or materials from outside the UK may impact our business in the UK which in turn may create delays to the delivery of projects that have already been tendered and awarded. Also new projects and tenders may be cancelled or deferred whilst significant political uncertainty remains. ■ Whilst the political uncertainty in the UK has diminished following the general election and there are currently positive statements about infrastructure projects, the impact of the delays and political uncertainty of 2019 are still not over and risks continue to exist in the absence of clarity over the precise terms of the exit from the European Union.	■ Our UK Management Board is actively monitoring the potential impact of the UK exiting the EU, including market stimulation by the UK government, freedom of movement of labour, impact on the supply chain and commodity prices. The strength of the overall order book in the UK should also enable the mitigation of any short term uncertainty impacting on tender delays. ■ In 2019, the impact of Brexit on our UK business appears to have been limited. VolkerWessels UK has maintained its strong position in the infrastructure sector, with a quality order book and sound financial footing, a track record of delivery and effective risk management processes, the business has seen minimal direct impact from these external factors. The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for VolkerWessels UK, which is well positioned in a number of key infrastructure sectors. ■ The general election held in December 2019 delivered a strong Conservative majority, which we believe will bring greater economic clarity in the medium and long term.
	Rental limit in Berlin market ■ In Berlin the state government set a new upper rental limit for apartments built before 2014. This law passed in January 2020 and will likely be effective from the second quarter of 2020. It itends to limit rental price increases for existing properties over a period of five years.	o o	■ Due to this limitation in rental prices property investors in the German market are impacted by lower possible returns, which will have a negative effect on our business.	■ In Berlin in response to the limitation in rental prices, we are expanding our entrepreneurial activities to the periphery of urban areas, which are well connected by public transport. In addition, VolkerWessels is exploring the possibilities of strategic portfolio expansion to minimise any cyclical development challenges. For example logistics, school and office buildings.

o = Low o o = Medium o o o = High

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

o = Low   o o = Medium   o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT		RISK LIMITATION MEASURES
Reputational damage and compliance risk on laws and regulations Owner: Management Board	■ Reputation issues are often related to other areas of risk, like violations of safety regulations, non-compliance with laws and regulations and errors in the execution of projects. ■ VolkerWessels is subject to national and international laws and regulations, including laws affecting tax, land use, zoning, occupational health and safety, product safety, quality and liability, transportation and labour and employment practices in the geographies where it operates. In addition, VolkerWessels is subject to substantial anticorruption, anti-money laundering, anti-bribery, competition and privacy (GDPR) laws. Potential risks include the risk of non-compliance with such laws and regulations and risks relating to failure to follow changes in legislation.	o o o	■ In the event of non-compliance with applicable laws and regulations by VolkerWessels or by a partner, VolkerWessels could face unwanted (legal) consequences and financial and/or reputational damage, fines or penalties . ■ If the relationship between VolkerWessels and its clients deteriorates as a result of, for instance, inadequate customer service or transparency, this can cause a loss of market share. ■ A conviction based on a violation of the competition laws may lead to exclusion from government tenders.	■ Various measures are in place to prevent compliance risks occurring like the VolkerWessels Code of Conduct, regulations for the statutory directors and controllers, the annual fraud risk analysis. In addition to these measures we also have the VolkerWessels Trust Line and the whistle blower scheme. ■ Our management teams are regularly kept informed on developments in relevant regulations. ■ Annual mandatory e-learning course on integrity for all employees .The Management Board held meetings with our statutory directors in the Netherlands to discuss the necessity of a strong integrity culture. In the UK, North America and Germany we paid similar attention to this very important core value of our company. In 2019 we also started 'The Wheel of Integrity' in order to facilitate at all levels of the organisation open discussion about integrity issues. ■ In order to manage reputational risk, we devote close attention to relationships with our clients. Our operating companies regularly conduct customer satisfaction surveys on the basis of three customer satisfaction factors: quality, compliance with agreements and the customer-orientation of the organisation. Points for improvement are followed up immediately in order to optimize relations with our clients.

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT		RISK LIMITATION MEASURES
VolkerWessels' success depends upon its ability to hire and retain qualified employees and match Volker-Wessels' workforce with business demands Owner: Group Management and HR	■ Failure to attract the required employees may require VolkerWessels to rely more heavily on subcontractors which may result in cost increases. ■ The uncertainty of contract award timing can present difficulties in matching Volker-Wessels' workforce size with its contract needs.	o o o	■ If VolkerWessels is unable to attract and retain skilled employees, its future performance and growth may be adversely affected.	■ Our strategy therefore focusses on five aspects: 1. Leadership 2. Transparant culture 3. Learning and development (Learning Development System) 4. Labour market communication 'Make tomorrow possible' 5. Inceasing labour participation of vulnerable groups This is supported by our development programme for management. We encourage and stimulate our future leaders and talented managers to develop their leadership. They need to be able to coach and train our employees, and they need an understanding of when it is necessary to act decisively themselves and when to step back. A good work environment requires our employees, in all positions, to work in line with our core values of integrity, safety and sustainability. This is why we invest a lot of time and energy in campaigns and workshops to increase awareness of our employees about these core values. ■ A more strategic approach to workforce planning and resourcing will help the Group to respond to political/market uncertainty. There is an emphasis on developing broader diveristy throughout the Group which will enable improved attraction and retention of key talent in our sectors. ■ Performing a yearly employee survey in the Netherlands and in the UK to identify improvements and benchmark with other companies.
Not maintaining a good relationship with important stakeholders, which can delay or harm our business Owner: Management board and Group Management	■ Maintaining a good relationship with our stakeholders is important. We try to stay in open contact with all involved parties. Keeping stakeholders informed about VolkerWessels is crucial in maintaining a good relationship.	o o	■ A disturbed relationship with stakeholders can lead to delay in decision making, projects, limiations in finance and be harmful for our business.	■ Our corporate communications and investor relations is strongly involved in maintaining and improving stakeholder relationship. ■ The relationship we maintain with our stakeholders is based upon the way we conduct business in accordance with our code of conduct.

o = Low o o = Medium o o o = High

Operational risks

RISK	SUBSTANTIVE EXPLANATION OF RISK	POTENTIAL IMPACT	RISK LIMITATION MEASURES
The complexity and long-term nature of construction projects expose VolkerWessels to contracting risks, which may result in financial liabilities Owner: Management Board and segment Tender Boards	■ VolkerWessels' business involves complex and long-term construction projects, including long-term maintenance and operating contracts entered into on a fixed-price or lump-sum basis. To a large extent, VolkerWessels' profitability depends on the scope of the project being correctly determined during the tender, design and execution phases, costs being accurately calculated and controlled, and on projects being completed on time and not subject to any early termination, such that costs are contained within the pricing structure of the relevant contract, particularly for fixed-price and lump-sum contracts and for larger and more complex projects. ■ Additionally, risk allocation is to a certain extent driven by contract models imposed by clients. Public sector clients or larger private sector clients may adopt contract models with terms that increase VolkerWessels' risk exposure, which VolkerWessels may not find acceptable. If additional model contract terms that increase the risk exposure for VolkerWessels become prevalent in VolkerWessels' primary markets, VolkerWessels' ability to enter into profitable contracts may be adversely affected.	○○○ ■ Any failure to manage contracting risks and costs may result in lower than anticipated profits or the contract losses. ■ Cost overruns can arise due to inefficiency, delays by VolkerWessels, subcontractors or suppliers, poor design or errors in designs or estimates, failure to properly hedge contractual risks, and liabilities or claims. ■ Furthermore, long-term fixed-price contracts expose VolkerWessels to margin compression or contract losses as a result of variable input costs, which may rise over time. A significant number of contracts are based on cost estimates that are subject to a number of assumptions. If the estimate of the overall risks or calculations of the revenues or costs of one or more contracts prove inaccurate or circumstances change, lower profits may be achieved from, or greater losses may be incurred than had been anticipated.	■ VolkerWessels' operating companies operate within clear legal and financial frameworks that provide well-established risk management measures (decision authorities, contracting discipline, etc.), which are applied to all parts of VolkerWessels' business. See description of risk management on pages 53-59. ■ VolkerWessels adopts a tailored process to contracting and risk management depending on the size and complexity of the project and has an extensive tender procedure to ensure proper decisions are taken on selecting projects and risk management. Projects that are awarded through a tender procedure and which have a total value of over €10 million or which involve increased risk are subject to a tender approval ("TIS") procedure. For each such project a standard information and risk assessment form is completed, which describes the details of the project, tender costs, design features, contract price and other terms. If the relevant management team decides to proceed with the tender, additional details are recorded in the form, which provides an in-depth risk/reward analysis including an analysis of the competition and terms relating to guarantees, insurance, financing and taxation. The project tender then enters the VolkerWessels authorisation approval process. VolkerWessels' senior management is involved from the start to the end of the process. This is to ensure that the tender process, project planning and execution of the project are done under senior responsibility. Before the acceptance of a project, the risks are assessed in both quantitative and qualitative terms. Clear project specifications, properly recorded agreements, (technical) project reviews and complete cost budgets, as well as legal assessment of contracts, contribute towards a reduction in contract risks. In the tendering phase, specialised contract managers are added to the tender team. Specialised lawyers are also involved in the tendering phase. ■ VolkerWessels is undertaking a wide ranging contract management training initiative and appointed a director of Contractmanagement in the Netherlands. In our Infrastructure segment in the Netherlands we continued our "top in projects" program. Control-processes on projects were standardised and project controllers were trained and have succeeded as Accredited project controllers. In our Construction & Real Estate Development segment we also started standardising and optimising our risk management processes to identify the risk profile at a very early stage of a project which enables us to respond with an appropriate risk process to identify and control these risks.

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Failure to properly manage projects or project delays may result in additional costs or claims and adversely affect profits and cash flows. Owner: Group Management	■ Most of VolkerWessels' contracts are subject to specific completion schedule requirements with penalties charged or deductions applied in the event the required schedules are not met. In addition, errors in designs and/or calculations and failure to hedge all risks contractually can have a negative impact on the delivery phase of a project.	o o o	■ Failure to meet any such scheduled requirements could result in the occurrence of significant contractual penalties or damage to VolkerWessels' reputation and client base. Additionally, clients may require extra work or may change the original scope of work. This process may result in disputes as to whether the work performed is beyond the scope of the work included in the original project plans and specifications or as to the price to be paid for such work. VolkerWessels may be required to fund the cost of such additional work for a period of time until the change order is approved and funded by the client, thereby impacting VolkerWessels' working capital. The profitability of a project may be adversely impacted if VolkerWessels is not able to receive payment for additional work or compensation for actions by third parties.	■ Bids above €10 million must be approved by the Management Board in writing in advance. With very large projects, the Supervisory Board is also involved in the decision-making. Validation of the project price calculation and the risk identification are significant parts of decision-making process in project acquisition. ■ VolkerWessels operating model involves a number of project management measures, such as monthly project monitoring, risk and opportunities assessments and quality control. In large projects, specialised contract managers are added to the project team to monitor all relevant contract terms. The project team focuses in particular on quality, timely delivery, cost efficiency and reduction of failure costs. VolkerWessels has an increased focus on reporting risks and scope on projects, including the accuracy of cost and cash forecasting. ■ In our Infrastructure segment in the Netherlands we continued our "top in projects" program. Elements of this program include continuous improvement of: uniform project approach; dedicated risk management; project control; integrated design and build, and gate reviews. In our Construction & Real Estate Development segment we started standardizing and optimizing our risk management processes to identify the risk profile in a very early stage of a project which enables us to respond with an appropriate risk process to identify and control these risks. ■ In the United Kingdom Design Management Plans are required to be in place for all projects requiring design and the role of design manager is defined and documented within our businesses carrying our design and build. DMPs vary by business and by client depending on client requirements and associated regulatory requirement for the according sectors. Design management progress is currently reported and reviewed monthly at a project and business level. VWUK has launched a design management improvement initiative with VWUK wide KPIs for 1. Project Readiness and 2. Critical Performance monitored and reported monthly to the UK Operations board level for review, comment and escalation.

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Information technology failures and data security breaches could harm VolkerWessels' business Owner: Group Management	■ A material breach in the security of VolkerWessels' information technology systems or other data security controls could enable the theft or release of client, employee or company data. ■ A data security breach, a significant and extended disruption in the functioning of VolkerWessels' information technology systems or a breach of any of its data security controls could disrupt its business operations, damage its reputation and cause it to lose clients, adversely impact its revenue, result in it being subject to regulatory penalties or require it to incur significant expense to address and remediate or otherwise resolve these kinds of issues. ■ Can arising from new system integration or implementation. Lack of access or system crashes resulting of lack of access to critical data, payroll, invoicing functions, security controls, etc.	o o	■ The leakage of confidential information caused by a security breach could also lead to reputational harm or litigation or other proceedings against VolkerWessels by affected individuals or business partners, or by regulators, and may result in penalties or fines. ■ In addition, information technology failures potentially reduce competitive advantage or disrupt business operations.	■ VolkerWessels uses measures concerning the security, management, availability and continuity of information. This forms the basis for the design of the management measures for the various ICT systems. In 2017 VolkerWessels updated its information security policy. A total of over 200 measures were identified to improve information technology and data security. The measures are categorised in three priority levels. Priority 1 measures are being implemented with the highest urgency within the Group. These measures were almost Implemented at the end of 2018 and in 2019 we worked further on the effectiveness of these measures. Implementation of Priority 2 and 3 measures were ongoing in 2019. Several segments have a ISO27001 certification to confim our high level of security management. Our employees are periodically trained in information security obligations. The progress of our companies regarding the implementation of the policy is reported on a frequent basis and audited by our Internal audit function. ■ The introduction of an unambiguous reporting process and a corporate point of contact for security incidents and data breaches, as well as procedures for the purpose of timely and adequate reporting and registration, are an integral part of the measures implemented. The point of contact has been operational 24/7 since 2017 and is staffed in turns by the members of the Security Incident Response Team. ■ New systems are only deployed to live after full testing. When deployed there is a possibility of rolling back due to regular back up.

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Fluctuations in commodity prices and inflation Owner: Group Management	■ The market price and availability of commodities which VolkerWessels utilises for its operations, such as lumber, steel, cement, bitumen and stone, can fluctuate. Commodity price fluctuations may adversely affect the economies or industries in which VolkerWessels' clients operate which may in turn reduce demand for VolkerWessels' services. ■ Coming out of a low inflation environment, assessment of the impact of inflation and assumptions behind inflation are an increasingly important part of the quality of our bids.	o o	■ If VolkerWessels is not able to effectively hedge or pass on to its clients the effects of the volatility of commodity prices, its project costs and profit margins may be adversely affected. A sustained decline in commodity price levels, which has an impact on industries in which VolkerWessels' clients operate, such as the oil and gas industry, may also have a negative impact on VolkerWessels' business. If any of the assumptions behind inflation contracted compensation schemes were to be found incorrect or there was any other failure to estimate the impact of inflation accurately, this could cause financial losses.	■ Our policy is to hedge this risk as far as possible, partly by (i) agreeing fixed prices with suppliers, (ii) contracting commodity hedges and (iii) agreeing with clients in advance, in the tender, that price fluctuations can be charged on. ■ All bids are subject to estimating and tendering processes where assumptions behind commodity prices and inflation are challenged.

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Exposure to significant counterparty risk, which may result in additional liabilities Owner: Group Management and the finance function	■ VolkerWessels has signed contracts with a large number of parties in its business, including clients, suppliers, subcontractors and joint venture partners. VolkerWessels is exposed to the risk of default by, or the insolvency of, such counterparties.	o o	■ The risk of default by, or the insolvency of, such counterparties, may result in significant liability for VolkerWessels. ■ During the course of a project, the insolvency of the client would lead to a significant loss.	■ VolkerWessels seeks to have a standardised process through its central risk management approach, which aims to cover the preparation phases for selection of key partners, subcontractors and suppliers in the supply chain as well as the tender process and contract management. With an increased risk, the consortium partner will be required to provide additional surety, for example in the form of a bank guarantee. The Legal and Tax Departments are closely involved in the design and assessment of partnership arrangements in the tender phase including the use of standard templates. These include protection around other partner's insolvency. We also ensure any joint ventures entered into include indemnification for partner's negligence or unlawful acts. It is also desirable to take our project specific professional indemnity insurance particularly where our partner provides design services. ■ VolkerWessels maintains long term strategic relationships with qualified subcontractors, which enables it to maintain subcontractor capacity when needed at reasonable prices. Use of proven supply chain and protection measures. D&B alerts. Good practice around supply chain contracts, programme management/deliverables, payment, material vesting and security. Generally no reliance on insurance for performance and insolvency matters but in place for product failure. Additionally, VolkerWessels' ownership of its own production and supply resources helps to mitigate certain subcontractor related risks, including providing capacity during times of shortages, as well as assisting VolkerWessels with identifying subcontractor market prices. ■ Most of our clients are public sector. When not public sector we should ensure that we have either adequate insurance in place or cash in advance/other mitigation in place. Credit insurance is to be effected across all divisions.

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Not having the right level of ICT in place Owner: Group Management and IT department	■ Not having the right IT environment may lead to insufficient support of the daily business performance. ■ Having an IT architecture in place fit for the business can provide serious advances in the efficiency and quality of work.	o o	■ A backlog in our design, quality, contuinity of availability or failures in ICT potentially reduce competitive advantage or disrupt business operations. ■ Not having the necessary continuity of availibility of our ICT may lead to ineffi-ciency and not being able to perform our work efficiently and can cause delays and other serious business impact like fines and penalties.	■ Our ICT policy provides management measures to ensure a level of ICT fit for purpose. ■ VolkerWessels has a high-skilled team of ICT professionals who are essential in the integrity, availibility and confidentiality of our ICT and Information. This team is regularly trained on the latest developments regarding ICT. ■ With the launch of Enterprise IT in the first half of 2019, we initiated a coordi-nating role across the entire IT domain for all of our divisions. We are convinced that this will continue to strengthen our IT infrastructure to enable safe, reliable and cost effective business operations for all of our operating companies.

o = Low o o = Medium o o o = High

Financial risks

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

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
The complex nature of the construction business exposes VolkerWessels to litigation risk Owner: Management Board	■ The complex nature of the construction business and the corresponding contracts and contractual structures, expose Volker-Wessels to potentially significant litigation including claims related to regulatory violations, breach of contract, contractual disputes, health and safety-related issues and for construction defects. Insurance, if any, may be insufficient to cover the particular claim or loss. ■ VolkerWessels can also be exposed to claims if it agreed that a project would achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met, whether as a result of VolkerWessels' actions or of third parties, including subcontractors or suppliers. ■ In VolkerWessels' contracts with clients, subcontractors and suppliers, it may agree to retain or assume potential liabilities for damages, penalties, deductions, losses, and other exposures relating to projects, such as issuing performance guarantees, that could result in claims that exceed the anticipated profits relating to those contracts.	o o	■ While clients, subcontractors and suppliers may agree to indemnify VolkerWessels against certain liabilities, such third parties may refuse or be unable to satisfy their obligations under such indemnities or may invoke caps in respect of their maximum liability under such indemnity. Such claims may harm VolkerWessels' reputation, even if VolkerWessels is successful on a claim, or result in substantial financial liabilities, which may have a negative impact on VolkerWessels' business, results of operations, financial condition and prospects. ■ In addition, the balance between identified risks and the risks to be insured is not correct and/or complete, which means that in the event of a claim, the damage cannot be recovered fully from the insurance company.	■ Our policy provides for insurance of the risks that we are not willing or able to bear ourselves. ■ Each year, the insurance programme is assessed in terms of amended laws and regulations, insured amounts and new risks, and is adjusted (in the interim) where necessary. ■ Annual assessments of the solvency position of the insurance companies working with VolkerWessels are also conducted. ■ The principle is the reinforcement and expansion of long-term relationships with well-known insurance companies. ■ Each renewal process reviews the available cover including indemnity levels, excess layers, coverage terms and conditions. The insurance markets are thoroughly tested by our Broker. Additional cost of premiums are passed onto employer's through tenders. ■ We have improved our contract management in the Netherlands. Contract managers are part of the project team to ensure a high level of quality on contract management. We have enhanced the level of knowledge regarding contract management by training directors, project managers and senior management.

o = Low o o = Medium o o o = High

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Failure to comply with the covenants and conditions under VolkerWessels' debt and credit agreements Owner: Management Board	▪ VolkerWessels' debt and credit agreements and its committed and uncommitted facilities impose certain restrictions on its operations and require compliance with certain covenants, notably leverage and interest cover ratios.	o	▪ Failure to comply with those covenants may lead to VolkerWessels defaulting on its obligations and cross default on its committed and uncommitted facilities, restrict the availability of credit to VolkerWessels or result in the acceleration of VolkerWessels' obligations to repay its debt facilities and may require raising additional capital or borrowings.	▪ The Group operates with a centralised treasury function that is responsible for managing key financial risks, cash management and the availability of liquidity and credit capacity. ▪ Procedures are in place to check continuously whether we comply with the covenant conditions that are in place. As at 31 December 2019, VolkerWessels was in ample compliance with the Leverage and Interest Cover covenants.
Not being compliant with tax legislation and filing requirements, including tax risks in operational projects as well as relating to specific transactions. Owner: Group Management and Group Tax	▪ VolkerWessels operates in several different countries. As tax laws and regulations differ by country, change regularly and can be complex, the company runs the inherent risk of non-compliance with local tax legislation and the tax policy of the company.	o	▪ Compliance risks include additional liabilities, interest or penalties arising due to unsupportable positions in tax returns or late filings. ▪ In addition, operational and transactional tax risk may cause unexpected fluctuations in the effective tax rate of the Group. Tax risks may not only cause financial risks but also reputational risks.	▪ VolkerWessels has implemented a Group Tax policy addressing the risks related to tax and enforces compliance with this policy. ▪ Furthermore, the highly skilled tax experts at the Group Tax department assist local and group management in complying with the tax requirements and monitor effectiveness of the internal controls relating to tax as well as the tax position of the Group.

o = Low   o o = Medium   o o o = High

Corporate Social Responsibility

The CSR (corporate social Responsibility) Platform with the management board of KVW holds ultimate responsibility for the sustainability policy and the group's performance in this area and is supported in this by the sustainability manager and the CSR department. Our CSR summary is included on pages 35-49.

Construction and maintenance sites are inherently dangerous workplaces Owner: Group Management and the safety platform	■ Major incidents in relation to our projects can lead to significant financial liabilities and reputational impact as well as civil and criminal liabilities.	o o	■ Serious incidents, including fatalities as well as unsafe conditions such as asbestos exposure, may subject VolkerWessels to substantial claims, including claims for bodily injury or loss of life, damages, liabilities, costs, penalties, civil litigation or criminal prosecution. ■ In addition, if VolkerWessels' safety records were to substantially deteriorate over time or if it were to suffer substantial penalties or criminal prosecution for violation of health and safety regulations, VolkerWessels' clients could cancel contracts,VolkerWessels' ability to generate new contracts could suffer and VolkerWessels' reputation may be adversely affected, any of which may have a significant negative impact on Volker-Wessels' business, results of operations, financial condition and prospects.	■ VolkerWessels has invested, and will continue to invest, substantial resources in its health and safety programmes, such as the Be Alert, Safety First (WAVE in Dutch) program. With its health and safety programs in place, VolkerWessels aims for zero cases of physical injury. Regular monitoring and reporting is conducted to determine if we are meeting these requirements. VolkerWessels maintains insurance policies to cover these sorts of events. ■ In 2019 VolkerWessels continued to invest in a change in behaviour and culture by means of the Safety Ladder. The safety ladder has five levels and the basic aim is for all VolkerWessels companies to have reached level 3 by 2022. Level 3 stands for 'calculating: we have the system in place.' A number of operating companies have already reached level 3 or 4.

o = Low o o = Medium o o o = High

Risks on Corporate Social Responsibility

RISK	SUBSTANTIVE EXPLANATION OF RISK		POTENTIAL IMPACT	RISK LIMITATION MEASURES
Climate change Owner: Management Board	■ The increase in extreme weather conditions may hinder the construction of projects.	○○○	■ Climate change causes (among other things) a rise in the sea level, more extreme weather conditions and the loss of biodiversity. ■ The impact of storms increases, water supply can be hindered which impacts the execution of our projects. ■ Not adapting to new climate regulations and demands from investors and customers.	■ VolkerWessels is increasing its knowledge in the field of climate adaptive building. In addition, we are taking climate mitigation measures, both in projects and in our own organisation by driving and offering new sustainable solutions to customers. ■ Weather/climate risk is normally passed or to be capped to contractors in construction contracts. Where risk is accepted, appropriate risk allowances are included.
Increased raw material scarcity Owner: Management Board	■ Reduced availability of materials leads to increases in material costs and reduced margins, which may in turn reduce our ability to invest in innovation and process improvement.	○○○	■ The construction sector is still very dependent on primary raw materials. Metals, water and construction sand for example will become increasingly scarce in the future. As a result, the costs of materials are likely to become more expensive.	■ VolkerWessels pursues a policy of improving the circulation of raw materials in the biological and technical cycle, for example by opting for sustainable materials and by focusing on design strategies that focus on the detachability and disassembly of objects at the end of their life.
Uncertainty about (the level of) future legislation on sustainability Owner: Management Board	■ Loss of business because VolkerWessels is unable to meet stricter criteria set by clients, as a result of changes in legislation and regulations.	○○○	■ Growing and increasingly stringent regulations for nitrogen and CO_2-reducing measures, such as CO_2 pricing (the internalisation of environmental effects and costs). Because these laws and regulations are still under development, it is unclear what the consequences will be.	■ Based on a timeline of (possible) future legislation and regulations, VolkerWessels determines its strategy so that timely action can be taken.

What still went wrong in 2019/ room for improvement

This section summarizes the most important incidents in 2019 in relation to our financial performance, operational excellence and core values.

We very much regret the fatal accident of a colleague in our Canadian operations. The Occupational Health and Safety (OHS) of the province of Alberta is investigating this accident. Creating and safeguarding a culture in which working safely is embedded is an ongoing process. Safety is one of our core values which is reflected in the way our employees act and feel. We work safely or we do not work at all. Every injury is one too many, our Incident Frequency rate for the group decreased to 4.1 from 4.4 in 2018.

In 2019 there were 24 reported suspicions of a breach of integrity or wrongdoing in the Netherlands, United Kingdom, North America and Germany compared with 55 in 2018. We are pleased that our employees report these issues if and when they feel the need to do so.

The issues surrounding nitrogen have not yet been resolved. It is clear that after the summer the call for action has become very loud. Dutch Infrastructure continues to see the impact of the uncertainties surrounding nitrogen emissions in the Netherlands. We continue to urge the Dutch government to take swift and decisive action to resolve the current status quo.

Reducing our failure costs in general continues to be a top priority of the Management Board to achieve our medium-term objective of 4.5-5.5% EBITDA margin.

In recent years, there has been intense competition in the Dutch infrastructure sector. At the same time more complex long-term construction projects were entered into on a fixed-price or lump sum basis using for contract models with terms that increased the risk exposure of construction companies in a more legalistic environment. As a result of this changing nature of the infrastructure market, the risk-reward balance in our Dutch infrastructure segment was adversely affected. This resulted in underperformance in the Infrastructure segment, which is in part due to the unresolved issues with respect to nitrogen deposition. Our infrastructure segment reported a EBITDA margin below 3% (excluding IFRS 16), where we are convinced that the EBITDA margin for this segment should be in line with group average.

We strongly believe that current contract conditions and the level of complexity of projects are not balanced and the assessment of this balance has become an important element in our tender review process. Rijkswaterstaat ('RWS' the single largest client in the Dutch Infrastructure sector) is currently in consultation with the Infrastructure sector with the goal to review its tendering and procurement processes. VolkerWessels is actively participating in these discussions. We are striving for an outcome which combines innovation and sustainability goals with a more balanced division of risk between client and contractor (which can be done by choosing appropriate contract forms for integrated complex projects partly).

In control statement

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

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

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

- the financial statements for the financial year ended 31 December 2019 provide a true and fair view of the assets, liabilities, financial position and results of VolkerWessels and the companies included in the consolidation as a whole;
- the Management Board Report provides a true and fair overview of the development and business during the financial year 2019 and the position of VolkerWessels at the balance sheet date, together with a description of the principal risks associated with VolkerWessels.

Amersfoort, 20 February 2020

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

VolkerWessels-Merckx Cycling Team The VolkerWessels-Merckx Cycling Team is a selection team for young, talented riders. The team consists of about eighteen riders, a team leader, a mechanic and a caretaker. These talented riders are challenged to jointly increase their performance by participating in leading races including cycling classics in the Netherlands, Belgium and Luxembourg. Last season the team won the Dutch Club competition, earning them the title of 'Best Cycling Club in the Netherlands 2019'.

Corporate Governance

The Dutch Corporate Governance Code (the "Code") emphasizes long-term value creation and introduces "culture" as a component of effective corporate governance. The Code operates according to the principle of "comply or explain", which means that listed companies must apply the principles and best practice provisions laid down in the Code or, if applicable, explain why not. In 2020 Dutch listed companies are required to report on compliance with the Code in the 2019 financial year.

The corporate documentation of VolkerWessels, including the articles of association and corporate by-laws, policies, rules and regulations, are in compliance with the general legal requirements for listed companies as well as with the Code. The corporate governance documents of VolkerWessels can be found on our website (in the Corporate Governance section). These governance documents are updated if and when necessary. VolkerWessels endorses the principles and best practice provisions of the Code and complies with the Code. However, VolkerWessels deviates from the following best practice provisions of the Code.

- 2.1.7 – Independence of the Supervisory Board: best practice provision 2.1.7 of the Code prescribes that, among other things, in order to safeguard the independence of the Supervisory Board, more than half of the Supervisory Directors shall be independent as set out in best practice provision 2.1.8 of the Code. In the Relationship Agreement between the company and Reggeborgh Holding it has been agreed that for as long as Reggeborgh holds, directly or indirectly, at least 50% of the shares in VolkerWessels, it shall have the right to nominate three Supervisory Directors, and that the nominees do not need to be "independent" within the meaning of the Code. Mr Holterman, Mrs Montijn and Mr Blok were non-independent members of the Supervisory Board in 2019.
- 2.2.1 – Appointment and reappointment periods of Management Board members: VolkerWessels is not in strict compliance with best practice provision 2.2.1 that stipulates that all Managing Directors are appointed and reappointed for specified periods. Three of the current five members of the Management Board have been appointed for an indefinite period of time. Mr De Ruiter was appointed for a period of four years ending after the annual General Meeting of Shareholders in 2021 and Mr Robertson was appointed for a period of four years ending after the annual General Meeting of Shareholders in 2022 (Messrs Van Rooijen, Vos and Boers were appointed for an indefinite period). Future members of the Management Board will be appointed for a maximum period of four years.

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

Internal codes and policies
In addition to compliance with the Code (as set out above), VolkerWessels also applies a wide range of internal (corporate) governance codes and policies, including the code of conduct, the Trustline Scheme and the policy on bilateral contacts with shareholders (these policies are published on the website in the Corporate Governance section), the related party policy, the remuneration policy, the diversity policy, the internal powers schedule and the insider trading policy. All internal codes and policies have been made and are updated to meet all applicable legislation. They will continue to be discussed if and when required by the Supervisory Board and Management Board or due to changes in legislation. Among these changes in legislation is the implementation of the revised EU Shareholder Rights Directive of 17 May 2017 into Dutch legislation on 1 December 2019. One of the consequences hereof shall be the review of the company's remuneration policy which, depending on the outcome of the offer by Reggeborgh Holding on all issued shares in the company, will be put on the agenda for the general meeting in 2020.

Diversity
The Supervisory Board is responsible for maintaining sufficient diversity in the Management Board and Supervisory Board. In this respect diversity in educational background and professional experience is considered a prerequisite for the effective management and oversight of VolkerWessels. The Supervisory Board also subscribes to the importance of gender and ethnic diversity. Each year a self-assessment is performed to evaluate the effectiveness of the composition of both boards and other matters. The ambition is to maintain a blend of industry knowledge and financial and executive expertise. The current Supervisory and Management Board are considered well balanced in terms of professional expertise and educational background, which balance has even been further strengthened in 2019 with the addition of Eelco Blok and Anja Montijn to the Supervisory Board.

The statutory prescribed target for a balanced board composition is a minimum of 30% male and female representatives. This statutory target was effective in Dutch legislation as per 13 April 2017 but expired on 1 January 2020. In meantime, on 3 December 2019, Dutch parliament accepted three motions encouraging the cabinet to accept the recommendations of the Dutch Social and Economic Counsel (SER) in their advisory report "Diversity in the boardroom: Time to accelerate", which discusses the obstacles to greater cultural and gender diversity in the boardroom and possible solutions. One of the SER recommendations is the introduction of a 30% quotum for both women and men, to be implemented in stages, for the supervisory boards of listed companies. If a man is appointed to a vacancy on a supervisory board where less than 30% of the seats are occupied by women, the appointment would be declared invalid and the vacancy would remain open (the 'empty seat principle'). Once new diversity legislation comes into effect, VolkerWessels shall, as a listed company, observe such rules applicable to it. At the date of this annual report there is no legislative proposal yet regarding this topic. However, the Dutch government announced that it soon will be preparing a draft bill. As the legislative process will take some time, the new law is not expected to enter into force before 2021.

On 31 December 2019 the 30% target was not met by VolkerWessels. However, on 18 April 2019 Mrs Anja Montijn was welcomed as new and first female member of the Supervisory Board. In case of open positions, the Supervisory Board prepares a profile based on the required educational and professional background and in the search will actively seek for female candidates and candidates with a different nationality. Where required a professional executive search firm is engaged to support the search process. In case of evenly suitable candidates, these candidates will have the preference.

The construction industry has not been able to attract many female employees in the past. We expect that changes in industry to (inter alia) more sustainable development, digitalisation and data management will also make the construction sector more attractive to female employees. It is the inflow of young talent that is needed over time to build sufficient internally trained and educated employees for higher ranked management positions. This particularly applies to female employees at this time. The Supervisory Board commits itself to ensure diversity in education, professional background, nationality, age and gender when selecting new candidates for the Management Board and the Supervisory Board. In addition, the Supervisory Board seeks to maintain a balance in the experience and affinity with the nature and culture of the business of VolkerWessels. In this respect the Supervisory Board closely monitors the number of female talent in the organisation for succession planning purposes.

General Meetings of Shareholders

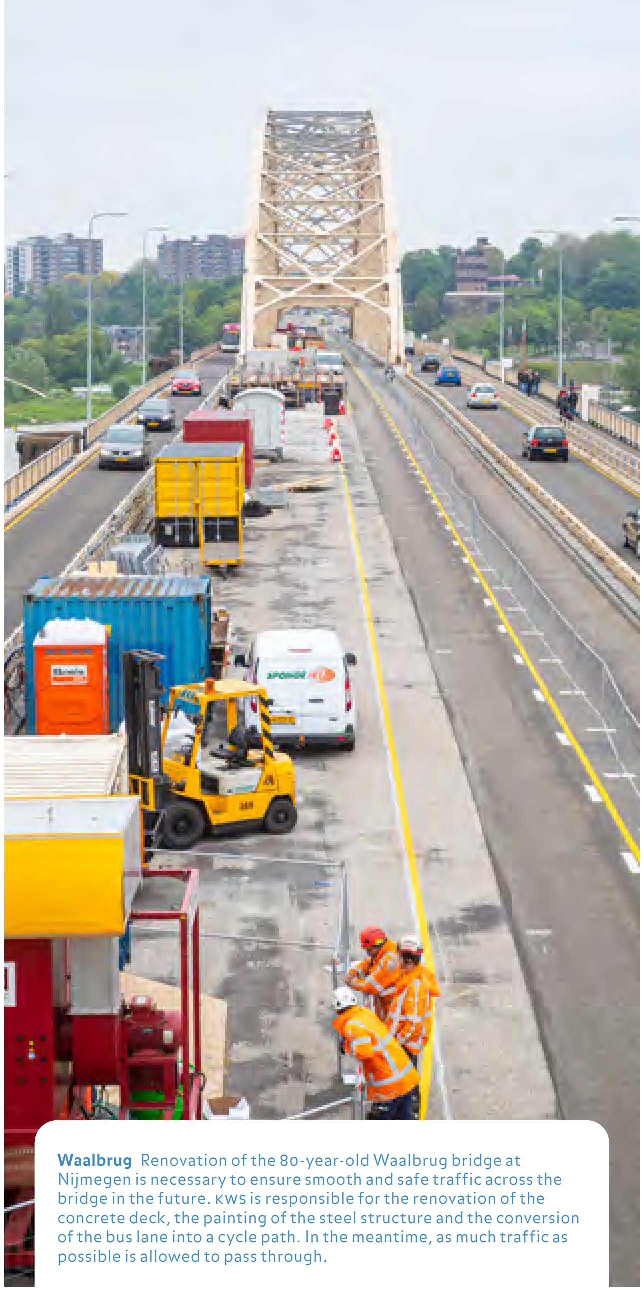
The functioning of General Meeting of Shareholders and the main powers and rights of shareholders individually, including how these may be exercised, are recorded in the relevant parts of the Dutch Civil Code in combination with the articles of association of VolkerWessels and Dutch law.

Management Board and Supervisory Board

VolkerWessels applies a two-tier board model, whereby management and supervision are separated and kept in balance. The members of the Management Board are appointed and dismissed by the Supervisory Board. In the event of an appointment of a Managing Director, the Supervisory Board shall inform the General Meeting of Shareholders in advance of the proposed appointment. In the event of a contemplated suspension or dismissal, the Supervisory Board shall first consult with the General Meeting of Shareholders. In general, members of the Supervisory Board are appointed by the General Meeting of Shareholders at the recommendation of the Supervisory Board, with the Works Council having the right to nominate one-third of the members of the Supervisory Board. Members of the Supervisory Board may be suspended by the Supervisory Board, after which VolkerWessels must submit a request for dismissal within one month of the commencement of the suspension. The General Meeting of Shareholders can file a motion for dismissal of a Supervisory Director with the Enterprise Chamber of the District Court (Ondernemingskamer) for dereliction of duty or other serious reasons or on account of a far-reaching change of circumstances as a result of which VolkerWessels cannot reasonably be expected to allow the person to remain in office as a member of the Supervisory Board. We refer to a more detailed description in the articles of association, the Management Board Rules and Supervisory Board Rules (published on the website). These include a description of the procedures governing the appointment and dismissal of both the Management Board and Supervisory Board members, as well as the functioning of both corporate organs. The composition of the Management Board and the Supervisory Board can be found on pages 17 and 11. A general description of the tasks and composition of the Audit Committee, Remuneration Committee and the Selection and Governance Committee is included in the Supervisory Board report and a more detailed overview of the functioning of the committees can be found on the company's website where the applicable committee rules are published as well as the Management Board rules and Supervisory Board rules.

The General Meeting of Shareholders may pass a resolution to amend the articles of association (or to dissolve the company), with an absolute majority of the votes cast, but only upon a proposal by the Management Board that has been approved by the Supervisory Board. In general, decisions to issue shares shall be taken by the General Meeting of Shareholders or the Management Board (subject to the Supervisory Board's approval) if the General Meeting of Shareholders authorises the Management Board to do so. By resolution of 18 April 2018, the General Meeting of Shareholders authorised the Management Board for a period of 18 months as from 18 April 2019 until 18 October 2020, subject to the approval of the Supervisory Board, to issue ordinary shares, to grant rights to subscribe for ordinary shares and to restrict or exclude pre-emptive rights of existing shareholders, up to a maximum of 10% of the issued capital of the company as of the date of the General Meeting of Shareholders. For further details regarding the issuance or repurchase of shares by the company as well as the reduction of capital, please refer to the articles of association.

By resolution of 24 April 2017, the General Meeting of Shareholders authorised the Management Board to implement an anti-takeover measure within five years after the IPO consisting of the possibility of the issuance of preference shares to an outside foundation, in conformity with Dutch law and practice. The possibility of issuing preference shares is an anti-takeover measure, as it affords the foundation the power to prevent or bring about resolutions of the General Meeting of Shareholders. To this end, after its incorporation, the foundation will be granted a call option by VolkerWessels. The foundation may exercise the call option subject to Reggeborgh Holding, directly or indirectly, holding less than 20% of the issued ordinary shares. On each exercise of the call option, the foundation is entitled to subscribe for up to a maximum corresponding with 100% of the issued ordinary shares outstanding immediately prior to the exercise of the call



Waalbrug Renovation of the 80-year-old Waalbrug bridge at Nijmegen is necessary to ensure smooth and safe traffic across the bridge in the future. KWS is responsible for the renovation of the concrete deck, the painting of the steel structure and the conversion of the bus lane into a cycle path. In the meantime, as much traffic as possible is allowed to pass through.

option, less one ordinary share. The foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. The call option yet to be granted can be exercised by the foundation in order to but, inter alia, not limited to: (i) prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of shares by means of an acquisition at the stock market or otherwise; and/or (ii) prevent and countervail concentration of voting rights in the General Meeting of Shareholders; and/or (iii) resist unwanted influence by and pressure from shareholders to amend the strategy of the Management Board. If the foundation exercises the call option, VolkerWessels must issue the corresponding number of preference shares to the foundation. If preference shares are issued to the foundation, the Management Board must convene a General Meeting of Shareholders within 22 months after the date on which the preference shares have been issued for the first time, or within 60 days after the foundation has submitted a proposal to the General Meeting of Shareholders for the repurchase or cancellation of all preference shares held by the foundation.

The foundation will perform its role, and take all actions required, at its sole discretion. The foundation shall exercise the voting rights attached to the preference shares issued to the foundation, independently, in accordance with its objects according to its articles of association. The foundation is to be managed by a board of which all members will be independent from VolkerWessels. The foundation will thus meet the independence requirement set out in Section 5:71(1)(c) of the Dutch Financial Supervision Act. At the date of publication of this 2019 annual report the foundation was not yet incorporated.

Related party transactions
Note 36 to the financial statements forming part of this 2019 annual report provides for an overview of all related party transactions, including those with Reggeborgh entities. Annex II of the Management Board Rules of VolkerWessels (available on our website, section corporate governance) provides for the Related Party Transactions Policy. This policy explicitly includes a procedure regarding transactions with Reggeborgh related parties requiring Supervisory Board approval, which procedure has been duly observed in 2019. Best practice provision 2.7.5 of the Code has been and will be complied with in this respect.

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

a. The capital structure of the company, the various types of shares as well as the rights and obligations associated with them, and the percentage of issued capital represented by each type:
   - The authorised capital of VolkerWessels consists of 300,000,000 shares, divided into 150,000,000 ordinary shares and 150,000,000 preference shares, all with a nominal value of €0.01 per share. The total authorised capital amounts to €3,000,000. The issued share capital of €800,000 consists of 80,000,000 ordinary shares with a nominal value of €0,01 each. At the date of publication of this 2019 annual report no preference shares were issued.

b. Any limitation by the company on the transfer of shares or depositary receipts for shares issued with the cooperation of the company:
   - Not applicable: VolkerWessels does not impose any limitation on transfer of shares or depositary receipts issued with the cooperation of VolkerWessels, other than the transfer restriction of preference shares which would require prior approval of the Supervisory Board.

Since no preference shares have been issued no transfer restriction applies.

c. Holdings in the company for which a reporting obligation exists under Articles 5:34, 5:35 and 5:43 of the Financial Supervision Act (Wft):
- On 31 December 2019 Reggeborgh Holding BV holds 72.03% of the issues and outstanding share capital of VolkerWessels.

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

e. The mechanism for controlling any arrangement granting employees the right to subscribe to or acquire shares in the capital of the company or a subsidiary when the control is not directly exercised by the employees:
- Not applicable: VolkerWessels does not have an employee share participation plan nor an employee share option plan. The share incentive plan for the members of the Management Board and certain key managers is explained in note 37 (Management Remuneration) on pages 178 and 179, paragraph Share incentive as well as in the Remuneration report which will be published on the company's website.
  The company itself is not a party to this Share incentive plan and the company does not, nor do its employees, control the Share incentive plan. The granting of shares to members of the Management Board and key managers is undertaken at the sole discretion of Reggeborgh Holding BV. Upon prior approval of the Remuneration Committee of the Supervisory Board, the Management Board may make proposals to Reggeborgh to grant shares to key managers.

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

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

h. The provisions for appointing and dismissing Management and Supervisory Board members, as well as for amending the Articles of Association:
- This information is included in the Corporate Governance section of this annual report on pages 80 and 81 in the paragraph entitled "Management Board and Supervisory Board".

i. The powers of the Management Board, particularly the powers to issue shares in the company and have the company acquire its own shares:
- This information is included in the section Corporate Governance of this annual report on pages 80 and 81 in the paragraph titled "Management Board and Supervisory Board".

j. Important agreements to which the company is a party and that are created, amended or dissolved under the condition of a change of control over the company after the issuing of a public bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft), as well as the consequences of such agreements, unless the agreements or their consequences are of such nature that the company would be seriously damaged by their revelation:
- On page 162 (note 28 – Loans and other financing obligations) the paragraph titled Committed credit facility mentions that the RCF (the €600 million Revolving Credit Facility) contains customary mandatory prepayment events including change of control (which does not apply to a further divestment of shares by Reggeborgh nor an acquisition of shares by Reggeborgh). The same applies to the €150 million committed guarantee facility. There are no other agreements with VolkerWessels that contain similar change of control stipulations.

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

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

The following principles govern VolkerWessels' approach to tax:

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

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

Hes Hartel Tank Terminal Van Hattum en Blankevoort, together with partners, are building a quay for the new tank terminal for HES International in Rotterdam. The project includes a 350-metre jetty with four berths, a 1,100-metre inland waterway quay wall and a 1,200-metre deep sea quay wall, where even the largest seagoing tankers can moor.

Remuneration report

Management remuneration

Remuneration Policy
The remuneration of the members of the Management Board is determined by the Supervisory Board upon proposal by the Remuneration Committee. The remuneration proposal for each individual member of the Management Board is based on the remuneration policy as approved by the general meeting of shareholders on 24 April 2017. The total remuneration contains fixed components (Base pay and Pension benefits) and variable components (Short-term Incentive (STI) and Management participation plan) as set out below in this remuneration report. The Remuneration Committee ensures that the performance metrics used in the company's variable remuneration incentive plans hold the Management Board members accountable for the successful development and implementation of the strategy, thus achieving a contribution by the remuneration linked to the company's long term performance. The remuneration policy is based on the following remuneration principles:

- it enables the company to attract, motivate and retain qualified Management Board members;
- it provides for a market competitive remuneration package that is focused on achieving sustainable financial and non-financial results aligned with the long-term strategy of the company and fosters alignment of interests of Management Board members with customers, employees, shareholders and society; and
- it's simple, clear and transparant.

The remuneration report is prepared in due observance of the revised European Shareholder Rights Directive (SRD) as implemented into the Dutch Civil Code as per 1 December 2019. This new legislation aims to increase shareholder engagement in listed companies and shareholders will have more influence in remuneration of the company's executives. As a consequence, one of the newly added elements in this report is the annual change comparison on page 88. This table shows the annual change of remuneration of the individual members of the Management Board, compared to the average employee remuneration and the company's performance over the years 2017-2019. Under the new legislation this annual change comparison should provide information regarding the 5-year development. However, the available information in respect of the years prior to the company's listing in 2017 is not comparable to the remuneration information as of the company's IPO in 2017 and would lead to an inconsistent comparison. This is also applicable for the remuneration of the members of the Supervisory Board. On that basis it was decided to limit the comparison for the remuneration of the members of the Management Board and the Supervisory Board to the years as of 2017 instead of showing the 5-year development. One of the other implications of the implemented SRD is that the remuneration policy of listed companies should be submitted for approval to the company's annual general meeting each 4-year period. Depending on the outcome of the offer by Reggeborgh Holding on all issued shares in the company, the company's remuneration policy will be submitted for approval by the general meeting of shareholders in 2020.

Management Board
The performance based remuneration proposal for the Management Board's performance in 2019 was discussed between the Remuneration Committee and the Management Board. When discussing this, attention was paid to best practice provision 3.1.2 of the Dutch Corporate Governance Code.

The compensation paid or payable to the Management Board for their services provided in 2019 is shown below:

Amounts in thousands of euros	Base pay	Pension benefits	Short-term incentive	Management participation plan	Subtotal[1]
J.A. de Ruiter (chairman)	581	158	556	541	1,836
J.G. van Rooijen	581	126	568	541	1,816
A. Vos	581	128	581	541	1,831
D. Boers	581	146	570	541	1,838
A.R. Robertson	581	116	538	541	1,776
Subtotal	2,905	674	2,813	2,705	9,097
H.J. van der Kamp[2]	93	30	–	–315	–192
Total	2,998	704	2,813	2,390	8,905

1 Subtotal is excluding share incentive charge. Please refer to the second table in this report on page 91.
2 Base salary and pension benefits till 1 March 2019.

Mr H.J. van der Kamp resigned as member of the Management Board with effect from 31 August 2018. The employment of Mr Van der Kamp terminated as per 1 March 2019. In 2019, Mr Van der Kamp received a severance payment of €559.625 as part of his resignation arrangement. This payment was already accounted for in 2018 (see column Termination benefits in table below regarding 2018 compensation). Mr Van der Kamp and VolkerWessels agreed to release Mr Van der Kamp from his non-compete obligations enabling him to commence working as manager director of the Van Gelder Groep as of 1 May 2019. In consideration hereof Mr Van der Kamp agreed to not receive any payment under the Management participation plan related to the 2018 financial year and to hand back 40,000 shares under the Share incentive plan to Reggeborgh Holding BV.

The compensation paid or payable to the Management Board for services provided in 2018 is shown below:

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

1 Subtotal is excluding share incentive charge. Please refer to the third table in this report on page 91.

General
The remuneration package as a whole contributes to the company's long term performance which is most significantly reflected by the management participation plan as described below and STI being based on the (individual) performance on both financial criteria (50%) and non-financial criteria (50%). Next to operational excellence, the non-financial criteria include corporate social responsibility criteria in respect of safety, integrity and sustainability. The base salaries have been adjusted based on the collective labour agreement for the Dutch construction sector to which VolkerWessels is a party. All elements of the remuneration package are in conformity with the remuneration policy.

Base pay
This represents a fixed cash remuneration consisting of the base salary including holiday allowance.

Pension and other benefits
This reflects the individual pension obligation paid out for participation in VolkerWessels' pension scheme, similar to the other VolkerWessels employees in the Netherlands who are not covered by a collective bargaining agreement or industrial pension fund. It includes an additional compensation payment for the pension entitlement relating to the part of the salary that exceeds the amount established for Dutch tax purposes on which the company can make a tax deductible contribution to a pension fund, as established from time to time. In addition, the members of the Management Board are eligible for other pension related benefits, such as life insurance, as determined by the Supervisory Board from time to time.

The Management Board members also received expense reimbursements as well as a company car. The expense reimbursement is intended to compensate for expenses incurred and is not included in the remuneration schedule.

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

The basis for the 2019 payment under the STI scheme is the balanced scorecard 2019 which has been set for each individual board member. The KPI's for the balanced scorecard 2019 are 50% financially driven (operational EBITDA, EBITDA margin, free cash flow and return on capital employed); 25% is driven by operational excellence targets and the remaining 25% is driven by safety, integrity and sustainability KPI's. For both the chairman and the CFO, the financial KPI's are based on the aggregate group numbers. For the board members with direct responsibility for the divisions, the financial KPI's (50% of total balanced scorecard) are for 20% determined at the aggregate group numbers and for 30% on the divisional numbers. Operational excellence KPI's are designed at the level of responsibility of each board member. The KPI's for safety, integrity and sustainability partly overlap, or partly vary, for each board member. Due to the commercial sensitivity the individual management board members' targets shall not be disclosed in the table below. The chairman of the Management Board discusses the results on the balanced scorecard with each of the board members and makes a recommendation of the payments under the STI scheme to the Remuneration Committee. The payment under the STI scheme for the chairman of the Management Board is proposed by the Remuneration Committee. All payments are subsequently discussed and approved by the Supervisory Board.

Performance measurement of the Management Board (STI)
Based on the results over 2019, the STI payments for each individual board member has been set as presented in the table below:

	Performance criteria	Relative weighting	Measured performance	Weighted
J.A. de Ruiter	■ Financial performance[1]	50%	125%	63%
	■ Operational excellence	25%	100%	25%
	■ Safety, integrity & sustainability	25%	128%	32%
		100%		120%
J.G. van Rooijen	■ Financial performance	50%	125%	63%
	■ Operational excellence	25%	110%	27%
	■ Safety, integrity & sustainability	25%	128%	32%
		100%		122%
A. Vos	■ Financial performance (aggregate group numbers)	20%	125%	25%
	■ Financial performance (divisional numbers)	30%	98%	29%
	■ Operational excellence	25%	147%	37%
	■ Safety, integrity & sustainability	25%	152%	38%
		100%		129%
D. Boers	■ Financial performance (aggregate group numbers)	20%	125%	25%
	■ Financial performance (divisional numbers)	30%	149%	45%
	■ Operational excellence	25%	88%	22%
	■ Safety, integrity & sustainability	25%	123%	31%
		100%		123%
A.R. Robertson	■ Financial performance (aggregate group numbers)	20%	125%	25%
	■ Financial performance (divisional numbers)	30%	108%	33%
	■ Operational excellence	25%	92%	23%
	■ Safety, integrity & sustainability	25%	140%	35%
		100%		116%

[1] For each member of the Management Board the Financial performance criterion is divided into sub-criteria and weighting as follows: EBITDA - 40%, EBITDA margin - 20%, Free cash flow - 20% and ROCE (EoY based on EBIT) - 20%.

The balanced scorecard 2020 will follow a similar division in KPI's as the balanced scorecard 2019.

The chairman of the Management Board J.A. de Ruiter has been awarded a short-term incentive for 2019 equal to 120% of his 'at target' short term incentive (equal to 80% of the base pay) in view of the achievement of targets set for 2019.

Board member J.G. van Rooijen has been awarded a short-term incentive for 2019 equal to 122% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

Board member A. Vos measured performance of targets set for 2019 was 129%. Based on this performance the maximum pay-out of the annual base pay of €581,000 has been awarded.

Board member D. Boers has been awarded a short-term incentive for 2019 equal to 123% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

Board member A.R. Robertson has been awarded a short-term incentive for 2019 equal to 116% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

Management participation plan
The members of the Management Board are eligible to participate in VolkerWessels' long-term management participation plan. Together with a group of over 200 managers, the members of the Management Board may share in the profits of VolkerWessels by holding, through a management investment company, a leveraged profit participating loan, which instrument has been issued by VolkerWessels. Participation in the management participation plan is subject to a (limited) investment by, and the continued employment of, the participants with VolkerWessels.

The management participation plan is intended to drive sustainable long-term performance through cash-backed earnings with due regard of the risk-appetite of VolkerWessels and to foster alignment of interests of the participants with

shareholders. The interest on the profit participating loan is dependent on the financial performance of VolkerWessels as a whole and is calculated as a percentage of the operational profit before tax.
At the end of each performance year, once the financial statements for that year are finalised, the interest payments to the management investment company (and therefore to the participants) are made. At that time, one-third of the entitlement is paid out, whilst the remaining two-thirds is deferred in two equal annual instalments. Deferred payments can be adjusted downwards, in part or in full, if VolkerWessels incurs losses in future years or the management participation plan entitlement over a certain performance year has been based on incorrect data. In addition, good and bad leaver provisions apply. In unforeseen circumstances, the Supervisory Board may adjust or terminate the management participation plan, in whole or in part, without the approval of the participants being required.

The benefits due to the Management Board under the management participation plan amounted to €2.4 million for the year 2019, payable in the years 2020-2022.

The benefits due to the Management Board under the management participation plan amounted to €2.8 million for the year 2018, payable in the years 2019-2021.

Other
The members of the Management Board have been granted shares under the share-incentive plan (refer to page 90).
No loans or advances have been granted to members of the Management Board and none of the members of the Management Board received any form of compensation from subsidiaries or other entities consolidated at the level of VolkerWessels. In addition no revision or clawback of any incentives occurred in 2019.

Pay ratio
In compliance with best practice provision 3.4.1 (iv) of the Dutch Corporate Governance Code we report on the ratio between the pay of the Management Board members and the other employees within VolkerWessels as from financial year 2017. For this pay ratio calculation we use the remuneration obtained, including base pay, pension benefits, short-term incentive and management participation plan and excluding share incentive. We compare the average pay of the five Management Board members with the average pay of all other employees within VolkerWessels.

	Management Board			Other employees		
Amounts in thousands of euros	2019	2018	2017	2019	2018	2017
Average number of FTEs	5.0	4.67	4.83	17,039	16,625	16,174
Employee benefit expenses[1]	9,097	7,825	8,125	1,268,209	1,246,445	1,160,094
Average pay	1,819	1,675	1,682	74	75	72

1 Excluding employee benefit expenses for Mr H.J. van der Kamp in 2018 and 2019.

The pay ratio (calculated as: Average pay of Management Board / Average pay of other employees) in 2019 is 24.58 (2018: 22.33 and 2017: 23.36).

Annual change remuneration comparison table [1]
The following table consists an overview of the relationship between remuneration and the company's financial performance (in thousands of euros):

	2019	2018	2017
J.A. de Ruiter (chairman)	1,836	1,652	1,566
J.G. van Rooijen	1,816	1,620	1,652
A. Vos	1,831	1,763	1,719
D. Boers	1,838	1,661	1,671
A.R. Robertson[2]	1,776	1,128	–
Subtotal	9,097	7,824	6,608
H.J. van der Kamp[3]	–192	1,585	1,517
Total	8,905	9,410	8,125
Average pay Management Board[4]	1,819	1,675	1,682
Average pay other employees	74	75	72
Pay ratio	24.58	22.33	23.36
Financial performance[5]			
EBITDA	269	251	265
EBITDA margin	4.1%	4.2%	4.6%
ROCE	25.80%	20.10%	21.80%
Free cash flow	267	155	231

1 Remuneration is excluding share incentive charge.

2 Appointed as member of the Management Board with effect of from 3 May 2018. Remuneration in table as from 3 May 2018.

3 Employment of Mr Van der Kamp terminated as per 1 March 2019.

4 Average pay 2019 and 2018 excluding Mr Van der Kamp.

5 2019 excluding IFRS 16

Supervisory Board

The remuneration paid or payable to the Supervisory Board for services is shown below:

Amounts in thousands of euros	2019	2018	2017
J.H.M. Hommen[1]	90	90	58
H.M. Holterman[2]	70	70	58
S. Hepkema[2]	70	70	45
R.J.H.M. Kuipers[3]	18	70	55
F. Verhoeven[4]	70	46	–
A.H. Montijn-Groenewoud[5]	50	–	–
E. Blok[5]	50	–	–
D. Wessels[6]	–	–	55
Total	418	346	271

[1] Appointed as Chairman of the Supervisory Board with effect from 12 May 2017.

[2] Appointed as member of the Supervisory Board with effect from 12 May 2017.

[3] Resigned from the Supervisory Board with effect from 18 April 2019.

[4] Appointed as member of the Supervisory Board with effect from 3 May 2018.

[5] Appointed as member of the Supervisory Board with effect from 18 April 2019.

[6] Deceased on 21 November 2017.

As of 12 May 2017 the compensation for the chairman of the Supervisory Board has been set at €90,000 per year and the compensation for each of the other Supervisory Board members has been set at €70,000 per year.
The remuneration of the Supervisory Board is not directly linked to the performance of the company.

The compensation paid in 2019 includes the remuneration for Mr Blok (as from 18 April 2019), Mr Hepkema, Mr Holterman, Mr Hommen, Mr Kuipers (until 18 April 2019), Mrs Montijn-Groenewoud (as from 18 April 2019) and Mr Verhoeven. Other than the compensation in the table referred to above, no compensation for expenses, costs or else was paid to any of the members of the Supervisory Board in 2019.

The compensation paid in 2018 includes the remuneration for Mr Hepkema, Mr Holterman, Mr Hommen, Mr Kuipers and Mr Verhoeven (as from 3 May 2018).
The compensation paid in 2017 includes the remuneration for Mr Holterman, Mr Kuipers and Mr Wessels and as from 12 May 2017 for Mr Hommen and Mr Hepkema.

No shares have been granted to the members of the Supervisory Board. As at 31 December 2019 Mr Hommen holds 13,000 shares (31 December 2018: 13,000 shares) in the company, which were acquired on a personal title. As at 31 December 2019 Mr Verhoeven holds 5,441 shares in the company (31 December 2018: 5,441 shares), which were acquired on a personal title and also at 31 December 2019, Mr Hepkema holds 5,000 shares in the company (31 December 2018: 5,000 shares), which were acquired on a personal title. The other members of the Supervisory Board do not (directly) hold any shares in VolkerWessels. However, Mr Holterman is the solely authorised director of Reggeborgh Holding BV (indirectly through Reggeborgh Bestuur BV) and as such a non-independent Supervisory Board member as referred to in best practice principles 2.1.7 and 2.1.8 of the Code. Reggeborgh Holding BV is the majority shareholder of VolkerWessels. There have been no loans or advances granted to the members of the Supervisory Board.

Share incentive

On 12 May 2017, Reggeborgh Holding BV granted a one-off share incentive, on an after tax basis, to the members of the Management Board and to other key managers to ensure a smooth transition from a privately held company to a publicly held company. The financial costs of these incentive shares (including any shares granted after 12 May 2017) – including any taxes – are and will be borne by Reggeborgh Holding BV. These ordinary shares are placed in a blocked securities account and are subject to a lock-up period as set out below.

The chairman of the Management Board was granted 70,000 ordinary shares and each of the other Managing Directors were granted 110,000 ordinary shares. The additional 40,000 ordinary shares for each Managing Director (other than the chairman of the Management Board) reflect their contribution prior to 2017. The 70,000 ordinary shares that are granted to the chairman of the Management Board would, in accordance with the original share incentive plan, be released to him one day after the general meeting of the company in 2020, on the condition that he continues to be employed by VolkerWessels on such date. For the other Managing Directors, 20,000 ordinary shares have been released from lock-up one day after the general meeting of the company in 2018 and an additional 20,000 ordinary shares have been released one day after the general meeting of the company in 2019.
The remaining 70,000 ordinary shares would, in accordance with the original share incentive plan, be released one day after the general meeting of the company in 2020, on the condition that the relevant Managing Director continues to be employed by the company on these dates. However, as part of the offer by Reggeborgh Holding on all issued shares in the company, it has been agreed that the lock-up on the incentive shares until the general meeting in 2020 shall be released in order to enable the tendering of these shares under the offer.

In November 2018, Mr Vos has been granted 20,000 additional shares. In June 2018, Mr Robertson was granted 35,000 additional shares as incentive for joining the Management Board on 3 May 2018. In 2019, the members of the Management Board have received an additional 4,000 shares per person as reward for their performance in 2018.
Both the 20,000 additional shares for Mr Vos and the 35,000 additional shares for Mr Robertson as well as the grant of 4,000 shares to each member of the Management Board in 2019 have been granted under the same conditions as the other shares being granted to the Managing Directors.

At the end of each reporting period, VolkerWessels revises its estimates of the number of shares that are expected to vest based on the lock-up conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The development of the share incentive plan (in number of shares) during 2019 for the members of the Management Board and for all other participants is shown below:

	1 January 2019	Granted	Vested	Forfeited	31 December 2019
J.A. de Ruiter	70,000	4,000	–	–	74,000
J.G. van Rooijen	90,000	4,000	–20,000	–	74,000
A. Vos	110,000	4,000	–20,000	–	94,000
D. Boers	90,000	4,000	–20,000	–	74,000
H. van der Kamp	60,000	–	–20,000	–40,000	–
A.R. Robertson	50,000	4,000	–	–	54,000
Other managers	368,000	–	–	–40,000	328,000
Total granted shares	838,000	20,000	–80,000	–80,000	698,000

Under the terms of the Merger Protocol between the company and Reggeborgh Holding BV (signed on 11 November 2019), all active board members including the Supervisory Board members holding shares (Messrs Hommen, Hepkema and Verhoeven) have agreed to tender their shares to Reggeborgh Holding BV on the offer conditions.

The development of the share incentive plan (in number of shares) during 2018 for the members of the Management Board and for all other participants is shown below:

	1 January 2018	Granted	Vested	Forfeited	31 December 2018
J.A. de Ruiter	70,000	–	–	–	70,000
J.G. van Rooijen	110,000	–	–20,000	–	90,000
A. Vos	110,000	20,000	–20,000	–	110,000
D. Boers	110,000	–	–20,000	–	90,000
H. van der Kamp	110,000	–	–20,000	–30,000	60,000
A.R. Robertson	15,000	35,000	–	–	50,000
Other managers	361,500	13,500	–	–7,000	368,000
Total granted shares	886,500	68,500	–80,000	–37,000	838,000

	31 December 2019	31 December 2018	31 December 2017
Granted shares	858,000	955,000	886,500
Vested	–80,000	–80,000	–
Forfeited	–80,000	–37,000	–
Reserved shares for future granting	–	5,000	73,500
Total number of available and granted shares	698,000	843,000	960,000

The fair value per share of the share grant, for the share incentive participants, is determined based on the value as per grant date, taking into account a discount for the lock-up period in line with tax rules as applicable in the Netherlands. As participants receive dividend compensation the dividend yield on the awards equals nil. The most important assumptions used in the valuations of the fair values were as follows:

2017 share price at grant date (in €)	23.00
2018 weighted share price at actual grant date for other managers (in €)	18.68
discount for a one-year period (in %)	5.50
discount for a two-year period (in %)	10.00
discount for a three-year period (in %)	13.50

In 2019, a total amount for the share incentive plan (including other managers) of €4.4 million was charged to the income statement.
In 2018, a total amount for the share incentive plan (including other managers) of €6.2 million was charged to the income statement.

The charge to the income statement from 2017 until 2020 for the share incentive plan for the Management Board is summarised in the table below:

Amounts in thousands of euros	2017	2018	2019	2020	Total
J.A. de Ruiter	290	464	513	199	1,466
J.G. van Rooijen	691	834	591	199	2,315
A. Vos	691	850	787	264	2,592
D. Boers	691	834	591	199	2,315
A.R. Robertson	–	195	439	154	788
H. van der Kamp	691	511	–353	–	849
Total	3,054	3,688	2,568	1,014	10,324

The total charge to the income statement in 2019 in respect of the Management Board for the remuneration as well as the share incentive is summarised in the table below:

Amounts in thousands of euros	Remuneration subtotal	Proportion of fixed/variable remuneration	Share incentive	Total
J.A. de Ruiter	1,836	40%/60%	513	2,349
J.G. van Rooijen	1,816	39%/61%	591	2,407
A. Vos	1,831	39%/61%	787	2,618
D. Boers	1,838	40%/60%	591	2,429
A.R. Robertson	1,776	39%/61%	439	2,215
Subtotal	9,097	39%/61%	2,921	12,018
H. van der Kamp	–192		–353	–545
Total	8,905		2,568	11,473

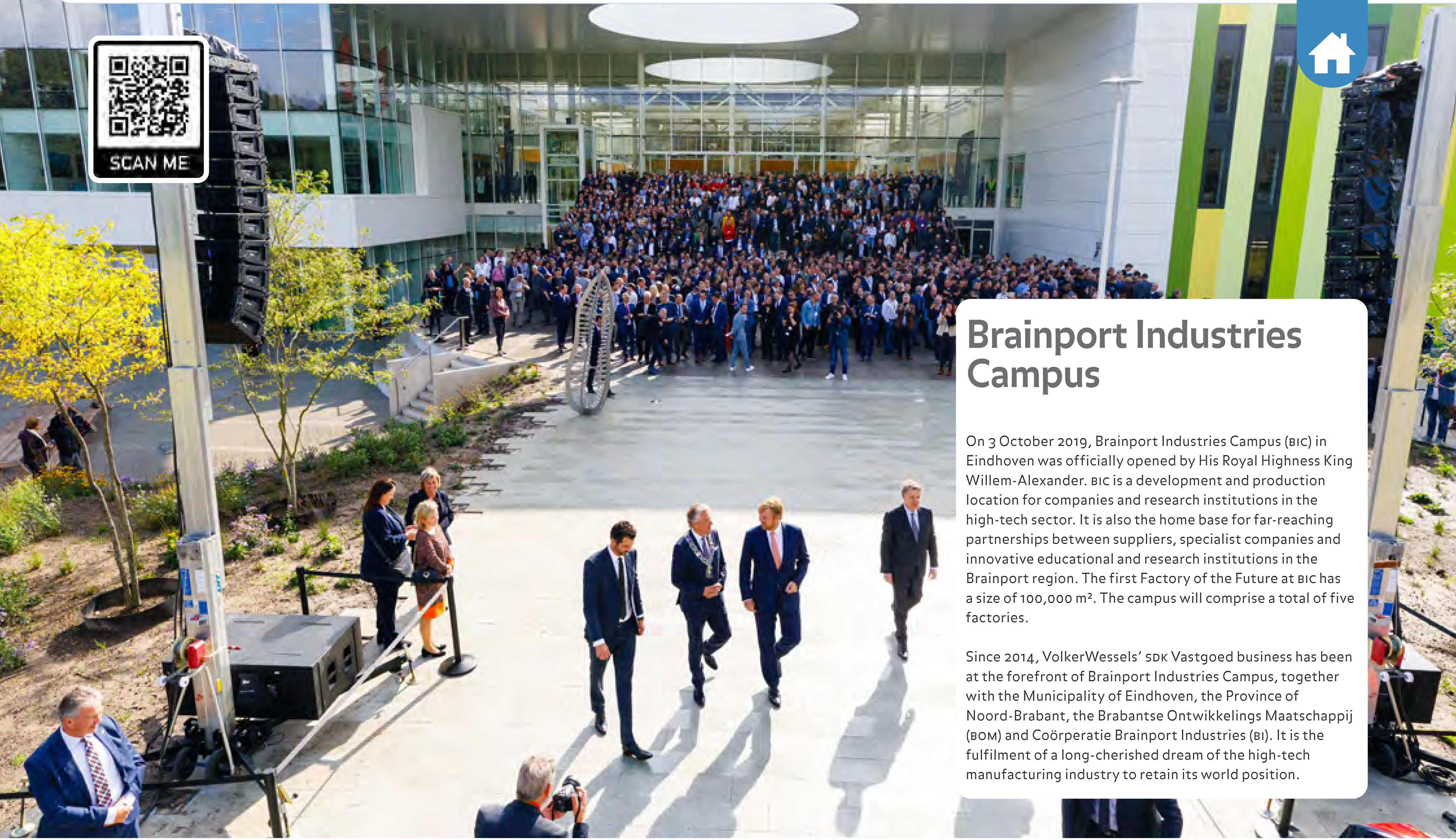
The total charge to the income statement in 2018 in respect of the Management Board for the remuneration as well as the share incentive is summarised in the table below:

Amounts in thousands of euros	Remuneration subtotal	Proportion of fixed/variable remuneration	Share incentive	Total
J.A. de Ruiter	1,652	43%/57%	464	2,116
J.G. van Rooijen	1,620	42%/58%	834	2,454
A. Vos	1,763	39%/61%	850	2,613
D. Boers	1,661	42%/58%	834	2,495
A.R. Robertson	1,128	39%/61%	195	1,323
H. van der Kamp	1,585	45%/55%	511	2,096
Total	9,410	42%/58%	3,688	13,098

Segment reports

Construction & Real Estate Development – The Netherlands

SCAN ME



Brainport Industries Campus

On 3 October 2019, Brainport Industries Campus (BIC) in Eindhoven was officially opened by His Royal Highness King Willem-Alexander. BIC is a development and production location for companies and research institutions in the high-tech sector. It is also the home base for far-reaching partnerships between suppliers, specialist companies and innovative educational and research institutions in the Brainport region. The first Factory of the Future at BIC has a size of 100,000 m². The campus will comprise a total of five factories.

Since 2014, VolkerWessels' SDK Vastgoed business has been at the forefront of Brainport Industries Campus, together with the Municipality of Eindhoven, the Province of Noord-Brabant, the Brabantse Ontwikkelings Maatschappij (BOM) and Coörperatie Brainport Industries (BI). It is the fulfilment of a long-cherished dream of the high-tech manufacturing industry to retain its world position.

VolkerWessels' Construction & Real Estate Development (C&RED) operates in residential, non-residential and industrial construction; property and urban development, technical installations and (industrial) construction materials. Our activities range from development, construction as well as Design, Build, Finance and Maintain projects. Driven by sustainable innovation and a multidisciplinary approach, our integrated projects span the entire value chain.

Construction & Real Estate Development segment's (C&RED) revenue increased by 12.0% or €253 million, to €2,358 million in 2019, mainly as a result of continuing strong market conditions in the residential construction market. The number of new homes sold increased to 2,728 in 2019 from 2,140 in 2018. EBITDA increased by €10 million to €110 million, the EBITDA margin decreased by 10 bps. EBITDA margin is stable at 4.7% compared with 4.8% over 2018.

C&RED's order book for 2020 and beyond remains very strong at almost 1.5 times the 2019 revenue.

Market developments in 2019

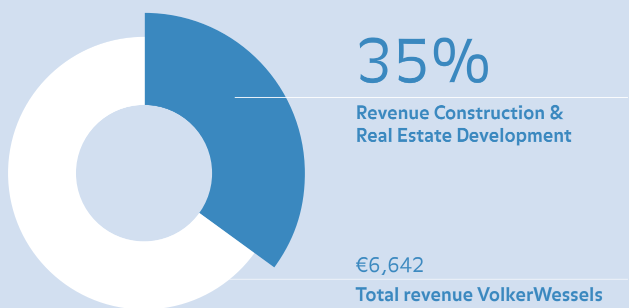
Demand in the residential market remained strong while residential price increases were levelling off. Mortgage interest rates are still low and continue to drive demand. New regulations and best practices (circular design principles) are having an upward effect on the cost price of new houses, whilst the "running costs" may actually be lower. The ruling from the State Council on nitrogen emissions at the end of May 2019, has delayed the start of certain residential and non-residential projects.

The impact of nitrogen emissions on C&RED projects in 2020 (and beyond) very much depends on the willingness or possibility of the Dutch Government to come swiftly in with new legislation regarding nitrogen emissions. With the launch of the NoNox filter we are able to limit the nitrogen emissions during the construction phase of C&RED projects.

Demand from (international) investors in residential rental products continues to be strong. This continued strong demand leads to additional market pressure especially in major cities. As a result, certain city councils are considering new regulations to curb investor demand and in particular, to facilitate first time buyers. Because of the increased prices in the Randstad conurbation, growth outside the Randstad is gathering pace.

REVENUE 2019

Amounts in millions of euros



Revenue 2019	EBITDA 2019 (excl. IFRS 16)	EBITDA margin 2019 (in %)
2,358	110	4.7%
2018: 2,105	2018: 100	2018: 4.8%

Order book 2019 (at year end)	Average number of employees
3,477	3,879
2018: 3,493	2018: 3,768

MorgenWonen
A house that is habitable fifteen days after construction begins. Sustainable, low-maintenance, affordable and with no energy costs. That is the attraction of MorgenWonen, VolkerWessels' ground-breaking building standard. The key to MorgenWonen? All the essential elements of the home are produced in the factory as plug-and-play building blocks. In 2019 450 MorgenWonen houses were constructed and sold.

In 2019 the Dutch Government agreed on a large number of measures with the aim of stopping climate change. This will result in increased renovation and maintenance projects by housing corporations, institutional investors as well as individual home owners.

The non-residential market (mainly offices) concentrates on key locations near transportation hubs, with Amsterdam being the most popular city for office development. We see growth in both new build offices as well as refurbishment of older office and or industrial buildings into state of the art office space.

VolkerWessels is closely monitoring the C&RED market. By nature our 40 or so local companies are well positioned to recognise local opportunities for urban and real estate development. We respond and act quickly to market developments and we have the means to invest. At the same time, we focus on margin over volume and have strict selection and investment criteria. Although we expect the price of materials and labour costs to consolidate the rising costs in the supply chain have increased our construction companies focus on contract management, cost control and productivity.

With our integrated and multidisciplinary business model, both our real estate development companies and our companies in the construction supply chain can benefit from the rising prices in the real estate market.

2019 highlights
We finished Brainport Industry Campus (BIC) in Eindhoven in 2019. BIC was officially opened by His Majesty King Willem Alexander on October 3, 2019. In Amsterdam, we completed construction of the new ING head office. The development of the NDSM wharf is ongoing and we finalised the construction of a logistics centre in Breda. Other projects under construction include: the Inntel hotel in Scheveningen, the Holendrecht Community Campus and the Valley in Amsterdam, the NATO complex, the Onderwijs and Cultuur Complex (Amare) in the Hague, E-Shelter at Schiphol Rijk, Wilhelminawerf and Uptoren in Utrecht and the Westcord Market Hotel in Groningen. VolkerWessels was also heavily involved in development projects including urban redevelopment projects such as the Strijp-S cultural and creative centre in Eindhoven, Paleiskwartier in Den Bosch and the Foodcenter in Amsterdam.

SCAN ME

Additions to our order book include the construction of the De Open Veste in Purmerend, the Westfield logistics centre in Eindhoven, residential units in Eindhoven, the Schiphol Trade Parc and the renovation of 226 homes in Leiden.

SCAN ME

> “We are well positioned to recognise local opportunities for urban development and real estate

We produced and sold around 450 MorgenWonen prefab single-family homes in 2019.
In 2019 we have continued to roll out digital construction (BIM), we have increased the number of building hubs and we have increased the use of Building Smarter Together (Samen Slimmer Bouwen). All significant C&RED projects are delivered using BIM.
In 2019 our centralised digital building center DigiBase successfully facilitated the education of a large number of colleagues in this field, supported various project teams and improved the recognition of business opportunities by working closely with technology partners such as Microsoft and Trimble.

Strategy

As is the case in many industries, the trend in the construction sector is towards sustainability and industrialisation. Sustainable construction is the standard and BREEAM "Excellent" is currently the minimum level requested by our clients. We believe in, and are continuing to invest in, sustainable innovation – innovation which reinforces and further improves our business. However, VolkerWessels C&RED offers much more: from zero-energy (newbuild) concepts and fully electric powered houses, to smart sustainable installations, and the use of bio-based materials. We take a pro-active approach towards our clients when it comes to sustainability. Whatever the sustainable wishes of the client may be, VolkerWessels has created its own range of concepts, and is continuing to work on new concepts, which allow us to cater for the demand across the entire market. After all, it is ultimately about what our clients and end-users demand. Thanks to our extensive experience in creating circular buildings, VolkerWessels is working actively on the implementation of the registered 'materials passport'. Market-led initiatives like this will help clients (and also the Netherlands) to become more sustainable. This is a perfect fit with VolkerWessels' vision focusing on circularity and a high standard of living. As an innovative building contractor we stand for the construction of sustainable dwellings, which offer safe living standards and working environments that offer an improved quality of life.

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

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

Valley Bold, unconventional, green and sustainable: that's Valley in Amsterdam. The building was commissioned by EDGE Technologies and designed by architect Winy Maas. Valley will be a mixed-use building with a floor area of no less than 75,000 m². Seven floors are intended for offices, catering, retail and cultural facilities. Above this will be three residential towers with a total of 198 rental apartments. Valley's most striking feature is the abundance of green that runs like a landscape – a valley – through and over the building. Between the towers there will be a beautiful public courtyard garden with several terraces connected by stairs. No two floors are the same, which creates an extra challenge for builders Boele & van Eesteren and G&S Bouw. Valley is scheduled for completion in 2021.

MAIKEL GROTERS

DIGITALISATION

Project leader at Goossen Te Pas Bouw

The paperless construction site

"The designs and building plans for our projects are largely developed in BIM and converted into handy 3D drawings. But once we are on the construction site we tend to revert to the analogue era with everything being printed off on large sheets of paper. This way of working is not only inefficient but also opens the door to mistakes. We knew there had to be a better way.

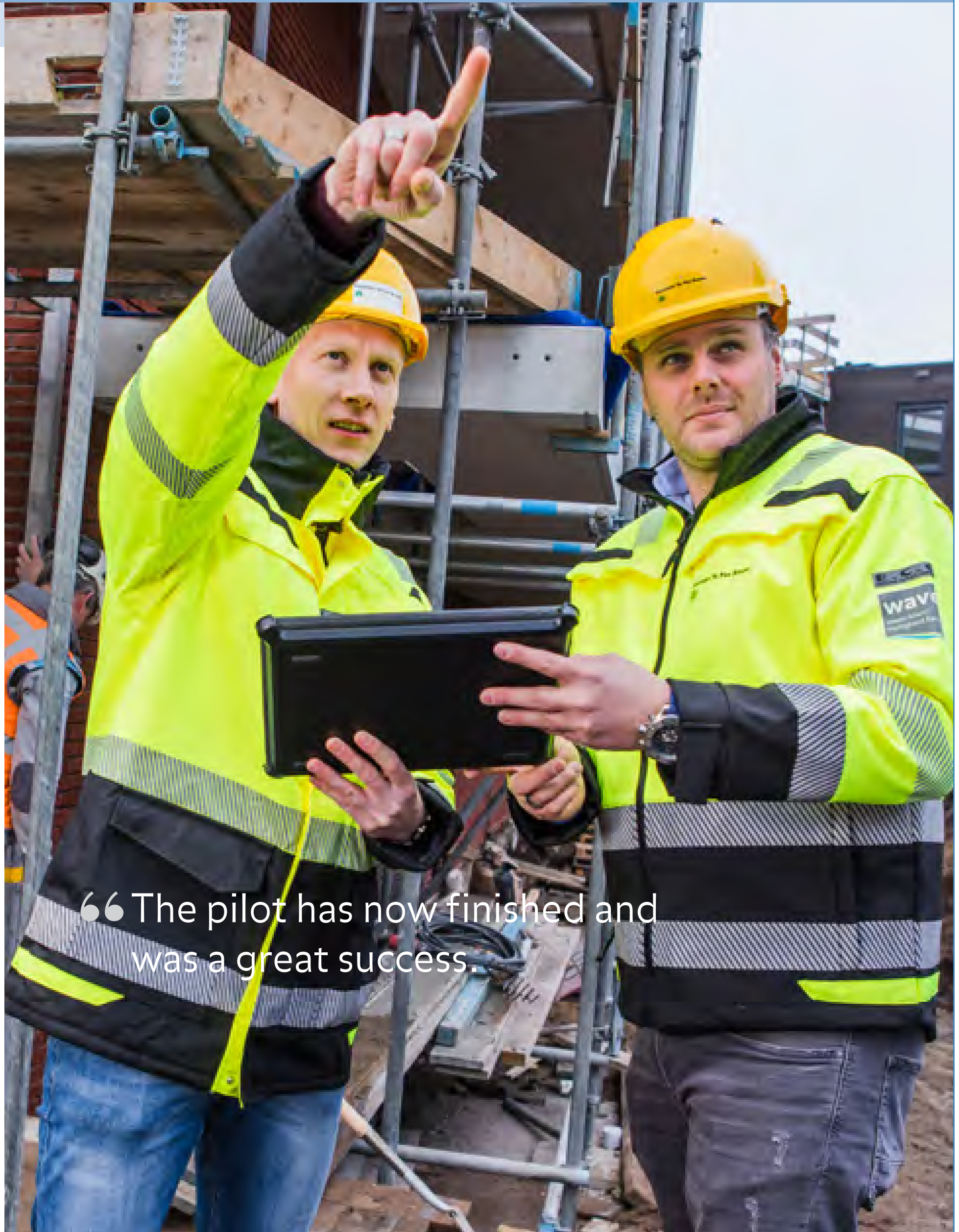
Two years ago we therefore set ourselves the objective of delivering a project without using any paper. We were able to do so thanks to the introduction of a new Document Management System (DMS), which stores all the documents that are relevant to a project. We took a very pragmatic approach, just to see what practical issues we would encounter along the way. We chose the construction of a sports and leisure centre in the Dutch town of Nijverdal as our pilot project.

We started by literally unscrewing the drawing cabinet from the wall of the site cabin. It was replaced by a large flat screen and of course a few tablets to be used on the site. We thought it would be a major challenge to get the entire site team on board, but in fact this proved to be the easiest step in the whole process. The team had all taken a DigiBase training course and could immediately see the advantage of working on a tablet. For example, previously it had been necessary to keep walking back to the site cabin, because they had a floorplan but no façade drawing. The tablet meant that they could access all the relevant information on a single screen. It also meant that the work planner in the office, the contractor in the cabin and the carpenter on the site were all working from the same version of a drawing.

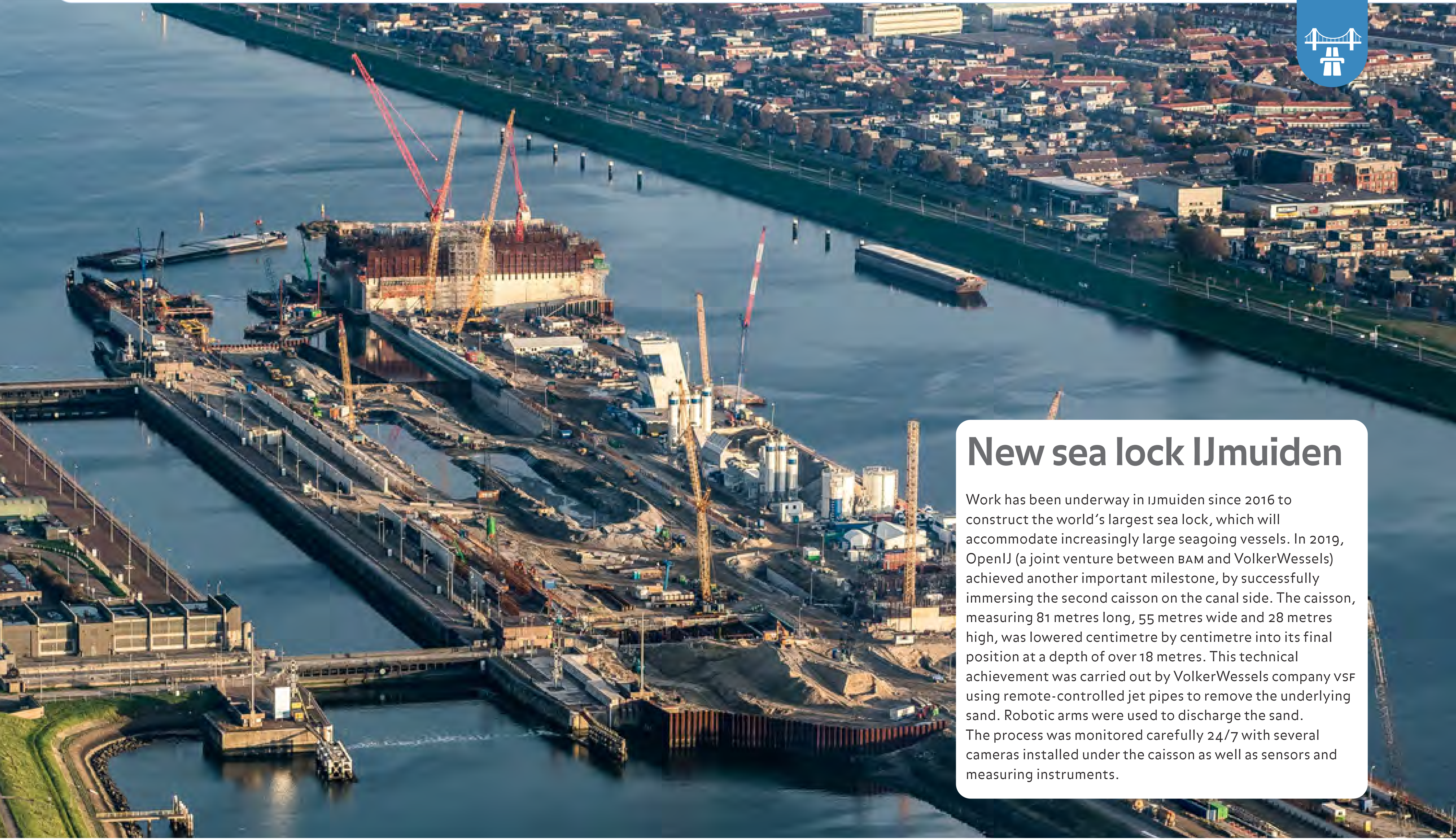
Feedback from the contractors was also very positive. They were now able to set up work schedules needed by the builders online each day, meaning that they are automatically more focused on the task and can think a step ahead. Even some of our subcontractors got involved; they could also see the added value and were able to piggyback on our pilot.

The pilot has now finished and was a great success. At the end of the day it enabled us all to work more efficiently and the failure costs were lower. It is also great to hear that the builders are now enthusiastic about digital working and do not want to go back to paper. It is satisfying to be able to get on with your work and know that everything you deliver will be good and will contribute to the end result.

Paperless construction is now being used on a number of projects and from 2020 will be applied to all new projects at Goossen Te Pas Bouw. The next challenge will be to get all of our subcontractors involved and to allow other VolkerWessels companies to benefit from our experiences. We have definitely moved into the digital age once and for all."



Infrastructure – The Netherlands



New sea lock IJmuiden

Work has been underway in IJmuiden since 2016 to construct the world's largest sea lock, which will accommodate increasingly large seagoing vessels. In 2019, OpenIJ (a joint venture between BAM and VolkerWessels) achieved another important milestone, by successfully immersing the second caisson on the canal side. The caisson, measuring 81 metres long, 55 metres wide and 28 metres high, was lowered centimetre by centimetre into its final position at a depth of over 18 metres. This technical achievement was carried out by VolkerWessels company VSF using remote-controlled jet pipes to remove the underlying sand. Robotic arms were used to discharge the sand. The process was monitored carefully 24/7 with several cameras installed under the caisson as well as sensors and measuring instruments.

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

Netherlands – Infrastructure segment's revenue increased by 7.0% or €99 million to €1,513 million in 2019. Including the provision for OpenIJ in 2018 and 2019, EBITDA increased by €20 million to €42 million. Excluding the provision for OpenIJ EBITDA performance was €15 million lower. The order book was stable at €1.7 billion at 31 December 2019.

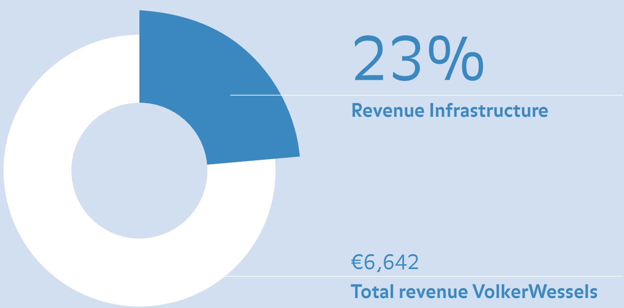
Market developments 2019

The market for multidisciplinary infrastructure projects was severely disrupted by the nitrogen, PFAS and PFOS issues from the summer of 2019 onwards. As a consequence, government entities are delaying Infrastructure projects which translates in lower capacity utilization and margin pressure going forward. We experience delays in the tendering of large new infra projects. The long term maintenance activities in Infrastructure performed well in 2019 while our project companies showed mixed results. The repair and replace market as well as projects related to water management, will increase and accelerate in the coming period. Furthermore, our Infrastructure result was impacted by restructuring costs and an impairment of €2 million on our gravel pit in Norway. Overall, we expect lower revenue in our Infrastructure segment in 2020, even in a situation when the Dutch government decides to raise the current very low deposition standard for nitrogen. Due to the nature of these businesses, a (relatively) small increase of the standard will benefit C&RED more than our Infrastructure business where nitrogen deposition – especially in the user phase – is normally higher (thus requiring a more substantial increase). We continue to focus on margin over volume, on constructive cooperation with our partners and clients, and on the quality of our order book. In addition, we are continuing to invest in measures to reduce nitrogen emissions during project delivery.

Our market position for small and medium sized-projects remains strong. In addition to numerous small and medium sized local and regional projects, we continue to work on a number of high-profile Dutch projects. Continued focus on developing and training our own people is a key focus for

REVENUE 2019

Amounts in millions of euros



Revenue 2019 **1,513** 2018: 1,414	EBITDA 2019 (excl. IFRS 16) **42** 2018: 22	EBITDA margin 2019 (in %) **2.8%** 2018: 1.6%
Order book 2019 (at year end) **1,676** 2018: 1,660	Average number of employees **4,791** 2018: 4,903	

VolkerWessels Infrastructure. Technological developments bring new opportunities but also challenges. Digitalisation, industrialisation, big data, the Internet of Things and cybercrime are playing an ever-greater role.

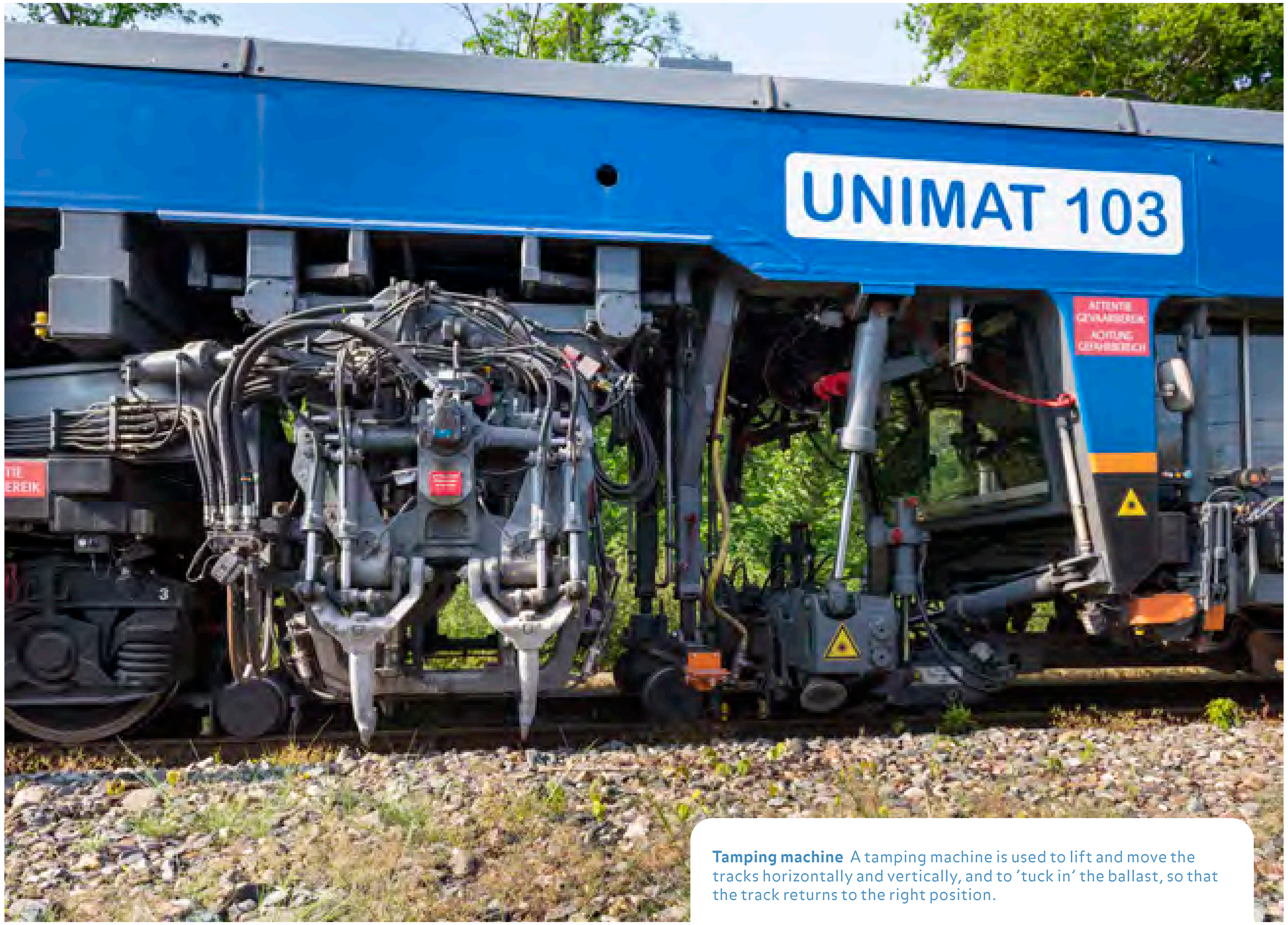
Next to e.g. PlasticRoad, we have developed a number of sustainable asphalts with 50 to 100% recycled materials which lead to decreased CO_2 emissions between 33 and 75%. To improve the manageability of projects we have developed 4P planning (more efficient use of material and people) and a digital twin system (make an identical virtual model of a future project enabling realistic technical and functional testing before building the actual project).

2019 highlights
On 10 October 2019 OpenIJ announced the successful immersion of the second – bigger – inner lock head ("binnenhoofd"). With the inner lock head now at its final position, OpenIJ successfully concluded the three key milestones it defined for itself at the beginning of 2018: the immersion of the outer lock head ("buitenhoofd"), the arrival of the lock doors in Amsterdam and the immersion of the inner lock head. The expected remaining construction time of the world's largest sea lock is around 19 months.

The completion of project OpenIJ at the end of the year is approximately 80%. During the 4th quarter the loss provision for OpenIJ was reduced by €4 million, lowering the total addition for 2019 to €4 million (and for the project to €111 million, VolkerWessels' share). The managerial target for the final project result is estimated between -/- €110 million and -/- €77.5 million (VolkerWessels' share).

VolkerWessels continues to work on the reconstruction of the Amstelveenlijn, Noorderspoort railway project, the renovation of the Waalbrug near Nijmegen, the 'Room for the River' flood protection project in the IJsseldelta, Markermeerdijken, Rotterdamse baan and a number of long term maintenance contracts for Prorail. The Amstelveenlijn and Noorderspoort tracks were closed for respectively six weeks and 17 days during summer to enable VolkerWessels to work non-stop on the projects with the aim of making the tracks earlier available for commuters. Both blockades were effectively and successfully managed leading to a minimum of inconvenience for the people living near the project.

The first two pilot projects for the PlasticRoad were successfully constructed in the Province of Overijssel in 2018. There is international interest in the PlasticRoad concept and VolkerWessels, together with partner WAVIN, is currently working on bringing it to the market on a large commercial scale.



Tamping machine A tamping machine is used to lift and move the tracks horizontally and vertically, and to 'tuck in' the ballast, so that the track returns to the right position.

Significant projects won in 2019 include a Schiphol maintenance contract and Delftse Tunnel Renovation contract. We also finalised the renovation of the Buitenveldert tunnel.

Since 1 November 2019 the Management Board of our Infrastructure segment consists of Cees de Wijs (CEO), Richard Leijnse (CFO) and Maarten van Aller (COO). This means that together with a number of changes in other management teams the repositioning of our Dutch Infrastructure segment is complete now.

> “There is international interest in the PlasticRoad concept

We continue to focus on sustainability, innovation, improving efficiency and governance. BIM is becoming increasingly important in the projects that we undertake.

Strategy
Our roots, our strength and the lion's share of our revenue lie in local regular projects; monodisciplinary works with the right risk/return ratio. In addition to local projects, we work selectively on large multidisciplinary projects. As these projects tend to bear a higher risk we expect higher returns from them. A uniform, integrated and structured way of working ensures effective management of the risks and central safeguarding of our knowledge. Our businesses put our WAVE safety programme into practice through various initiatives, and their objective is to improve their position on the Safety Ladder.

Contract management is another important aspect of large integrated projects. Contracts are becoming increasingly complex, and integrated multidisciplinary projects increasingly require expert knowledge. This gives us opportunities to set ourselves apart, but also means that we have to be agile and adapt to this market reality. We are shifting the emphasis in our organisation by combining the design departments of the various operating companies. While we remain true to our philosophy of a client-centric organisational structure with client centric entrepreneurship, we are centralising key knowledge. This will help us in our ambition to manage projects with even greater effectiveness, efficiency and discipline. We have a broad base in management and maintenance in the Dutch infrastructure sector.

Demand for preventative management and maintenance is increasing and we aim to place more emphasis on unburdening clients in this area by providing a multidisciplinary integrated range of management and maintenance services. Technological developments make the use of data not only possible but also essential. Using data is key to providing good management and maintenance services.

The development of standard concepts and systems enables us to work in a more generic way. Standardised processes such as modular construction allow for a faster and more efficient way of working and therefore reduce failure costs. To minimise failure costs we pay constant attention to managing projects, processes and risks. BIM and the LEAN-inspired group programme, Samen Slimmer Bouwen (Building Smarter together), also contribute towards the operational excellence to which we aspire.

Energy & Telecoms Infrastructure – The Netherlands

Borssele

SCAN ME

TenneT is building the Borssele Alpha and Beta transformer substations in Borssele, where the sustainably generated wind energy from four windfarms comes ashore.
As TenneT's preferred supplier for activities in the South region (Zeeland, Brabant, Limburg), Visser & Smit Hanab has installed the high-voltage cables at the new transformer substations and the connection cables with the existing high-voltage substation.

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

The revenue of our Netherlands – Energy & Telecoms Infrastructure segment increased by 15.2%, or €114 million, to €865 million. The increased revenue relates to higher volumes both in our Energy and Telecoms activities and also due to the acquisition of Volker Energy Solutions (VES) in September 2018. EBITDA increased by €5 million to €44 million in 2019. The improvement in our result was delivered by both the Energy and Telecoms companies, including our Belgian E&T activities. The order book decreased due to the volume delivered on long-term framework contracts. Underlying, the order book increased significantly.

Energy

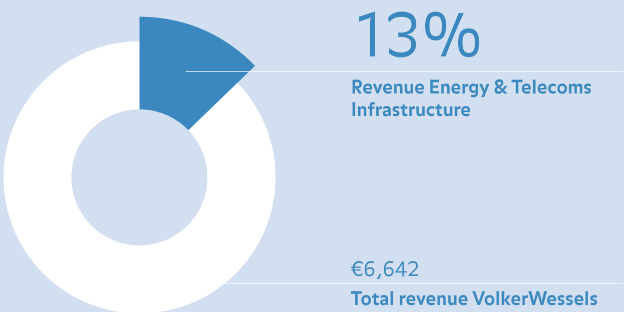
Market developments in 2019
The transition to sustainable energy sources, such as wind, solar and H2 continues to be an important driver for the demand in the energy infrastructure market in the Netherlands. VolkerWessels' energy business is focused on the associated transmission and distribution infrastructure for these energy sources.

The electricity market is affected the most by the energy transition in the Netherlands. Electrification is affecting all markets where we are active: onshore, offshore, high/medium/low voltage, connecting solar parks from solar cells into the Dutch electricity network, upgrading rail (electricity) cables, construction, installation of substations (both offshore and onshore), offshore terminations, installation of charging stations for cars, installation of smart meters in houses. We also observe more activity in the hydrogen, district heating and carbon capture storage markets, and major investments are still to come in the near future.

From design, through to work preparation, and construction, and subsequent maintenance of an installation or cable or pipeline network, this diversification of disciplines is broadening the position of VolkerWessels in the value chain. The broader scope once again calls for careful management and control of costs, risks, projects and processes.

2019 highlights
Because of the announcement of limitations to Dutch gas production (to minimise possible earth quake risks in the Groningen region) we have seen increased activity in the construction of Gas-Nitrogen mixing stations to allow for the transformation of high caloric gas into low caloric gas. We have built one station for Gasunie in Wieringermeer and we have

REVENUE 2019
Amounts in millions of euros



Revenue 2019
865
2018: 751

EBITDA 2019 (excl. IFRS 16)
44
2018: 39

EBITDA margin 2019 (in %)
5.1%
2018: 5.2%

Order book 2019 (at year end)
798
2018: 932

Average number of employees
3,178
2018: 2,950

been awarded the Gasunie Zuidbroek station in 2019. In addition we are working on high voltage cables for Tennet in Friesland and Van Oord, and on pipes and cables for the Noorderspoort railway project in the north of the Netherlands.

We are currently installing the export cable for Windpark Fryslan, a new 320 MW windfarm in the IJsselmeer. This export cable will transport wind energy for 340,000 households and this will lead to a CO_2 reduction of 800,000 tonnes annually. The project will be constructed mainly in the Afsluitdijk, one of the most important coastal defences in the Netherlands.

Our order book developed positively in 2019 with VolkerWessels remaining selective and focusing on margin over volume. In line with developments in the market, VolkerWessels has a preference for projects in which it is involved right from the initiation phase, through the construction phase, to the management and maintenance of the project.

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

To be able to help our clients as efficiently as possible, we are focussing on the digitalisation of internal and external processes, on innovation, and on increasing our number of highly skilled professionals through our own in-company training centre. VolkerWessels specialises in the connections (cables, pipes, drilling and storage) needed for the transition from fossil fuels to clean energy. Compared to fossil fuels, clean energy tends to be initiated more locally, and this has an impact on infrastructure (decentralisation of energy sources and delivery). We want to make an active and measurable contribution to projects that are demonstrably sustainable in nature. Innovative solutions such as shallow geothermal energy and initiatives like VolkerWind underline these ambitions. We are increasingly selecting clients and projects that contribute to reducing carbon emissions.

VolkerWessels is preparing to gain market share by training its own craftsmen in its own Practical Training School in Hoogeveen. This began two years ago and allows us to offer quality craftsmanship on our projects and warrant delivery that meets our customer requirements on safety, schedule and budget.

MapXact
Power failure. Flooding. No internet. The consequences of utilities damage from digging can be seen somewhere every three minutes. In the Netherlands, 1.7 million kilometres of cables and pipelines - those for water and electricity, for example - are regularly damaged during excavation and digging works.

The MapXact soil scanner offers the solution: the ability to carry out an underground inspection without digging. The soil scanner uses electromagnetic waves to look at a cross-section of the subsurface, up to a depth of eight metres and across difficult soil types and underground water holes. This makes the soil scanner a significant improvement on existing equipment.

Previously, specialists needed a few days to interpret the results of a scan, whereas the soil scanner provides a clear 3D representation of the soil in just a few minutes. The scanner automatically recognises the underground cables and pipes, and displays them on a tablet or computer screen. By using augmented reality, the images are also easy for non-professionals to interpret.

Telecoms

Market developments in 2019
Digital transformation is an important ongoing trend in the telecoms market, requiring a continuing need for fast data transmission (such as optical fibre, VDSL, IoT, Smart City, Big data, Blockchain and robotisation). Connectivity is seen as a basic need and is therefore becoming a growing commodity. The roll-out of 5G, optical fibre and IoT will have a positive impact on VolkerWessels Telecoms.

The competitive battle between providers continues. The use of data continues to grow exponentially and the demand for broadband connections grows accordingly, not only in cities but also in the countryside. VolkerWessels expects vitrification to increase in 2020. Connectivity plays an increasingly important role in solving social issues in areas such as mobility, energy efficiency, health, education, environmental protection, sustainability and safety. This also brings new opportunities. Companies including energy and utility companies encourage the use of telecoms applications such as smart meters and demand their own fibreoptic networks. The increasing demand tends to result in an upward pressure on price levels for contractors. This increased connectivity raises privacy and cyber security issues. Where vitrification is not efficient and effective the market will look to other methods to densify the network (small cells, terrestrial connection, hybrid techniques, 4G and other wireless techniques). There is an expectation that maintenance contracts will shift from corrective to preventive maintenance.

2019 highlights
VolkerWessels Telecom installed 24,000 DOCSIS cards (enabling high speed internet for more than 700,000 households) for Giganet. Giganet is a cooperation between Vodafone and Ziggo to provide ultrafast broadband and improve the use of IoT in the Netherlands.

VolkerWessels Telecoms has signed a cooperation agreement with the municipality of The Hague for the rollout of Fibre to the Home networks. A consortium of T-Mobile, Primevest Capital Partners and VolkerWessels Telecoms has been formed to roll out an open-access FTTH network on which 5G and Smart City applications can also be deployed in urban areas.

The subsidiaries Hyrde, Recognize and MapXact continue to work on digital solutions to improve smart infrastructure – for example, a fleet management tool to improve planning, navigation and registration. VolkerWessels Telecoms continued to successfully expand its activities to Germany, with the aim of remaining there for the long term. The current activities focus on the actual connection of homes and the additional servicing and management of the connectivity, in close cooperation with local German companies. Our aim is to design, build, and run projects in the same way as we do in the Netherlands.

Strategy
Telecoms strategy is based on the worldwide need for connectivity. Telecoms takes away the barriers to new applications and offers room for progress. VolkerWessels Telecoms has successfully changed from a regional organisation to a product and client-focused organisation. This strategy proved very successful in 2019, and we enhanced our portfolio by increasing the number of (large) clients. Our relationship with clients is changing from a traditional supplier to a partner. Diversification of products and clients plays a key role in our strategy. We have strengthened our position at the front end of the organisation by broadening our offering for existing and new clients: copper, co-ax and optical fibre, business and private, both in and outside the home. Where complex critical communication and other networks, design, construction, software applications (Recognize and IoT-ecosystem of Hyrde) and maintenance are concerned, we are positioned much more broadly in the value chain than previously. This life cycle enables us to better control and manage processes, projects, costs and risks. Our focus on build has been replaced by the broader proposition of design-build-operate. We are working on our proposition in the field of connectivity and smart city development. Telecoms make a substantial social contribution to quality of life by creating unlimited connectivity to homes, offices, neighbourhoods, cities and systems.

Fiberglass network T-mobile VolkerWessels Telecom is laying a brand new fibre-optic network for T-Mobile in The Hague. Fibre optics will increase the quality, stability and speed of internet and TV connections and residents will get internet at a speed of 1 Gb per second at super sharp prices.

REMCO MAST

Head of the civil and maritime design department at the VolkerWessels Infra Competence Centre

DIGITALISATION

Parametric design

"People driving on a viaduct do not give a second thought to what went into building that viaduct. Long before the first spade hits the ground, countless people have already been involved in making sure that the concrete structure is strong enough, that rainwater runs off properly and that the construction costs are kept to a minimum. The department that I am responsible for at the VolkerWessels Infra Competence Centre is responsible for issues of this kind.

Our concrete constructors, geotechnical advisers and cost experts all use their own specialised calculation programmes in the course of their work, and the outcomes of their calculations have an impact on the work their colleagues do. In the past, the various disciplines exchanged the data manually, risking errors and delay. Optimisation of structures was also difficult because it meant repeatedly going through the same process. By automating the exchange of data and linking calculations you get one big integrated calculation model. This is called parametric design.

With parametric design you start from a number of fixed criteria: how long is the span, how wide does the road need to be, what is the subsurface, etc. These criteria are input into a central model; the disciplines then work with them, and send back the results. This way of working enables us to create an initial design in a short space of time and to spend more time on optimising it. This is important because the design phase has the most influence on the eventual costs and construction time for the lowest investment.

While it might sound like a 'black box effect', at the end of the day the work is done by people. Whereas our constructors used to spend a lot of time on the calculations for a specific viaduct, now their attention has shifted to devising and then optimising the calculation model. Digitalisation of the design process is thus not an end in itself, but primarily a way of achieving standardisation.

Parametric design allows us to build on BIM (Building Information Modelling), which has been applied in the civil engineering sector for the last decade or so. BIM focuses on creating, coordinating and managing 3D models of structures and the related information; parametric design allows us to add a mathematical basis to this.

So far we have applied parametric design in designing a number of viaducts, but the principle can be applied anywhere where results of calculations are sent back and forth. I expect this way of working to become commonplace throughout the industry within the next few years, but it is still our specialists that set us apart and enable us to provide added value."

"Digitalisation of the design process is not an end in itself, but a way of achieving standardisation

United Kingdom

Luton DART

The VolkerFitzpatrick-Kier joint operation was able to open the A1081 10 hours early, following the team's installation of an 80-metre long, 1,000 tonne curved bridge, which forms an integral part of the new Luton DART fast transit system.

The bridge, which will carry each DART shuttle over the A1081, was constructed at an offsite location, adjacent to the Percival Way roundabout, over an eight month period. It was then transported half a mile to the site, using self-propelled modular transporters. The structure was raised up using jacks, positioned and carefully lowered into place.

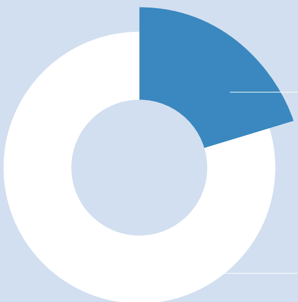
The whole operation was successfully completed over the course of three days and required significant planning and collaboration between VolkerFitzpatrick-Kier, London Luton Airport Ltd and Luton Council. The Luton DART will be a double-shuttle, fully-automated people-mover (APM) which will link London Luton Airport with Luton Airport Parkway railway station and will be capable of operating 24 hours a day, seven days a week.

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

In local currency, revenue in 2019 increased by 20% to £1,180 million following positive developments across all market sectors in which we operate. EBITDA improved in line with revenue by £6 million. The secured order book of £1.2 billion is £0.2 billion lower than the record high order book at the prior year end. The decrease in secured order book since the prior year, reflects a change in the mix of contract type in the order book with fewer high value projects and a higher level of 'zero' value framework contracts, for which specific values will only be released over the duration of the framework as individual projects are allocated. A number of key awards originally expected to have been made by end of 2019 had also been delayed into 2020 as decisions surrounding key rail projects were being reviewed by the UK Government, in particular High Speed 2 and East West Rail. A recent Government announcement has, however, now confirmed the go-ahead for the full HS2 project.

REVENUE 2019

Amounts in millions of euros, unless stated otherwise



20%
Revenue United Kingdom

€6,642
Total revenue VolkerWessels

Revenue 2019
1,344
2018: 1,116

Revenue 2019 (in GBP million)
1,180
2018: 984

EBITDA 2019 (excl. IFRS 16)
46
2018: 39

EBITDA 2019 (in GBP million)
40
2018: 34

EBITDA margin 2019 (in %)
3.4%
2018: 3.5%

Order book 2019 (at year end)
1,353
2018: 1,528

Order book 2019 (at year end in GBP m)
1,151
2018: 1,367

Average number of employees 2019
3,087
2018: 2,890

Market developments in 2019
We have seen a general slowdown in 2019 across the wider construction sector in the UK, against a challenging and distracting economic backdrop. Political and policy uncertainty has been a theme, as a result of protracted debate and timetable relating to Brexit, and a change of government leadership. This uncertain environment, along with the weakness of sterling and slowing growth in the construction market, has seen a number of companies in the sector fall into difficulty. The general election held in December 2019 delivered a strong Government, which has confirmed its commitment to increasing investment in infrastructure. We believe this will bring greater economic clarity in the medium and long term.

Despite the challenges and uncertainty, VolkerWessels UK has maintained its strong position in the infrastructure sector, with a quality order book and sound financial footing, a track record of delivery and effective risk management processes. The new majority government is expected to increase spending on large infrastructure projects which we expect to benefit our UK operations. A recent Government announcement has, however, now confirmed the go-ahead for the full HS2 project. VolkerWessels UK has not yet recognised this project in its order book.

Looking at our core sectors, 2019 saw increased activity especially in the defence and airport sectors. We continue to see growth in investment both airside and landside across UK airports. Our growth in the marine sector is being prompted by increases in the size of container ships, the growing needs of the offshore windfarm sector, and the growing focus on flood and coastal erosion management. The market in industrial buildings and warehouses is very buoyant, driven by a move away from the high street to internet shopping. Looking ahead over the next few years, it is expected that market activity will be driven by major infrastructure projects in rail, roads, water and in the electricity sub-sectors, and VolkerWessels UK remains well positioned to benefit from these positive long-term trends.

2019 highlights
This year has remained solid for VolkerWessels UK, with several significant contract awards across the business. These include places on two key frameworks for VolkerStevin working with the Environment Agency on its flood and coastal erosion risk management programme - the Marine and Coastal Framework, and the Collaborative Delivery Framework, and contracts for VolkerFitzpatrick to construct a maintenance, repair and overhaul facility for Gulfstream Aerospace in Farnborough, and to deliver runway resurfacing at RAF Lossiemouth. VolkerRail has secured a number of key signalling contracts for Network Rail, and VolkerHighways was awarded a Capital Works Framework contract with Bedford Borough Council.

VolkerFitzpatrick commenced work at RAF Lakenheath for the new US Air Force F-35 Fighter Jet, and on the Luton DART project to deliver a fast transit system to Luton airport. Its three central London building projects, Rolling Stock Yard, Essoldo House and Coleman Street, reached topping out stage. This year, VolkerStevin has seen progress on the Hornsea 2 and Moray Firth windfarm contracts, and at the Thanckes Oil Fuel Depot. VolkerHighways has mobilised its highways and transport maintenance and construction contract for Wokingham Borough Council, and a seven-year term maintenance contract for Bath and North East Somerset Council, and is further developing its VolkerSmart Technologies offering, including the installation of car charging points, parking sensors and smart city infrastructure. Work has continued throughout the year on VolkerRail's contract on the Metrolink Trafford Park tram line in Manchester. The UK business is continuing to explore residential development opportunities using off site manufacturing techniques and is now in the process of identifying and securing early deployment opportunities.

2019 saw VolkerFitzpatrick open the new Meridian Water station in North London; VolkerTrenchless Solutions completed work to connect duct routes for cables between the East Anglia One offshore wind farm and 21 locations in Suffolk, and VolkerStevin successfully completed work on the Victory Jetty aircraft carrier berth at Portsmouth Naval base, and on the flagship Dover Western Docks Revival project.

Strategy
We take great pride in our solid reputation and strong track record for working safely. This is achieved in part by delivering and enforcing a number of industry leading health and safety programmes in our companies. We invest extensively in the recruitment, selection, learning and development of people who share our core values and enhance our culture, philosophy and ambitions. We aspire to be the "employer of choice" and recognise that maintaining that status requires continuous effort on our part. We have actively shifted our recruitment focus, and we now hire an increasing number of people with a background in sustainability, data engineering and digitalisation. During the autumn we carried out our annual employee engagement survey, which showed a further increase in engagement to 83%.

In spring 2019, we launched 'Tomorrow Now' as part of our digital transformation programme at VolkerWessels UK. Tomorrow Now is a new way of working to embrace digital construction and innovative solutions. Ultimately, our aim is to empower everyone within the business to work smarter, to create more time for innovation and thinking and have a better work life balance.

Our core markets are experiencing volume growth, and we recognise that there is an increasing skills shortage. In that environment, VolkerWessels UK is fully equipped with the right blend of knowledge, competence and expertise to make a real difference for all of our stakeholders. Our ability and desire to provide integrated solutions to our clients through our own specialist businesses is a key and growing part of our wider offering, and an important differentiator for VolkerWessels UK.

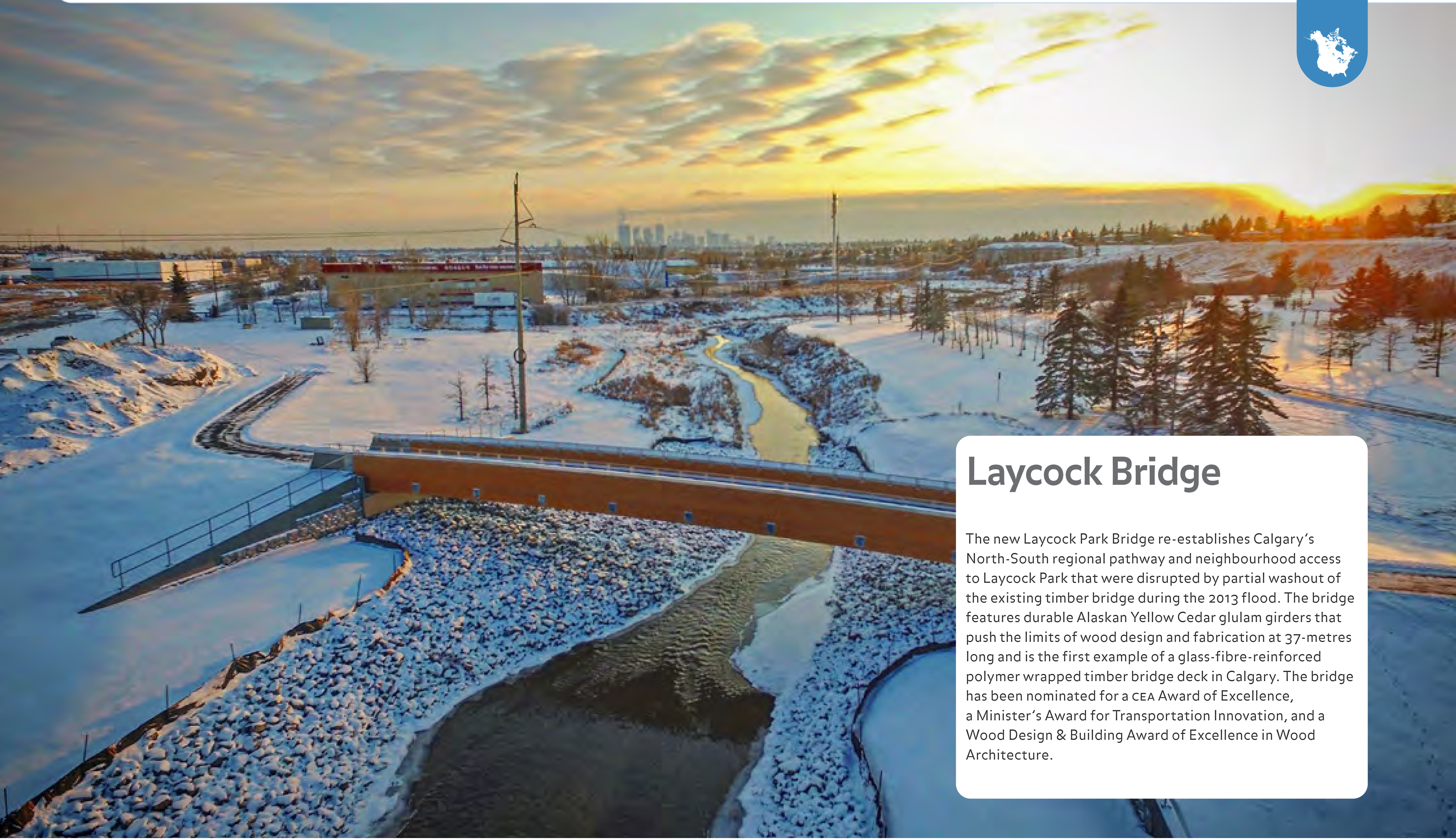
The bedrock of the continued success of VolkerWessels UK is the consistency of our strategic direction, combined with our swift response to market developments. Quality of earnings is more important to us than volume growth as we opt for margin over volume. We pursue our strategy with rigorous risk,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

Managing risks and costs at each stage of the construction process is a key contributory factor to the strength of our results. Another key and established strength is the discipline applied to the management of our commercial risk and project management, both in the design stage and in operational delivery. We invest in systems and processes that help us further improve the efficiency, productivity and performance of VolkerWessels UK while providing further added value to all our stakeholders.

Operational excellence is a continuous process and our Operations Board - a cross business, design and engineering led senior management team, with the remit of focusing on driving excellence in design, planning and operational delivery - advises the business and takes action on all matters with a potential impact on operational delivery. Areas covered include safety and collaborative people strategies, engineering excellence and quality, and digital transformation and innovation, with a key focus on best practice across all our business.

Dover VSBW, a joint operation between VolkerStevin and Boskalis Westminster, is responsible for the delivery of marine works and associated structures for the Port of Dover's flagship Dover Western Docks Revival (DWDR) stage 1 and 2. This is one of the largest port development projects to be constructed in the UK recently.

North America



Laycock Bridge

The new Laycock Park Bridge re-establishes Calgary's North-South regional pathway and neighbourhood access to Laycock Park that were disrupted by partial washout of the existing timber bridge during the 2013 flood. The bridge features durable Alaskan Yellow Cedar glulam girders that push the limits of wood design and fabrication at 37-metres long and is the first example of a glass-fibre-reinforced polymer wrapped timber bridge deck in Calgary. The bridge has been nominated for a CEA Award of Excellence, a Minister's Award for Transportation Innovation, and a Wood Design & Building Award of Excellence in Wood Architecture.

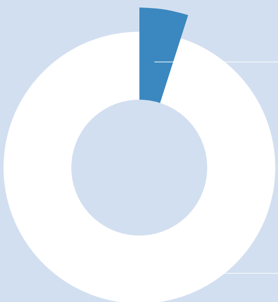
VolkerWessels North America operates in the infrastructure (construction and maintenance) sector in specific markets in the Canadian provinces of Alberta and British Columbia, and in the greater Seattle area in the US state of Washington. It focuses on the construction and maintenance of road and highway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

Revenue from our North America segment was relatively stable at €338 million while EBITDA decreased by €6 million to €41 million. Our results are behind last year which is partly weather-related, and partly caused by lower results from participating interests and lower land sales in the US.

Market developments in 2019
Our companies in Canada are based in Alberta and British Columbia. The economy of these two provinces is primarily resource based. The outlook for VolkerWessels in British Columbia remains strong for the coming years, with the successful renewal of two long-term contracts for provincial highway maintenance ("Service Area 24 and 28"). The outlook for VolkerWessels in Alberta is also strong, with a dependency on market developments within the energy industry (especially the price of oil) and housing. In the Seattle area, MidMountain is well positioned to benefit from increased investment in infrastructure, particularly through its exposure to roadworks (including new construction, rehabilitation and intersections), civils work (for example, bridges and retaining walls), as well as underground utilities and development construction.

Our companies are strategically located in the provinces and operate in markets where we have good competitive advantages. Our strong relationships and focus on quality and service make us a preferred partner, creating longstanding opportunities to be successful in these areas. In the Seattle area VolkerWessels is well-positioned to benefit from increased investment in infrastructure, particularly through its exposure to roadworks (including new construction, rehabilitation and intersections), civils work (bridges, retaining walls, etc.) as well as underground utilities and development construction. The overall expectations vary per region, depending on individual markets. Overall, we see increased competition from both international and regional companies.

REVENUE 2019
Amounts in millions of euros, unless stated otherwise



5%
Revenue North America

€6,642
Total revenue VolkerWessels

Revenue 2019
338
2018: 350

Revenue 2019 (in CAD million)
507
2018: 538

EBITDA 2019 (excl. IFRS 16)
41
2018: 47

EBITDA 2019 (in CAD million)
62
2018: 72

EBITDA margin 2019 (in %)
12.1%
2018: 13.4%

Order book 2019 (at year end)
1,145
2018: 764

Order book 2019 (at year end in CAD m)
1,672
2018: 1,193

Average number of employees 2019
1,364
2018: 1,400

2019 Highlights
In February 2019 we announced that we successfully tendered for three seven-year maintenance contracts in the province of Alberta in excess of C$300 million which have now been increased to C$450 million and extended to ten-year contracts. In June 2019 we announced that we had won a ten-year contract for highway maintenance in North-western British Columbia Canada (Service Area 28), with a five-year extension option. The total value of the ten-year contract is around C$150 million and will exceed C$225 million with the contract extension. We have invested significantly in new equipment in relation to these contracts, which has increased the 2019 capital expenditure to C$65 million. Our current order book only recognises the initial contract periods, valued at c. C$600 million (C$450 million, plus C$150 million or c.€420 million).

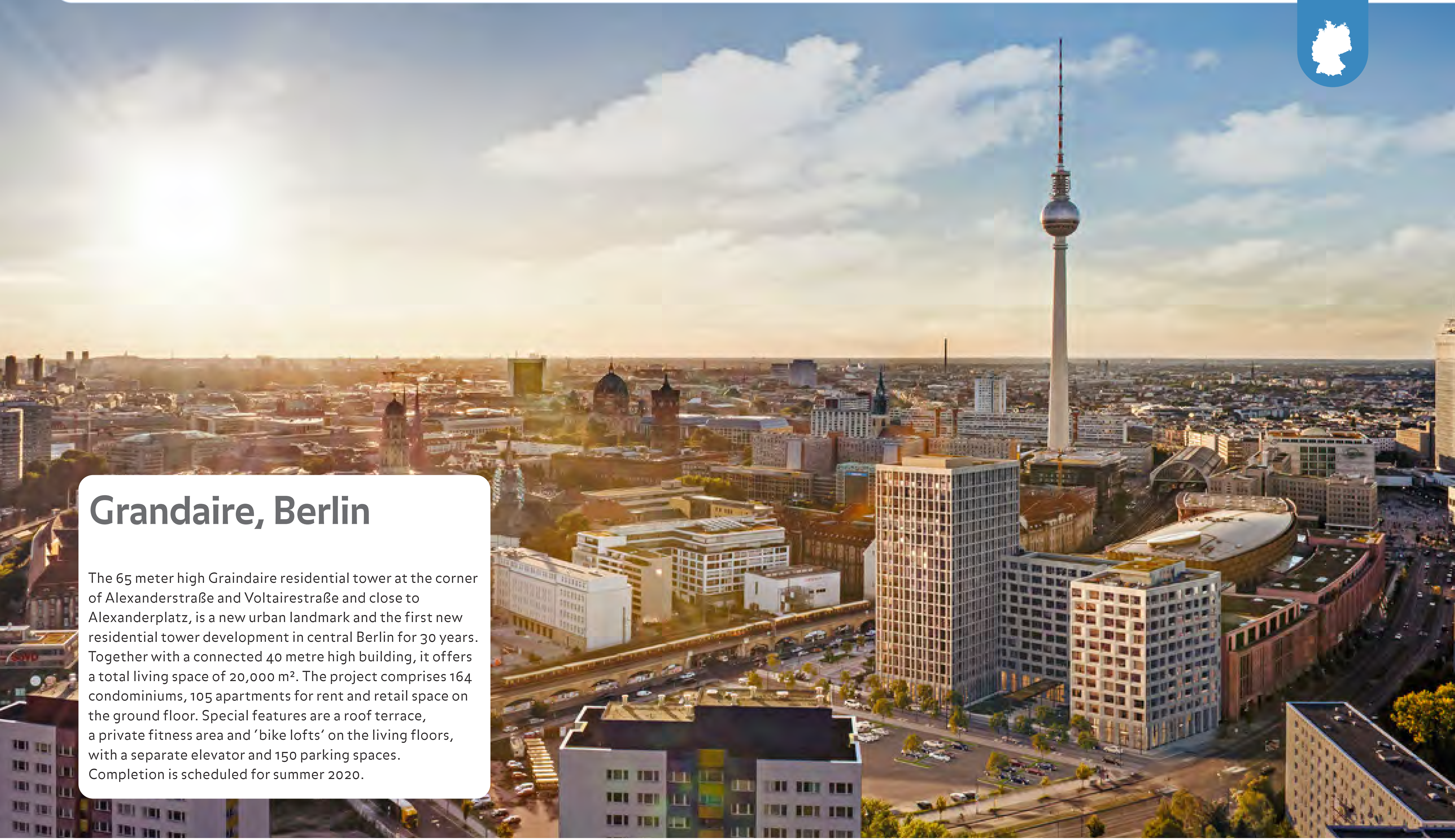
In addition to our Highways Maintenance Contract Awards, Volker Stevin Contracting has been awarded a portion of the West Calgary Ring Road Design Build 1 – Trans Canada Highway to Old Banff Coach Road Segment. This project is a four-year construction project, which is expected to be completed by October 2023.

In 2019, the activity in most of our businesses in North America has been impacted by weather and tender delays in our already short construction season. Our long-term road maintenance contracts in Alberta and British Columbia continue to provide a solid basis for our order book in North America. In the US, market conditions remained strong. In the Seattle region, in particular, this is partly thanks to the presence of various multinationals, such as Boeing, Microsoft and Amazon, and a high level of economic activity. We are continuing our work at the North Satellite Terminal (N-Sat) at Sea-Tac Airport. Work on the Sound Transit East Link Light Rail project – on behalf of the Port of Seattle – has experienced some delays but continues well.

Highway maintenance Early 2019 Volker Stevin Highways renewed two Contract Maintenance Areas (CMA's) and was awarded one new CMA. Our new Highway Maintenance Yard in Olds, Alberta is the main office for this area and has been built to meet the latest environmental standards (for handling salt).

Strategy
In North America, we are concentrating on healthy, managed growth in the face of an economic upturn, and positioning the business for resiliency in case of local market retraction. In addition to organic growth, we are interested in attractive opportunities arising in the market. We are focusing on financially solid companies with strong management, suitable scale, substantial market share and a comparable company culture that will strengthen or expand our position in the value chain. Our focus is on quality and excellent customer service, with strong long-term relationships with key players in the industry. Geographically, with our entrance into British Columbia in 2016, we are interested in opportunities for growth in this Canadian coastal province, and solidification of our footprint by renewing two additional long-term contracts. Other strategic priorities include operational excellence, a continued focus on margins over volume, and developing a sustainable competitive edge via improved bidding, project management, project execution, billing and cash collection processes.

Germany



Grandaire, Berlin

The 65 meter high Graindaire residential tower at the corner of Alexanderstraße and Voltairestraße and close to Alexanderplatz, is a new urban landmark and the first new residential tower development in central Berlin for 30 years. Together with a connected 40 metre high building, it offers a total living space of 20,000 m². The project comprises 164 condominiums, 105 apartments for rent and retail space on the ground floor. Special features are a roof terrace, a private fitness area and 'bike lofts' on the living floors, with a separate elevator and 150 parking spaces. Completion is scheduled for summer 2020.

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

The Germany segment's revenue increased by 12.3%, or €33 million, to €301 million. EBITDA increased by €2 million to €18 million. The order book declined to €497 million, which is still exceptionally strong and amounts to 1.7 times the revenue in 2019. This decrease mainly relates to the high volume delivered in 2019 and delays in the commencement of a few new development projects which will be added to our order book in 2020. In 2019, we constructed and delivered a total of 1,387 houses (2018: 746). The number of houses sold from VolkerWessels' own development in Germany in 2019 was 626 (2018: 537).

Market developments in 2019

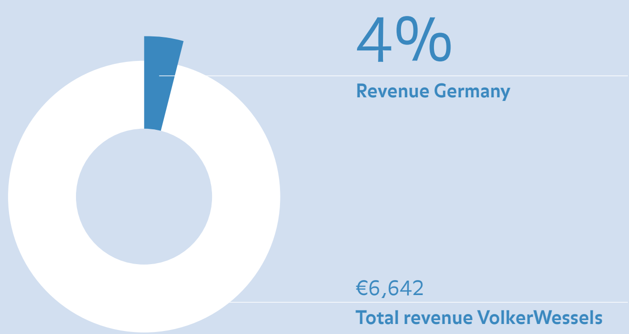
VolkerWessels expects to see ongoing favourable market conditions over the coming years, with strong demand in Germany for owner-occupied and rented apartments, as well as for office, commercial and logistics space for all three regions where VolkerWessels is active. If interest rates remain at the current low levels, investor demand is expected to remain high.

VolkerWessels is closely monitoring political developments in the Berlin housing market. One of these developments is a bill by the state government of Berlin, to set a new upper rental limit for apartments built before 2014. This law passed in January 2020 and will likely be effective from the second quarter of 2020. It intends to limit rental price increases for existing properties over a period of five years.
The medium-term impact of this legislation remains uncertain.

Construction capacity constraints are the biggest challenge for the German construction market overall. Locations for construction are scarce; some are owned by companies or individuals who are waiting for even higher prices (speculators), and some are not yet available because of essential changes to zoning plans. Making changes to zoning plans is becoming increasingly difficult in Germany, and has lead to a general shortage in the residential market, and upward pressure on price levels.

As locations become more scarce, VolkerWessels Germany has made a small shift in its strategy by acting on occasions as a delegated developer. This shift decreases the risk profile of VolkerWessels Germany and also decreases the working capital requirements. VolkerWessels Germany has significant in-house construction capacity, which gives it an advantage over its

REVENUE 2019
Amounts in millions of euros



Revenue 2019	EBITDA 2019 (excl. IFRS 16)	EBITDA margin 2019 (in %)
301	**18**	**6.0%**
2018: 268	2018: 16	2018: 6.0%

Order book 2019 (at year end)	Average number of employees
497	**336**
2018: 595	2018: 353

competitors. Berlin, Hessen and the NRW area are expected to continue to grow, as the ongoing urbanisation trend continues and the need for affordable housing, housing for the elderly and cradle to cradle construction increases in these areas.

2019 highlights
Despite the continued growth in the market, profit margins are more important than volume and VolkerWessels remains selective when taking on new projects. The high quality order book declined compared with 2018 but still amounts to 1.7 times the revenue in 2019. This decrease mainly relates to delays in the commencement of a few new development projects which will be added to our order book in 2020.

RIX Berlin is the name of a new, modern residential quarter that Volker Wessels is developing in the heart of the hip city centre district of Neukölln – right outside Rixdorf. The project is being developed on a historic manufacturing site with an area of approx. 5,200 m². The residential quarter will be supplemented by a crèche with 40 places, 1,000 m² of commercial space and an underground car park with approx. 40 parking spaces. Construction is planned to commerce in the third quarter of 2020. Completion is scheduled for the end of 2022.

VolkerWessels is building a family-friendly residential quarter in the so-called French "Cité Foch" quarter in northern Berlin on a site of approx. 17,500 m². The group of five buildings will create 241 individually designed apartments. Volker Wessels will complete 140 apartments with a living space of approx. 11,200 m² in the first step.

VolkerWessels has started the construction of the O-Quartier in Solingen. On the 15,800 m² site of the former 'Olbo' textile factory in Solingen – only a few metres away from Ohligser's market square and central station – a group of buildings with a total floor area of 33,400 m² is being built. On approx. 24,400 m² of living space, 308 units, including studios and one to three bedroom apartments, will be built in 16 blocks, divided into 248 rental apartments and 60 condominiums. All apartments will be

Innenhof In the inner courtyards of the O-Quarter, there are benches surrounded by trees and also three playground areas that invite you to stay and relax. These are also freely accessible to the public.

equipped with fibre-optic connections. Completion of the residential quarter is planned for the end of 2021.

Strategy
VolkerWessels will further enhance its efficiency by standardising its internal processes and will further develop the digitalisation of the company by fully implementing BIM in the internal design office bureau. This will allow defects and deficiencies in projects to be detected and resolved more quickly and will increase efficiency, and thus ultimately reduce costs. Attracting and retaining the right people is also important in Germany. With a shortage of experienced and highly trained people, VolkerWessels continues to develop its own staff and has extended its internal training and coaching offering. In addition, VolkerWessels Germany has developed a programme to attract more young people.
VolkerWessels' presence in a small number of local markets enables it to respond quickly to changing market conditions and to identify opportunities. With its ample experience, VolkerWessels is able to apply technological innovation both on its own projects and on projects delivered jointly with clients, as well as selecting the right locations for building new housing concepts. In applying innovation and facilitating new housing concepts we can ensure that there is very frequent interaction between the project developer and the building contractor to avoid any misunderstandings. We are working with a small number of reliable preferred partners to minimise the interface risks.

Financial statements 2019

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CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

	Note		2019		2018
Continuing operations					
Revenue	6		6,642		5,924
Costs of raw materials and consumables		–1,232		–1,177	
Costs of outsourced work and other external costs		–3,479		–2,953	
Employee benefit expenses[1]	7	–1,282		–1,262	
Depreciation and impairment of property, plant and equipment	8	–76		–75	
Depreciation and impairment of right-of-use assets	8	–71		–	
Amortisation and impairment of intangible assets	8	–13		–9	
Other operating costs	9	–337		–320	
Operating expenses			–6,490		–5,796
Result from sale of participating interest(s)	15	10		5	
Share of result from associates and joint ventures	18	16		28	
Results from participating interests (after income tax)			26		33
Operating result			178		161
Financial income	10	20		22	
Financial expenses	10	–24		–19	
Net financial result			–4		3
Result before tax			174		164
Income tax	11		–29		–30
Result from continuing operations			145		134
Result from discontinued operations (after income tax)	14		–2		–2
Result for the financial year			143		132
Attributable to:					
Shareholders of the Company			141		131
Minority interests			2		1
Result for the financial year			143		132

The comparative information has not been restated for IFRS 16. See note 2.2.

[1] Including share incentive charge of €4 million (2018: €6 million).

EARNINGS PER SHARE

Amounts in euros

	Note	2019	2018
Basic			
Continuing operations	12	1.79	1.66
Discontinued operations	12	−0.03	−0.03
Total		1.76	1.63
Diluted			
Continuing operations	12	1.79	1.66
Discontinued operations	12	−0.03	−0.03
Total		1.76	1.63

The comparative information has not been restated for IFRS 16. See note 2.2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of euros

	Note	2019	2019	2018	2018
Result for the financial year			143		132
Revaluations of commitments/(assets) defined benefit plans	11, 31	2		–	
Income tax	11	–		–	
Items which will never be transferred to the income statement			2		–
Foreign currency exchange differences from foreign operations		16		–3	
Reclassification of currency exchange differences on sale of group companies		–		–	
Share of unrealised result from associates and joint ventures		–3		14	
Effective portion from changes of fair value cash flow hedges	11, 30	–		–2	
Income tax	11	–		–	
Items which have been or may be transferred to the income statement			13		9
Total other comprehensive income after income tax			15		9
Total comprehensive income for the financial year			158		141
Attributable to:					
Shareholders of the Company			156		140
Minority interests			2		1
Total comprehensive income for the financial year			158		141
Total comprehensive income attributable to shareholders of the Company arising from:					
– Continuing operations			156		140
– Discontinued operations			–		–
Total comprehensive income attributable to shareholders of the Company			156		140

The comparative information has not been restated for IFRS 16. See note 2.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2019		31 December 2018	
Land and buildings		220		223	
Machinery and equipment		255		218	
Other fixed operating assets		25		29	
Property, plant and equipment under construction		15		12	
Property, plant and equipment	16		515		482
Land and buildings		143		–	
Machinery and equipment		15		–	
Other fixed operating assets		99		–	
Right-of-use assets	2.2		257		–
Goodwill		434		432	
Other intangible assets		47		52	
Intangible assets	17		481		484
Investments in associates and joint ventures	18	173		153	
Non-current receivables	19	115		107	
Other non-current assets	20	6		6	
Deferred tax assets	21	24		31	
Other non-current assets			318		297
Total non-current assets			1,571		1,263
Land	22	174		184	
Property held for sale	23	23		42	
Inventories	24	111		157	
Contract assets	6	551		579	
Trade and other receivables	25	970		986	
Income tax receivable		6		6	
Cash and cash equivalents	26	624		467	
Total current assets			2,459		2,421
Total assets			4,030		3,684

The comparative information has not been restated for IFRS 16. See note 2.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2019		31 December 2018	
Equity attributable to shareholders of the Company		1,252		1,182	
Minority interests		12		14	
Total group equity	27		1,264		1,196
Loans and other financing obligations	28	16		43	
Lease liabilities	2.2	177		–	
Derivatives	30	4		2	
Employee benefits	31	43		40	
Provisions for associates and joint ventures	32	23		16	
Other provisions	33	116		138	
Deferred tax liabilities	21	30		31	
Total non-current liabilities			409		270
Loans and other financing obligations	28	41		56	
Lease liabilities	2.2	74		–	
Derivatives	30	–		–	
Contract liabilities	6	532		489	
Trade and other payables	34	1,559		1,532	
Employee benefits	31	12		19	
Provisions for associates and joint ventures	32	2		3	
Other provisions	33	126		98	
Income tax payable		11		21	
Total current liabilities			2,357		2,218
Total equity and liabilities			4,030		3,684

The comparative information has not been restated for IFRS 16. See note 2.2.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2019		2018	
Cash flow from operating activities					
Result from continuing operations		145		134	
Adjustments for:					
– Depreciation and impairment of property, plant and equipment	8	76		75	
– Depreciation and impairment of right-of-use assets	8	71		–	
– Amortisation and impairment of intangible assets	8	13		9	
– Proceeds from sale of property, plant and equipment		−5		−12	
– Result from the sale of participating interests		−10		−6	
– Other impairments		–		−5	
– Share of result, less dividend received, from associates and joint ventures	18	19		3	
– Financial income	10	−20		−22	
– Financial expenses	10	24		19	
– Income tax	11	29		30	
– Share incentive	37	4		6	
Operating cash flow before changes in working capital and provisions			346		231
Changes in land, property classified as held for sale, inventories and contract balances		141		33	
Changes in trade and other receivables		26		27	
Changes in trade and other payables		−2		4	
Changes in provisions and employee benefits		5		−35	
			170		29
Cash (used in)/generated by operating activities			516		260
Interest paid		−20		−15	
Interest received		19		19	
Income tax paid		−26		−22	
Income tax received		–		–	
			−27		−18
Net cash (used in)/generated by from continuing operating activities			489		242
Net cash (used in)/generated by from discontinued operating activities	14		−4		−5
Net cash (used in)/generated by from operating activities			485		237

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2019		2018	
Cash flow from investment activities					
Acquisitions, net of cash	15	–		–29	
Investment in property, plant and equipment	16	–116		–84	
Investment in intangible assets	17	–12		–16	
Proceeds from the sale of property, plant and equipment		26		28	
Granted borrowings		–101		–98	
Repayments of borrowings		73		70	
Investments in other financial assets		–		4	
Investments in joint ventures, associates and other investments		–29		–32	
Proceeds from sale of non-consolidated entities		7		10	
Proceeds from sale of subsidiaries, net of cash		3		30	
Net cash (used in)/generated by continuing investment activities			–149		–117
Net cash (used in)/generated by discontinued investment activities	14		2		–
Net cash (used in)/generated by investment activities			–147		–117
Cash flow from financing activities					
Receipts from non-current loans and borrowings		4		47	
Repayment of non-current loans and borrowings		–30		–102	
Payment arising from lease liabilities		–79		–20	
Dividends paid to shareholders of the Company	13	–84		–84	
Net cash (used in)/generated by continuing financing activities			–189		–159
Net cash (used in)/generated by discontinued financing activities	14		–		–
Net cash (used in)/generated by financing activities			–189		–159

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of euros

	Note	2019	2018
Change in liquidity position			
Liquidity position as at 1 January		445	484
Effect of exchange rate differences on cash and cash equivalents and bank overdrafts		8	–
Net cash (used in)/generated by operating activities		485	237
Net cash (used in)/generated by investment activities		–147	–117
Net cash (used in)/generated by financing activities		–189	–159
Liquidity position as at 31 December		602	445
Composition of liquidity position as at 31 December			
Cash and cash equivalents	26	624	467
Bank overdrafts	28	–22	–22
Total liquidity position as at 31 December		602	445

The comparative information has not been restated for IFRS 16. See note 2.2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

	Issued share capital	Share premium reserve	Legal reserves: Translation reserve	Legal reserves: Hedge reserve	Legal reserves: Other legal reserves	Other reserves: Actuarial reserve	Other reserves: Other reserves	Result for the year	Total	Minority interests	Total group equity
Balance as at 1 January 2019	1	1,099	–15	–4	27	–11	–46	131	1,182	14	1,196
Comprehensive income for the financial year											
Result for the financial year	–	–	–	–	–	–	–	141	141	2	143
Other comprehensive income for the financial year	–	–	16	–3	–	2	–	–	15	–	15
Total comprehensive income for the financial year	–	–	16	–3	–	2	–	141	156	2	158
Appropriation of profit for 2018	–	–	–	–	–	–	131	–131	–	–	–
Dividends	–	–9	–	–	–	–	–75	–	–84	–3	–87
Acquisition of minority interests that do not lead to a change of control	–	–	–	–	–	–	–	–	–	–	–
Transfer from retained earnings	–	–	–	–	8	–	–8	–	–	–	–
Share based payments by the majority shareholder[1]	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–2	–	–2	–1	–3
Balance as at 31 December 2019	1	1,090	1	–7	35	–9	–	141	1,252	12	1,264

[1] Share based payments by the majority shareholder includes the share incentive charge for 2019 (€4 million) and the income tax settlement (€–4 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of euros

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

The comparative information has not been restated for IFRS 16. See note 2.2.

[1] The impact of change in accounting policy as of 1 January 2018 relates to the implementation of IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

The consolidated financial statements of the Company for the 2019 financial year comprise the Company and its subsidiaries (collectively referred to as 'VolkerWessels' or 'the Company' or 'the Group').

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

Group relationships
The Group consists of a closely related group of operating companies of which Royal VolkerWessels NV, based in Amersfoort, acts as head of the Group. The home markets are located predominantly in the Netherlands (including Belgium), United Kingdom, North America and Germany. The Group's majority shareholder is Reggeborgh Holding BV.

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

2 Significant accounting principles

2.1 Statement of compliance

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant interpretations that were issued by the IFRS Interpretations Committee ('IFRIC') as endorsed by the European Union as applicable for financial years commencing on 1 January 2019. These financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Certain comparative figures have been reclassified to conform to current year presentation.

2.2 Changes in significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods present in these consolidated financial statements. None of the other new or amended standards effective on 1 January 2019 have a material impact on the Group's financial statements.

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as described below.

IFRS 16
The Group has applied IFRS 16 Leases, using the modified retrospective approach and therefore the comparative information for 2018 has not been restated.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of an asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This assessment is applied to contracts entered into, or changed, after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost comprises of the amount of the initial measurement of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and a estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured as the present value of the future minimum lease payments over the lease term at commencement date. Generally, our leases do not provide an implicit rate, VolkerWessels uses therefore its incremental borrowing rate based upon information available at the commencement date in determining the present value of future payments.

Our lease terms may include options to extend or terminate the lease, which will be included in the measurement of the right-of-use assets and lease liabilities when it is reasonably certain that we will exercise that option. The assessment of whether the Group is reasonably certain involves judgement and impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group presents right-of-use assets on a separate line item in the statement of financial position. Lease liabilities are no longer presented in 'Loans and other financing obligations' but on a separate line item in the statement of financial position.

In relation to the leases, the Group has recognised depreciation and interest costs in the income statement.

In the statement of cash flows the interest paid and the repayments related to these leases are presented as part of the cash flows from financing activities.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including (but not limited to) IT equipment, coffee machines and hand tools. These leases are recognised on a straight-line basis as an expense in the income statement. In the statement of cash flows these leases are presented as part of cash flow of operating activities.

Transition

The Group implemented IFRS 16 using the 'modified retrospective approach' option 2. This means that the right-of-use asset will be equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

In applying IFRS 16 for the first time, the Group has used the following practical expedients, which are permissible under the standard:

- reliance on previous assessments under IAS 17 and IFRIC 4 on whether any expired or existing contracts are or contain leases;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of accounting for low value operating leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the application of the incremental borrowing rate as per initial application date for existing contracts, rather than the incremental borrowing rate at commencement date of these contracts.

The Group has a number of leases which were classified as finance leases under IAS 17. For these leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on transition

On adoption of IFRS 16, the Group recognised, in addition to the Group's already existing finance lease agreements, right-of use assets of €235 million and corresponding lease liabilities of €235 million. When measuring lease liabilities for leases that were previously classified as 'operating leases', the Group discounted the remaining lease payments using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied was 1,1%.

As a result of IFRS 16 EBITDA increased €73 million as the operating lease expenses were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liabilities are excluded from this measure. The impact is €8 million above the higher end of the in 2018 reported bandwidth of €55 - €65 million due to new leases in 2019 and renewal of leases in 2019 relating to operating leases with a remaining lease term of less than 12 months as at 1 January 2019 which were exempt from accounting under the standard.

Operating cash flows increased and financing cash flows decreased by €73 million as repayment of the principal portion of the lease liabilities are classified as cash flow from financing activities instead of cash flows from operating activities.

The following table reconciles the Group's operating lease commitments at 31 December 2018, as previously disclosed in the Annual Report 2018, to the lease liabilities recognised on initial application of IFRS 16 at 1 January 2019.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	251
Less: Discount based on the lessee's incremental borrowing rate	–12
Less: recognition exemption for short-term and low value leases	–5
Add: other adjustments	1
Discounted operating lease commitment recognised at 1 January 2019	**235**

The table on the right shows the effect of the adoption of IFRS 16 on the statement of financial position as at 1 January 2019, including the reclassification of finance leases (previously included in property, plant and equipment and loans and other financing obligations).

	Right-of-use assets	Lease liabilities
Operating lease commitment recognised at 1 January 2019	235	235
Reclassification of finance leases	16	16
Opening balance as of 1 January 2019 (adjusted for reclassifications)	**251**	**251**

Impact for the period

Right-of-use assets

The Group leases many assets including land and buildings, various machinery and equipment, vehicles and other assets. Leases of land and buildings contain leasehold agreements as well as leases of office buildings with lease terms of 1 to 54 years. Leases of machinery and equipment and other assets are primarily project related, where leases of vehicles are both company -and business cars with lease terms of 1 to 6 years.

				2019
	Land and buildings	Machinery and equipment	Other fixed operating assets	Total right-of-use assets
Balance as at 1 January 2019	150	3	82	235
Reclassification as a result of change in accounting policy[1]	–	11	5	16
Adjusted opening balance as of 1 January 2019	**150**	**14**	**87**	**251**
Changes				
Investments	15	3	61	79
Disposals	–1	–	–6	–7
Depreciation	–25	–2	–44	–71
Remeasurement	3	–	–	3
Foreign currency exchange differences	1	–	1	2
Total changes	**–7**	**1**	**12**	**6**
Balance as at 31 December 2019				
Cost	168	23	142	333
Accumulated depreciation and impairments[2]	–25	–8	–43	–76
Carrying amount	**143**	**15**	**99**	**257**

[1] Impact of change in accounting policy relates to the reclassification of the finance leases as per the implementation of IFRS 16.

[2] The amount of the accumulated depreciation and impairments consist of the depreciation charge over the year and the accumulated depreciation for finance leases which have been reclassified.

We had no impairments or reversal of impairments in financial year 2019.

Lease liabilities

The maturity analysis for the contractual undiscounted cash flows is presented below.

	2019
Less than one year	77
One to five year	137
More than five years	54
Total undiscounted lease liability at 31 December	**268**
Discount based on the lessee's incremental borrowing rate	–17
Total recognised lease liability at 31 December	**251**
Non-current portion	177
Current portion	74

Lease amounts recognised in the income statement

The amounts which were recognised in the income statement are presented below.

	2019
Interest on lease liabilities	3
Variable lease payments not included in the measurement of lease liabilities	–
Expenses relating to short-term leases	6
Expenses relating to low-value leases	3

Extension and termination options

Some leases, primarily land and buildings, contain extension options exercisable by the Group. The Group assesses at lease commencement whether it is reasonable certain to exercise these extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	31 Dec 2019
Lease liabilities recognised (discounted)	251
Future payments included in lease liabilities (discounted) under an extension option	45

The Group has limited termination options within its lease contracts. The impact of these termination options on its lease liabilities is not material.

2.3 Basis of preparation

Historical cost or fair value

These financial statements have been prepared on historical cost bases, with the exception of the following material assets and liabilities:

- derivative financial instruments are shown at their fair value; and
- plan assets related to defined benefit obligations are valued at their fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that process is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are in the scope of IFRS 16 (IAS 17 for contracts entered before 1 January 2019), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs, other than quoted prices included within Level 1, that are observable for the assets or liability, either directly or indirectly; and
- level 3: inputs for the assets of liability not based on observable market data.

Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical assessments in the application of the accounting principles are particularly important if they have a significant impact on the amounts included in the financial statements. The Group acknowledges the following areas:

- the valuation of trade receivables (note 38);
- measuring progress for recognising revenue over time (note 4b);
- the estimate of contract costs and contract revenues, and consequently the profitability of long-term contracts (note 4b);
- the height of potential liabilities arising from guarantees, claims, legal cases, and environmental and remediation costs;
- the useful life estimate of assets;
- the estimate of the use of extension and other contractual options in lease contracts (note 2.2); and
- fair value measurements and valuation processes (note 38).

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

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currency

Transactions in foreign currency are translated into euros at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into euros as at the reporting date at the exchange rate prevailing on that date.

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

Foreign operations

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

Currency rates

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

	Average exchange rate		Closing rate	
	2019	2018	2019	2018
GBP	1.14	1.13	1.18	1.12
CAD	0.67	0.65	0.69	0.64

Segment information

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

Financial instruments

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

Financial assets

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

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

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

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

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

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

Financial liabilities

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

Derecognition

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

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

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

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

Offsetting

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

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets, not held at FVTPL, and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

If the credit risk on a financial asset, not held at FVTPL, has not increased significantly since initial recognition, the loss allowance for that financial instrument is the 12-month ECL. If the credit risk on a financial asset has significantly changed since initial recognition, the loss allowance equals the lifetime expected credit loss. A financial asset is written of (provisions used) when there is no reasonable expectation of recovering the contractual future cash flows.
Indications of increase in credit risk for financial assets are if a debtor or a group of debtors:

- Experience significant financial difficulty;
- Fails to engage in an repayment plan with the Group; and
- Shows other observable data resulting in increased credit risk.

For the annual credit risk assessment refer to the credit risk paragraph under note 38.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible in the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

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

For all other financial assets, not held at FVTPL, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, taking into account the value of collateral, if any. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Derivative financial instruments and hedge accounting

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

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the income statement.

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

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

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

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability or direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Subsidiaries

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

Acquisitions and disposals of subsidiaries

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

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

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

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Transaction costs are directly recognised in the income statement. Non-controlling interests that are acquired are accounted for as transactions with shareholders in their

capacity as shareholders and for such transactions no goodwill is recognised.
If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amount recognised at that date.

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the income statement.
Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the shareholders in their capacity as shareholders. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

3 Application of new and revised International Financial Reporting Standards and interpretations
A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2020. These standards and interpretations have not been applied in preparing these consolidated statements.

None of the not yet effective standards are expected to have a material impact on the Group's financial statements in the period of initial application.

4 Accounting policies

a Accounting policies for assets and liabilities

Intangible assets

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

Goodwill

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

Other intangible assets

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

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

Expenditure after initial recognition

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

Amortisation

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

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

Property, plant and equipment

Owned assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are charged to the income statement during the financial period in which they are incurred.
In the carrying amount of an item of property, plant and equipment, the Group recognises the cost of replacing a portion of the asset where such costs are incurred.
This happens when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably determined. All other costs are recognised in the income statement when they are incurred.

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

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

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

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

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

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

Impairments on non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group will also test for impairment if there is an indication for impairment. If indicators of impairment exist, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which it belongs. The Group's segments are considered separate cash-generating units for impairment testing purposes.

The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

In subsequent years, the Group assesses whether indications exist that impairment losses previously recognised for non-financial assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognised in operating income as an impairment reversal. An impairment reversal is recognised only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

Assets held for sale and discontinued operations

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

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

Financial fixed assets

The Group classifies financial assets in the following categories: loans and receivables, other non-current assets and deferred tax assets.

Loans and receivables

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

Other non-current assets

Other investments comprise equity interests in entities where the Group has no control or significant influence. These investments are accounted for as FVOCI. Upon disposal the accumulated fair-value adjustments on the investments concerned are eliminated from OCI and included in the income statement. If no reliable fair value can be determined, the remaining investment is valued at cost.

Dividends, as well as the result made on the sale of these other investments, are accounted for in the income statement.

Deferred tax assets

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

Land and property held for sale

Land and property held for sale are reported at the lower of cost and net realisable value.

Interest is not capitalised until the time at which planning permission is sought. A substantial period of time may elapse between the point of acquisition and the submission of the planning application.

The non-capitalisation of interest in this period reduces our risk profile on these positions. If no development and construction activities take place for an extended period, interest is no longer capitalised.

As soon as the building permit has been received and the construction activities have been started, the landbank positions will be transferred to property development or construction contracts.

Inventories

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

The Group classifies inventories in the following categories: property development, raw materials and consumables and finished goods and goods for sale.

Raw materials & consumables (Including sand and gravel pits)

The cost of raw materials and consumables consists of the paid purchase price increased by direct costs (paid to third parties), such as freight costs, import duties, etc. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase. Sand and gravel pits are valued at purchase price plus directly attributable costs. A provision is made if there is a refurbishment obligation on the acquired sand or gravel pit.

Finished products
The cost of finished product comprises the direct costs of used raw materials and consumables, work contracted out and direct labour costs plus an allocation for production overheads.

Property development
Property development comprises the direct costs of used raw materials and consumables, work contracted out and direct labour costs plus a reasonable share of the indirect overhead based on normal production capacity. For further details we refer to the revenue recognition accounting policy.

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

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

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

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

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

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

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

Provision for deferred tax liabilities
Deferred tax liabilities are recognised for taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes based on the total of the differences multiplied by the applicable tax rate.

The deferred tax liability is deducted with carry forward losses to the extent that it is likely that taxable profits will be available in the future for compensation.
Deferred tax is recognised at nominal value.

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

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

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

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

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

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

Based on requests for clarification the IFRS Interpretations Committee decided to start a project to clarify the meaning of the term 'unavoidable costs' in the IAS 37 definition of an onerous contract. This resulted in an exposure draft of proposed clarifications (ED/2018/2) on which the Board tentatively decided in September 2019 that the 'cost of fulfilling' a contract for the purpose of assessing whether that contract is onerous comprise those that directly to the contract. The Board is currently discussing the finalisation of the amendments.

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

Other non-current employee benefits

The Group's net liability in respect of non-current employee benefits, other than pension schemes, is the amount of future entitlements, such as long-service awards, bonuses and ex gratia payments that employees have earned in exchange for their service during the reporting period and previous periods. The liabilities are calculated using the projected unit credit method and are discounted to net present value.

The discount rate is the yield at the reporting date of high quality corporate bonds where the maturity date is approaching that of the Group's obligations. Any actuarial gains or losses are recognised in the income statement in the period in which they occur.

b Accounting policies for the determination of the result

Revenue recognition

The Group recognises revenue from the following major resources:

I construction contracts;
II property development;
III service and maintenance; and
IV goods sold and other service rendered.

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

(I) Construction contracts

The Group constructs and sells residential properties, non-residential properties and infrastructure projects under long-term construction contracts with customers.
Such contracts are entered into before construction begins. Revenue from construction contracts is therefore recognised over time because either:

- the Group constructs an asset that the client controls, because it is constructed on the land of the customer; or
- the Group is contractually restricted from redirecting the properties or infrastructures to another customer and as such does not have an alternative use to the Group and the Group has an enforceable right to payment for work performed to date.

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

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

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that it is highly probable that a reversal of revenue that is recognised will not

occur when the uncertainty associated with the consideration is subsequently resolved.
In determining the amount to be recognised, the Group considers the contractual agreements and the laws and regulation applicable in the respective country.

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

Our business may involve complex and long-term construction projects, including long-term maintenance and operating contracts entered into on a fixed-price or lump-sum basis. To a large extent, the Group's profitability depends on costs being accurately calculated and controlled, besides other factors such as the scope of the project being correctly determined during the tender and execution phases, and on projects being completed on time and not subject to any early termination. The cost calculations made at the project portfolio-level are subject to a number of assumptions. Therefore, if the estimate of the overall risks or calculations of the revenues or costs of one or more contracts prove inaccurate or circumstances change, lower profits may be achieved from, or greater losses may be incurred on such contracts than had been anticipated.

The Group has adopted a tailored process to contracting and risk management depending on the size and complexity of the project, and has an extensive tender procedure to ensure proper decisions are taken on selecting projects and risk management. Additionally, the Group involves senior management, specialised contract managers, and specialised lawyers in the tendering phase to limit such risks. Clear project specifications, properly recorded agreements, (technical) project reviews and complete cost budgets, as well as legal assessment of contracts, contribute towards a reduction in contract risks.

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

(II) Property development

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

If the customer is able to specify major structural elements of the design of property development before construction begins and/ or specify major structural changes once construction is in progress, revenue is recognised over time in accordance with the terms and the milestones set out in the contract.

In the Netherlands there are certain property development projects in which land has been legally transferred to the customer. The performance of the Group therefore creates an asset that the customer controls and revenue is recognised over time in accordance with the terms and milestones set out in the contract.

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

(III) Service and maintenance

Revenue in connection with service and maintenance comprises construction and/or upgrade activities as well as operating, maintenance and exploitation activities. Revenue from providing services and maintenance is recognised in the accounting period in which the services are rendered.

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

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

(IV) Goods sold and other services rendered

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, being the moment

of delivery. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.
Revenues generated through services rendered are recognised over time in line with the accounting principles as explained by (III) Service and maintenance.

Progress measurement

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

VolkerWessels excludes certain costs in the measure of progress as these costs do not result in progress in transferring control of goods or services to the customers.

(a) VolkerWessels recognises those costs (e.g. costs for mobilisation and tender costs) as a separate asset if it expects to recover the costs. All costs up to the period in which the preferred bid stage is achieved are therefore recognised to the profit and loss account;
(b) costs that relate to significant inefficiencies (wasted materials, labour or other resources) have to be excluded from the progress measurement. For projects identified with significant inefficiencies, provisions for losses were already recognised within construction contracts. The proper reclassifications from construction contracts to contract liabilities and/or provisions for onerous contracts have been made.

For the accounting policy for onerous contracts, please refer to the accounting policy of provisions.

Government grants

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

Research and development

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

Lease agreements

For contracts entered into before 1 January 2019 IAS 17 and IFRIC 4 are applicable to assess whether the arrangement was or contained a lease. For those contracts, the Group assessed if the agreement contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output;
  - Facts and circumstances Indicated that It was remote that other parties would take more than an Insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Financial income and expenses

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

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

Currency translation differences

Exchange differences arising on the settlement of monetary items shall be recognised in the income statement in the period in which they arise.

Dividends

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

Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 37.

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

Share in the results of associated companies

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

c Accounting policies for the statement of cash flows

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

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

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

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

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

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

5 Segment information

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

	The Netherlands							
Amounts in millions of euros	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
2019								
External revenue	2,353	1,434	842	1,344	338	301	30	6,642
Intrasegment revenue	5	79	23	–	–	–	–107	–
Total revenue	2,358	1,513	865	1,344	338	301	–77[1]	6,642
EBITDA (excluding IFRS 16 impact)	110	42	44	46	41	18	–36	265[2]
IFRS 16 impact	24	30	21	10	4	3	–19	73
Total EBITDA	134	72	65	56	45	21	–55[2]	338[2]
Amortisation and depreciation (including right-of-use assets)	–40	–57	–26	–19	–23	–3	8	–160
Operating result (EBIT)	94	15	39	37	22	18	–47	178
Net financial result								–4
Result before tax								174
Income tax								–29
Result from discontinued operations (after income tax)								–2
Result for the financial year								143
Total assets								4,030
Total liabilities								2,766
Investments in property, plant and equipment	24	30	2	15	44	1	–	116
Average number of employees	3,879	4,791	3,178	3,087	1,364	336	409[3]	17,044
Order book[4]	3,477	1,676	798	1,353	1,145	497	–30[1]	8,916

1 In revenue in 'Other' an amount of €-120 million is included regarding eliminations. In the order book in 'Other' an amount of €-101 million is included regarding eliminations.

2 Including €4 million share incentive charge.

3 Including discontinued operations. The total average number of employees of discontinued operations is: 2.

4 Unaudited non-GAAP information.

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

The comparative information has not been restated for IFRS 16. See note 2.2.

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

2 Including €6 million share incentive charge.

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

4 Unaudited non-GAAP information.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Amounts in millions of euros

6 Revenue

The Group has recognised the following amounts relating to revenue in the income statement:

	2019	2018
Revenue from contracts with customers	6,642	5,924

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

6(a) Disaggregation of revenue from contracts with customers

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

	The Netherlands							
2019	Construction & Real Estate Development	Infrastructure	Energy & Telecoms Infrastructure	United Kingdom	North America	Germany	Other/ Eliminations	Total
Construction contracts	1,463	1,205	751	1,172	252	199	–61	4,981
Property development	728	–	–	–	4	94	–	826
Service and maintenance	74	213	111	170	78	–	13	659
Goods sold and other services rendered	93	95	3	2	4	8	–29	176
Total revenue	2,358	1,513	865	1,344	338	301	–77	6,642

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

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

	31 Dec 2019	31 Dec 2018
Net trade receivables, which are included in note 25	607	620
Contract assets	551	579
Contract liabilities	–532	–489

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

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

In 2019 revenue has been recognised for an amount of €476 million (2018: €420 million) which was included in the contract liability at the beginning of the period.

The amount of revenue recognised in 2019 that related to performance obligations satisfied (or partially satisfied) in previous periods is €15 million (2018: €19 million). This mainly relates to outstanding variation orders for which agreement has been reached upon in 2019.

6(c) Transaction price allocated to the remaining performance obligations
The aggregate amount of the transaction price allocated to contracts with customers that are (partially or fully) unsatisfied as at 31 December 2019 is €8.9 billion, being the Group's order book. Management expects that 56% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next reporting period (€5.0 billion). The remaining 44% (€3.9 billion) will be recognised merely in the two years thereafter.

7 Employee benefit expenses

	2019	2018
Wages and salaries	–1,027	–1,015
Social security costs	–159	–156
Pension costs – defined contribution plans	–96	–91
Total	–1,282	–1,262

The average number of employees was 17,044 FTE (2018: 16,630 FTE), of which 5,306 FTE (2018: 5,215 FTE) are working outside the Netherlands. At the end of 2019 the Group had 17,017 employees expressed in FTE (2018: 16,646 FTE), of which 5,199 FTE (2018: 5,129 FTE) are working outside the Netherlands.

Share incentive
In 2019, a total amount of €4 million for the share incentive plan for the members of the Management Board and other managers was charged to the income statement (2018: €6 million).

For more information on the share incentive plan, see note 37.

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

	2019	2018
Depreciation of property, plant and equipment	–76	–75
Impairment of property, plant and equipment	–	–
Total depreciation and impairment of property, plant and equipment	–76	–75
Depreciation of right-of-use assets	–71	–
Impairment of right-of-use assets	–	–
Total depreciation and impairment of right-of-use assets	–71	–
Amortisation of intangible assets (excluding goodwill)	–9	–9
Impairment on goodwill and other intangible assets	–4	–
Total amortisation and impairment of intangible assets	–13	–9
Total	–160	–84

9 Other operating costs

Restructuring costs
A sum of €8 million (2018: €3 million) is included in employee benefit expenses and other operating costs for restructuring costs.

10 Financial income and expenses

	Note	2019		2018	
Financial income					
Interest income from non-current receivables		7		9	
Interest income from current receivables		11		9	
Capitalised interest		–		–	
Return on plan assets	31	2		2	
Other financial income		–		2	
Total financial income			20		22
Financial expenses					
Interest expense for non-current liabilities[1]		–3		–5	
Interest expense for current liabilities		–10		–7	
Interest accrual on provisions		–1		–1	
Interest accrual on lease liabilities		–2		–	
Interest on employee benefits obligations	31	–2		–2	
Other financial expense		–6		–4	
Total financial expenses			–24		–19
Net financial result			–4		3

[1] Including €2 million expense relating to the ineffective portion of the cash flow hedges. See note 30.

An average interest rate of 2% was used during the financial year (2018: 2%) to calculate the interest to be recognised.

11 Income tax

	2019	2018
Current income tax expense		
Current year	–18	–22
Adjustments for previous years	–4	2
Total current income tax expense	–22	–20
Deferred income tax expense		
Related to temporary differences	–5	–
Change in tax rate	1	3
Write down or reversal of write down of deferred tax asset	–3	–13
Total deferred income tax expense	–7	–10
Total income tax	–29	–30

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

The effective tax rate is 16.7% (2018: 18.3%). The difference compared to the Group's statutory tax rate is caused by the following items:

	2019	2018
Result from continuing operations	145	134
Plus: total income tax	29	30
Result before tax excluded result from participating interest (after income tax)	174	164
Tax calculated based on the Group's tax rate	–43	–41
Tax effects of:		
– Different tax rates in several countries	2	2
– Participation exemption	8	11
– Adjustments for previous years	4	–5
– Change in tax rate	1	3
– Effect non valued losses	1	2
– Other differences	–2	–2
Effective tax	–29	–30
Effective tax rate (%)	16.7	18.3

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

Income tax directly recognised in other comprehensive income

	2019		
	Before tax	Tax income (expense)	After tax
Effective portion fair value changes from cash flow hedges	–3	–	–3
Actuarial gain (losses) on defined benefit pension plans	2	–	2
Total	–1	–	–1

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

12 Earnings per share

	2019	2018
Weighted average number of ordinary shares in issue (x 1)	80,000,000	80,000,000
Net result attributable to shareholders (in million €)[1]	141	131
Basic earnings per share (in €)	1.76	1.63
Net result from continuing operations attributable to shareholders (in million €)	143	133
Basic earnings per share from continuing operations (in €)	1.79	1.66
Net result from discontinued operations attributable to shareholders (in million €)	–2	–2
Basic earnings per share from discontinued operations (in €)	–0.03	–0.03

1 Including share incentive charge of €4 million (2018: €6 million).

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

	2019	2018
Weighted average number of ordinary shares in issue (x 1)	80,000,000	80,000,000
Net result attributable to shareholders (in million €)[1]	141	131
Diluted earnings per share (in €)	1.76	1.63
Net result from continuing operations attributable to shareholders (diluted) (in million €)	143	133
Diluted earnings from continuing operations per share (in €)	1.79	1.66
Net result from discontinued operations attributable to shareholders (diluted) (in million €)	–2	–2
Diluted earnings from discontinued operations per share (in €)	–0.03	–0.03

[1] Including share incentive charge of €4 million (2018: €6 million).

In accordance with IAS 33, the earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- own shares held by group companies are deducted from the total number of ordinary shares in issue; and
- the computation is based on daily averages.

13 Dividends per share

The total dividends paid to shareholders of ordinary shares in 2019 amounts to €84 million (€1.05 per share). This consists of €61.6 million (€0.77 per share) dividend (paid in May 2019) in relation to prior year and €22.4 million (€0.28 per share) interim dividend for current year (paid in November 2019).
The total dividends paid to shareholders of ordinary shares in 2018 amounted €84 million (€1.05 per share).
For more information see note 27.

14 Result from discontinued operations

Discontinued operations includes:

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

Result from discontinued operations

	2019	2018
Revenue	1	8
Depreciation and impairment of property, plant and equipment	–	–1
Amortisation and impairment on intangible assets	–	–
Other operating costs	–	–7
Share in result of associates and joint ventures	–1	–
Share in result of investments	–	–
Net financial result	–2	–2
Result from activities	–2	–2
Income tax	–	–
Result from activities, after tax	–2	–2
Book profit on sale of discontinued operations	–	–
Income tax gain on sale of discontinued operations	–	–
Result from discontinued operations after income tax	–2	–2

The result from discontinued operations after income tax amounting to €-2 million (2018: €-2 million) is fully attributable to the shareholders of the Company.

Cash flow from discontinued operations

	2019	2018
Result after tax for the financial year	–2	–2
Adjustments for:		
– Depreciation and impairment of property, plant and equipment	–	1
– Amortisation and impairment on intangible assets	–	–
– Result from the sale of participating interests	–	–
– Share of result, less dividend received, from associates and joint ventures	1	–
– Financial expenses	2	2
– Income tax	–	–
Cash flow before changes in working capital and provisions	1	1
Changes in land, property classified as held for sale, inventories and contract balances	1	1
Changes in trade and other receivables	2	–
Changes in trade and other payables	–1	–1
Changes in provisions and employee benefits	–5	–3
Cash (used in)/generated by discontinued operations	–2	–2
Interest paid	–2	–2
Income tax paid	–	–1
Income tax received	–	–
Net cash (used in)/generated by discontinued operations	–4	–5
Cash flow from investment activities		
Investment in property, plant and equipment	–	–
Other changes in financial assets	–	–
Proceeds from sale of property, plant and equipment	3	–
Acquisition and investments non-consolidated entities	–1	–
Net cash (used in)/generated by investment activities	2	–
Cash flow from financing activities		
Dividends paid to shareholder of the company	–	–
Net cash (used in)/generated by financing activities	–	–
Net cash (used in)/generated in the financial year	–2	–5

15 Business combinations and disposals

2019

In 2019 the Group had no significant business combinations or disposals.

2018

Acquisitions

In September 2018 the Energy and Telecoms Infrastructure segment acquired 100% of the shares in Joulz Energy Solutions BV (JES) in the Netherlands, a market leading player in design, construction and maintenance of complex medium and high voltage infrastructure and installations in the Netherlands. JES is one of the few players in the market capable of offering integrated electrification solutions to its clients. In November 2018 the UK segment acquired 100% of the shares in P J Davidson Limited (PJD). PJD is a specialist concrete slip forming contractor in the UK. It's acquisition represents an opportunity for VolkerWessels, together with its existing capability, to become the sector leading concrete paving specialist within the UK.

The total consideration amounted to €38 million, including a €4 million contingent consideration.

Under the measurement period the Group has accounted for several adjustments in the goodwill with a net effect of €-1 million. These adjustments are the result of information obtained within the measurement period regarding conditions that existed at the acquisition date.

Disposals and loss of control

In December 2018 Investment company BBGI SICAV SA ('BBGI') acquired a 49.0% interest in Participatiemaatschappij VolkerInfra PPP through a joint-venture arrangement, reducing the Company's ownership percentage in the subsidiary to 51.0%. With this transaction, the Company divested part of its financial interests in three operational DBFM(O) projects in the Netherlands.

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

16 Property, plant and equipment

	Land and buildings	Machinery and equipment	Other fixed operating assets	Property, plant and equipment under construction	Total property, plant and equipment
					2019
Balance as at 1 January 2019					
Cost	449	703	129	12	1,293
Accumulated depreciation and impairments	–226	–485	–100	–	–811
Carrying amount	223	218	29	12	482
Reclassification as a result of change in accounting policy[1]	–	–11	–5	–	–16
Adjusted carrying amount	223	207	24	12	466
Changes					
Investments	14	52	7	43	116
Disposals	–10	–3	–2	–	–15
Depreciation	–18	–49	–9	–	–76
Reclassification	7	42	5	–40	14
Foreign currency exchange differences	4	6	–	–	10
Total changes	–3	48	1	3	49
Balance as at 31 December 2019					
Cost	462	721	120	15	1,318
Accumulated depreciation and impairments	–242	–466	–95	–	–803
Carrying amount	220	255	25	15	515

1 Impact of change in accounting policy relates to the reclassification of the finance leases as per the implementation of IFRS 16, see note 2.2

We had no impairments or reversal of impairments in financial year 2019 nor in 2018.
There are no contractual obligations in respect of property, plant and equipment.

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

17 Intangible assets

2019	Goodwill	Software	Other intangible assets	Total intangible assets
Balance as at 1 January 2019				
Cost	436	34	58	528
Accumulated amortisation and impairments	–4	–18	–22	–44
Carrying amount	432	16	36	484
Changes				
Acquisitions[1]	–1	–	–	–1
Investments	–	4	8	12
Disposals	–	–	–1	–1
Amortisation	–	–5	–4	–9
Impairments	–1	–1	–2	–4
Foreign currency exchange differences	4	–	1	5
Reclassification	–	–	–5	–5
Total changes	2	–2	–3	–3
Balance as at 31 December 2019				
Cost	438	38	56	531
Accumulated amortisation and impairments	–4	–24	–23	–50
Carrying amount	434	14	33	481

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

[1] Relates to remeasurement PPA 2018, see note 15.

The impairment charge in financial year 2019 amounts to €4 million (2018: €0 million). We had no reversal of impairments in financial year 2019 or 2018.

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

	31 Dec 2019	31 Dec 2018
The Netherlands		
– Construction & Real Estate Development	107	106
– Infrastructure	113	113
– Energy & Telecoms Infrastructure	94	95
	314	314
United Kingdom	56	54
North America	64	64
Germany	–	–
Total	434	432

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

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

There are no significant differences in the growth rate and discount rate per segment (the bandwidth of the growth rates is from 1.0% till 1.7% and the bandwidth of the post-tax discount rates is from 7.1% till 7.7%). The sensitivity analysis indicated that if the cash flows are reduced by 100 basis points, or the discount rate is raised by 100 basis points in the forecast period, all changes taken in isolation, the recoverable amounts of the other CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom.

18 Investments in associates and joint ventures

In general, the associates and joint ventures include participating interests in which the Group holds less than 20% of the potential voting rights, but in which the Group exercises significant influence through its seats on the Management Boards and/or Supervisory Boards.

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

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

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

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

For a number of participating interests there are substantial restrictions on the transfer of funds. These mainly relates to general restrictions (i.e. negative equity; no majority of the voting rights). In addition this concerns provisions requiring repayment of external debt to take precedence over dividends.

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

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

	31 Dec 2019	31 Dec 2018
Associates	61	60
Joint ventures	112	93
Total	173	153

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

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

2019
West Pine Creek, WEVI BV, Laagraven Investment BV, Westfields Logistics Development BV, Brainport Industries Campus CV, Consortium Frankemaheerd CV, Connect-Z BV, Kabeldistrict Holding BV, Marktkwartier CV, ABC Square Kavel B CV, Traffic Service Nederland BV, Consortium Amsterdamse Poort CV, APH BV and Boerenwetering BV.

2018
West Pine Creek, WEVI BV, Laagraven Investment BV, Westfields Logistics Development BV, Brainport Industries Campus CV, Consortium Frankemaheerd CV, Park Strijp CV, Connect-Z BV, Mineralis BV, Traffic Service Nederland BV and Boerenwetering BV.

In 2019 the Group received €35 million in dividend payments from investments in associates and joint ventures (2018: €30 million).

The total amount invested in associates and joint ventures includes €5 million goodwill (2018: €6 million).

The impairment charge in the financial year 2019 amounts to €1 million (2018: €0 million).

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

31 December 2019	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	77	83	54	79	27	74	–72	2
Joint ventures	24	379	30	118	255	301	–288	13
	101	462	84	197	282	375	–360	15
Netting by parent company of receivable on associate/joint venture with a negative equity value			59					
Goodwill of associates and joint ventures			5					
Total net investments in associates and joint ventures			148					
To assets held for sale			–					
To provision for negative participating interests			25					
			173					15
Result of associates and joint ventures of discontinued operations								–1
Result excluding discontinued operations								16

31 December 2018	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Costs	Profit/(loss)
Associates	76	64	51	62	27	79	–61	18
Joint ventures	16	379	18	134	243	282	–272	10
	92	443	69	196	270	361	–333	28
Netting by parent company of receivable on associate/joint venture with a negative equity value			59					
Goodwill of associates and joint ventures			6					
Total net investments in associates and joint ventures			134					
To assets held for sale			–					
To provision for negative participating interests			19					
			153					28
Result of associates and joint ventures of discontinued operations								–
Result excluding discontinued operations								28

19 Non-current receivables

	31 Dec 2019	31 Dec 2018
Non-current receivables from associates and joint ventures	77	71
Non-current receivables from third parties	38	36
Total	115	107

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

Non-current receivables from third parties
The item 'Non-current receivables from third parties' relates in particular to loans provided to clients to finance property development projects and loans issued to owners of certain land holdings who have agreed to sell these to VolkerWessels in the future.
The non-current receivables have terms of less than five years and market interest rates are charged.
We had no impairments in financial year 2019 nor in 2018.
The reversal of impairments in financial year 2019 amounted to €0 million (2018: €5 million).
With regard to the non-current receivables from third parties, securities have been provided by the counterparties involved, e.g. in the form of a lien on shares and mortgage rights on the property and/or land for which the financing was provided.

20 Other non-current assets

Other non-current assets mainly relate to unlisted participating interests in which the Group does not have significant influence.

21 Deferred tax assets and liabilities

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

	31 December 2019			31 December 2018		
	Asset	Liability	Net	Asset	Liability	Net
Tax losses carried forward	23	–	23	27	–	27
Property, plant and equipment	1	−19	−18	3	−14	−11
Right-of-use assets[1]	−9	−65	−74	–	–	–
Intangible assets	–	−1	−1	–	−2	−2
Financial fixed assets	–	−1	−1	3	−5	−2
Land	–	−3	−3	–	−3	−3
Contract balances	–	−7	−7	–	−6	−6
Derivatives	–	–	–	–	–	–
Loans and other financing obligations	1	−1	–	4	–	4
Lease liabilities[1]	8	67	75	–	–	–
Employee benefits	1	3	4	1	–	1
Provisions	1	−3	−2	9	−10	−1
Other items	–	−2	−2	4	−11	−7
Tax assets/(liabilities)	26	−32	−6	51	−51	–
Netting of tax assets and liabilities	−2	2	–	−20	20	–
Net tax assets/(liabilities)	24	−30	−6	31	−31	–

[1] The comparative information has not been restated for IFRS 16. See note 2.2.

The opening balance of the tax losses carried forward amounts to €27 million. Fiscal results in 2019 have led to an amount of €11 million being recognised in the income statement, €2 million has been recognised due to acquisitions and €5 million relates to prior year adjustments and other movements. The closing balance of the tax losses carried forward amounts to €23 million.

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

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilisation of tax loss carry forwards. Deferred tax assets are recognised for future tax benefits arising from temporary differences and for tax loss carry forwards to the extent that the tax benefits are likely to be realised.
Deferred tax assets are reduced if, and to the extent that, it is not probable that all or some portion of the deferred tax assets will be realised. In the event that actual future results differ from estimates, and depending on tax strategies that VolkerWessels may

be able to implement, changes to the measurement of deferred tax could be required, which could impact on the Company's financial position and profit for the year.

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

	31 Dec 2019	31 Dec 2018
Tax losses carried forward:		
The Netherlands	75	103
Foreign markets	56	55
Total	131	158
Of which recognised tax losses carried forward:		
The Netherlands	70	88
Foreign markets	22	18
Total	92	106
Valued as deferred tax asset in relation to tax losses carried forward	23	27

In the Netherlands, the existing tax losses may be carried forward for 6 years (9 years for losses before 2019). VolkerWessels has to assess the likelihood that deferred tax assets will be recovered from future taxable profits. The tax losses in Germany and Belgium can be offset indefinitely.

	31 Dec 2019	31 Dec 2018
Deferred tax assets:		
– Maturity less than 1 year	14	25
– Maturity longer than 1 year	12	26
	26	51
Deferred tax liabilities:		
– Maturity less than 1 year	–7	–19
– Maturity longer than 1 year	–25	–32
	–32	–51
Net deferred tax assets and liabilities	–6	–

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

	2019	2018
As at 1 January	–	11
Recognised in the income statement	–8	–13
Acquisitions	2	–2
Recognised in other comprehensive income	–	–
Changes income tax rate	1	3
Exchange differences	–1	1
As at 31 December	–6	–

Deferred tax assets not recognised in the statement of financial position

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

	31 Dec 2019	31 Dec 2018
Offset before or no later than in 2019	–	–
Offset before or no later than in 2020	–	–
Offset before or no later than in 2021	–	–
Offset after 2021 but not without time limit	1	3
Can be offset indefinitely	9	11
Total	10	14

No deferred tax assets are recognised for tax losses carried forward amounting to €10 million (2018: €14 million). It is expected that an amount of unrecognised tax losses carried forward of €1 million will expire in the years up to and including 2028 (2018: €3 million up to and including 2027).

22 Land

	31 Dec 2019	31 Dec 2018
The Netherlands	167	177
Foreign markets	7	7
Total	174	184

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

Each year, the Group reviews the valuation of the properties held. This review focuses on the high risk positions and is based on current expectations in respect of development potential, the development period and the price level.

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

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

The impairment charge in financial year 2019 amounts to €3 million (2018: €0 million).
The reversal of impairments in financial year 2019 amounted to €1 million (2018: €8 million).

23 Property held for sale

	31 Dec 2019	31 Dec 2018
Leased	18	22
Unleased	13	26
Impairments	–8	–6
Total	23	42

Property held for sale includes a number of leased and unleased real estate objects.
The impairment charge in financial year 2019 amounts to €2 million (2018: €2 million). We had no reversal of impairment in financial year 2019 nor in 2018. The movement in impairment also include projects that have been sold in 2019.

24 Inventories

	31 Dec 2019	31 Dec 2018
Property development	36	81
Raw materials and consumables	61	62
Finished goods and goods for sale	17	18
Provision for obsolescence	–3	–4
Total	**111**	**157**

In financial year 2019 the Group recognised €1 million write-down on raw materials and consumables, finished goods and goods for sale (2018: €0 million). In financial year 2019 no reversal of the provision for obsolescence was recognised, nor in 2018.
The Group had no impairments on property development in financial year 2019 (2018: €0 million), nor any reversal of impairments (2018: €0 million).

25 Trade and other receivables

	31 Dec 2019	31 Dec 2018
Trade receivables	619	634
Less provision for impairment of trade receivables	–12	–14
Net trade receivables	**607**	**620**
Receivables from associates and joint ventures	150	136
Current portion of non-current receivables	9	12
Amounts to be billed for completed projects	33	42
Other receivables	128	125
Prepayments and accruals	43	51
Total	**970**	**986**

Trade and other receivables are due within one year.
Credit and currency risks as well as a movement schedule on the provision for impairment of trade and other receivables are disclosed in note 38.

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

	31 December 2019		31 December 2018	
	Gross	Provision	Gross	Provision
Not yet due	449	–1	446	–1
Overdue 1 to 60 days	118	–	131	–
Overdue 61 to 180 days	25	–1	24	–1
Overdue 181 days to one year	12	–1	14	–1
More than one year	15	–9	19	–11
	619	–12	634	–14
Less provision for impairment of receivables	–12		–14	
Net trade receivables	**607**		**620**	

26 Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
Deposits	1	1
Cash and bank balances	623	466
Total	**624**	**467**

Deposits have a maturity of no more than one month and are callable at any time.
The availability of an amount of €48 million is subject to restrictions (2018: €71 million). Of this amount, €27 million relates to restricted bank accounts (2018: €36 million).

27 Equity

For a numerical explanation of equity movements, see the consolidated statement of changes in equity (page 127).

Capital management
The policy of the Management Board is aimed at maintaining a strong equity position to ensure the confidence of shareholders, creditors, credit providers and the market and safeguard the future development of the Company's operations. The Management Board is focused on the return on capital employed, EBITDA, net cash adjusted for non-recourse financing and net working capital.

Return on capital employed (ROCE) is defined as the EBIT (excluding share incentive charge) to capital employed (group equity minus net cash position). The capital employed as at 31 December 2019 was €952 million (2018: €830 million) and the ROCE was 19.0%, 25.8% excluding the impact of IFRS 16 (2018: 20.1%).

The Management Board has presented the performance measure 'operational EBITDA' as they believe this measure is relevant to understand the Group's financial performance. Operational EBITDA is calculated by operating result (EBIT) to exclude the impact of depreciation and amortisation and the impact of IFRS 16, third party results on sale of participations for real estate developments and the share incentive charge which is offset in equity.

	2019	2018
Operating result (EBIT)	178	161
Interest accrual on lease liabilities	–2	–
Operating result (EBIT) before IFRS 16	176	161
Depreciation and impairment of property, plant and equipment	76	75
Amortisation and impairment of intangible assets	13	9
EBITDA (excluding IFRS 16)	265	245
Share incentive charge	4	6
Operational EBITDA excluding IFRS 16	269	251
IFRS 16 impact	73	–
Operational EBITDA including IFRS 16	342	251

Net cash is defined as agreed in the covenant guidelines of the bank facility, a reference is made to note 29. The Group's net cash position is managed with the intention of retaining a strong credit rating.

	31 Dec 2019	31 Dec 2018
Net working capital		
Inventories (excl. property development)	75	76
Contract balances (incl. provision onerous construction contracts)	–94	–28
Trade and other receivables (excl. receivables from associates and joint ventures and current third party loans)	811	839
Trade and other payables (excl. amounts owed to associates and joint ventures)	–1,522	–1,497
Net tax	–5	–15
Traditional working capital	–735	–625
Land	174	184
Property development	36	81
Property held for sale	23	42
Investments in associates and joint ventures (less provisions)	148	132
Non-current receivables from associates and joint ventures	77	71
Net receivables on participations	113	101
Strategic working capital	571	611
Net working capital	–164	–14

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

Share capital
The authorised capital of the Company consists of 300,000,000 shares, divided into 150,000,000 ordinary shares and 150,000,000 preference shares, all with a nominal value of €0.01 per share. The total authorised capital amounts to €3,000,000. The issued share capital of €800,000 consists of 80,000,000 (2018: 80,000,000) ordinary shares with a nominal value of €0.01 each and are fully paid up.

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

Translation reserve
Exchange differences arising on translation of the equity of foreign participations are credited or charged directly to the translation reserve.
In 2019 the change amounted to €16 million (2018: €-3 million).

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

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

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

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

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

Proposed appropriation of the result
The 2019 result attributable to shareholders of the Company amounts €141 million. Excluding the share incentive charge of €4 million the result attributable to shareholders amounts €145 million.
VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) in November 2019. Due the formal launch of the offer by the majority shareholder Reggeborgh, the company will not propose to pay a final dividend over 2019.

28 Loans and other financing obligations

This note contains information on the contractual provisions of the interest-bearing loans and other financing obligations of the Group, which are recognised at amortised cost. For more information on the risks incurred by the Group on interest and currency, see note 38.

	31 Dec 2019	31 Dec 2018
Committed credit facility (RCF)	–	–
Other financing	35	61
Lease liablities[1]	–	16
Bank overdrafts	22	22
	57	99
Repayment in coming year (including bank overdrafts)	–41	–56
Total	16	43

[1] Lease liabilities are no longer presented in 'Loans and other financing obligations' but on a separate line item in the statement of financial position, see note 2.2.

Committed credit facility
In May 2018, VolkerWessels successfully amended and extended its €600 million committed credit facility (a revolving credit facility, 'the RCF'), introducing the first sustainable revolving credit facility in the Dutch construction sector. The amended facility includes two one-year extension options, both of which have been exercised, extending the tenor to 31 January 2025.

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

The RCF is based on Loan Market Association investment grade documentation and is provided by a syndicate of seven Dutch and non-Dutch lenders, being ABN AMRO Bank NV, BNP Paribas SA, Netherlands Branch, Coöperatieve Rabobank UA, Crédit Agricole Corporate and Investment Bank SA, Belgium Branch, HSBC France SA, Amsterdam Branch, ING Bank NV and MUFG Bank (Europe) NV. Several Dutch asset companies guarantee the obligations of the borrowers under the RCF. No security other than these guarantees is provided. The RCF can be used by the Group for general corporate and working capital purposes (including acquisitions, capital expenditure, dividend distributions and interest expenses). The RCF also contains an uncommitted accordion feature which allows the Company to request an increase of the facility by up to €200 million.

Interest under the RCF is based on Euribor (with a 0% floor) plus a margin (which is calculated according to a leverage grid ranging between 90 and 170 basis points, based on net debt to EBITDA ratio) adjusted for the performance on the five sustainability indicators, if applicable. The effective interest rate is approximately equal to the nominal interest rate.

In August 2019, VolkerWessels successfully amended the loan documentation of the RCF to reflect IFRS 16, the new accounting policy for lease contracts applied from 1 January 2019. The amendments included, amongst others, updated definitions and a step-up of the financial covenant for leverage and pricing (leverage) grid as reflected below.

The RCF contains customary mandatory prepayment events for a facility of this type including illegality, change of control and certain disposals (subject to agreed exceptions and thresholds). In addition, the RCF contains several market standard undertakings and default events, and includes the following financial covenants which are tested on a semi-annual basis on 30 June and 31 December (the 'test dates'):
- Leverage Ratio (being the ratio of consolidated total net recourse debt to consolidated LTM EBITDA) must be less than 3.50:1 at each test date; and
- Interest Cover Ratio (being the ratio of consolidated LTM EBITDA to the consolidated net interest expense) must be at least 5.00:1 at each test date.

The RCF stipulates that the Company may pay a dividend to its shareholders of up to 75% of its net result per financial year ('the basket'). A dividend exceeding that basket may be paid provided that the projected Leverage Ratio on the first relevant test date after that dividend payment is expected to be less than 2.00:1. The dividend arrangement under the RCF also contains a carry forward arrangement for unused amounts in respect of a previous year where the dividend payment was less than the basket. As at 31 December 2019 and 31 December 2018, VolkerWessels had no outstanding borrowings under the RCF.

Other financing
These loans were mainly drawn to finance land for property development and property development projects in progress and, where possible, were obtained on a stand-alone basis from several banks. At the balance sheet date an amount of €21 million (2018: €46 million) relates to non-recourse financing. This non-recourse financing relates to securities held in the form of mortgages and liens on project-related land and/or buildings or future project results. The interest on these loans is mostly variable and based on Euribor plus a margin.

Uncommitted credit facilities

The Netherlands

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

United Kingdom

In the UK, BNP Paribas SA, London Branch, has provided an uncommitted current account facility of GBP 15 million to VolkerWessels UK Ltd, an indirect wholly-owned subsidiary of the Company.

North America

VolkerWessels has access to an uncommitted credit facility provided by HSBC Bank Canada of CAD 16 million with an annual seasonal limit increase to CAD 21 million from June to November.

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

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

	Note	1 January 2019	Effect of change in accounting policy*/1	Financing cash flows	Effect of changes in foreign exchange rates*	Disposal of subsidiaries	Changes in fair value*	Other changes	31 December 2019
Committed credit facility	28	–	–	–	–	–	–	–	–
Other financing	28	61	–	–26	–	–	–	–	35
Lease liabilities	2.2	16	235	–	2	–	–4	2	251
Bank overdrafts	28	22	–	–	–	–	–	–	22
Derivatives	30	2	–	–	–	–	2	–	4
Total		101	235	–26	2	–	–2	2	312

1 The effect of change in accounting policy relates to the implementation of IFRS 16, see note 2.2.

	Note	1 January 2018	Financing cash flows	Effect of changes in foreign exchange rates*	Disposal of subsidiaries	Changes in fair value*	Other changes	31 December 2018
Committed credit facility	28	–	–	–	–	–	–	–
Other financing	28	154	–55	–	–16	–	** –22	61
Lease liabilities	28	33	–20	–	–	–	3	16
Bank overdrafts	28	10	–	–	–	–	12	22
Derivatives	30	–	–	–	–	2	–	2
Total		197	–75	–	–16	2	–7	101

* These columns relate to non-cash changes.

** The other changes in other financing mainly relate to deconsolidations.

Net cash position

	Note	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	26	624	467
Non-current loans and other financing obligations	28	–16	–43
Non-current lease liabilities	2.2	–177	–
Non-current derivatives	30	–4	–2
Bank overdrafts	28	–22	–22
Current loans and other financing obligations (excluding bank overdrafts)	28	–19	–34
Current lease liabilities	2.2	–74	–
Current derivatives	30	–	–
Net cash position		312	366
Non-recourse financing		21	46
Net cash position adjusted for non-recourse financing		333	412

As a result of applying IFRS 16 Leases as mentioned under note 2.2 the net cash position as per 31 December 2019 is €251 million lower in comparison to 31 December 2018 (comparative figures are not restated). The impact of IFRS 16 on the net cash position as at 1 January 2019 amounts to €235 million.

30 Derivatives

	31 December 2019		
	Assets	Liabilities	Fair value
Interest rate swaps – non-current	–	–4	–4
Interest rate swaps – current	–	–	–
Total	–	–4	–4

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

VolkerWessels' interest policy is designed to limit the influence of fluctuating interest rates on the Group's result and to optimise net interest expenses. To this end, part of the floating interest rate exposure has been fixed by a floating-to-fixed interest rate swap of €250 million that was entered into in February 2018 and matured in January 2022. In March 2019, the existing €250 million interest rate swap was restructured through a blend-and-extend transaction extending the maturity to January 2025. The new interest rate swap has the same notional principal amount and a blended fixed interest rate of 0.45% (and a floor of 0%).

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

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

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

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

At year-end 2019 the Group assessed that, based on the critical terms, an economic relationship no longer exists between the hedged item and hedge instrument. Hence the hedge relationship ceases to meet the qualifying criteria and hedge accounting is terminated as of 30 September 2019.

The Group assessed that the hedged cash flows are still expected to occur. Therefore the amount still in OCI as per the date of termination is amortised on a straight-line basis over the expected remaining period of the hedged item.

Over 2019 a loss of €2 million was recognised in the income statement relating to the ineffective portion of the cash flow hedges (2018: €0 million).

31 Employee benefits

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

	31 Dec 2019	31 Dec 2018
Present value of unfunded schemes	–3	–3
Present value of funded schemes	–91	–84
	–94	–87
Fair value of the plan assets	87	78
Present value of net obligations	–7	–9
Other employee benefit obligations	–30	–33
Long-service award obligations	–18	–17
Total	–55	–59
Non-current portion	–43	–40
Current portion	–12	–19
Total	–55	–59

Other employee-related obligations concern a long term investment scheme for a particular group of employees that is payable more than one year after the reporting date, as well as obligations in North America.

Commitments for defined benefit plans in the Netherlands

Pension schemes apply to a number of group companies in the Netherlands with a commitment being included in the statement of financial position. These schemes have been closed to new entrants.

Defined contribution plans in the Netherlands

The vast majority of workers in the Netherlands participate in an industry-wide pension scheme or an insured scheme with an insurance company.

Below is a summary of the most significant industry-wide schemes within the Group:

Pensioenfonds voor de Bouwnijverheid and Pensioenfonds Metaal en Techniek (Dutch pension fund for the construction industry and Dutch pension fund for the metal and engineering industry)

Both funds carry an indexed career average pension scheme. These defined benefit plans are recognised as defined contribution plans because the funds accounts are not designed to be able to identify the part of the pension liabilities and assets belonging to the Group.
The Group is obliged to pay a pre-agreed contribution to these plans. The Group is not entitled to any surplus and is not liable for any deficit, except by future adjustments to the contribution rates. The coverage ratio of Pensioenfonds voor de Bouwnijverheid at 31 December 2019 was 112.4%, an decrease of 5.9% compared to 31 December 2018. The coverage ratio of Pensioenfonds Metaal en Techniek at 31 December 2019 was 98.8%, a decrease of 0.6% compared to 31 December 2018.

Spoorwegpensioenfonds (Dutch railway pension fund)

For accounting purposes, this scheme qualifies as a defined contribution plan. A distinguishing feature of this pension scheme is that the Group is obliged to pay a predetermined annual contribution to this fund. Once the agreed premium has been paid, the Group has no obligation to pay additional amounts in the event of a deficit in the fund. Likewise, VolkerWessels' group companies are not entitled to any surpluses in the fund. The actuarial risks and investment risks are borne by the pension fund and its participants. The coverage ratio at 31 December 2019 was 108.1%, an decrease of 7.0% compared to 31 December 2018.

Obligation to defined benefit plans in the United Kingdom

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

Obligation to defined benefit plans in Germany

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

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

Pension scheme assets

	The Netherlands	United Kingdom	Germany	Total
Pension scheme assets on 1 January 2019	31	47	–	78
Foreign currency exchange differences	–	2	–	2
Return on plan assets	1	1	–	2
Employer's contribution	–	1	–	1
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	–2	–2	–	–4
Actuarial results	4	4	–	8
Pension scheme assets on 31 December 2019	34	53	–	87

Pension obligation

	The Netherlands	United Kingdom	Germany	Total
Pension obligation as at 1 January 2019	–37	–47	–3	–87
Foreign currency exchange differences	–	–3	–	–3
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Employee contribution	–	–	–	–
Curtailment	–	–	–	–
Pension benefits paid	2	2	–	4
Actuarial results	–3	–3	–	–6
Pension obligation as at 31 December 2019	–39	–52	–3	–94

Net balance of obligation and plan assets

	The Netherlands	United Kingdom	Germany	Total
Balance of obligations and plan assets as at 31 December 2019	–5	1	–3	–7

Status of pension fund

	The Netherlands	United Kingdom	Germany	Total
Net pension obligation as at 1 January 2019	–6	–	–3	–9
Foreign currency exchange differences	–	–1	–	–1
Recognised actuarial result (including exchange effect on actuarial reserve)	1	1	–	2
Paid pension contributions and disbursed pensions	–	1	–	1
Pension expense accounted for in income statement	–	–	–	–
Net pension obligation as at 31 December 2019	–5	1	–3	–7

Pension scheme assets

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

Pension obligation

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

Net balance of obligation and plan assets

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

Status of pension fund

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

The plan assets consist of:

	31 Dec 2019	31 Dec 2018
Cash and other insurance contracts	34	32
Shares	39	23
Bonds and receivables	14	23
Total	87	78

The actual return on the plan assets was €2 million in 2019 (2018: €2 million).

Expenses recognised in the income statement for defined benefit plans

2019	The Netherlands	United Kingdom	Germany	Total
Service costs	–	–	–	–
Interest expenses	–1	–1	–	–2
Return on plan assets	1	1	–	2
Curtailments	–	–	–	–
Total	–	–	–	–

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

The Group anticipates a contribution of approximately €0 million to the financed defined benefit plans in 2020.

There were no employee benefit expenses or financial result incurred in both 2019 and 2018 in relation to the defined pension benefit plans.

Actuarial assumptions
The main actuarial assumptions for 2019 were as follows:

2019	The Netherlands	United Kingdom	Germany
Discount rate/return on plan assets	0.60% – 1.00%	2.00%	0.50%
Future salary increases	0.00%	2.90%	0.00%
Inflation	0.75%	2.90%	2.00%

The main actuarial assumptions for 2018 were as follows:

2018	The Netherlands	United Kingdom	Germany
Discount rate/return on plan assets	1.50% – 1.90%	2.80%	1.55%
Future salary increases	0.00%	3.20%	0.00%
Inflation	1.00%	3.20%	2.00%

The applied discount rate is based on the return on high-quality European corporate bonds as at the reporting date.
Expectations in respect of future mortality rates and life expectancy are based on published mortality tables.

Historical information

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Present value of obligations under defined benefit plans	–94	–87	–93	–94	–91
Fair value of plan assets	87	78	83	89	86
Present value of net obligation	–7	–9	–10	–5	–5

Remeasurement gains/(losses)

	2019	2018
Actuarial gains and losses arising from demographic assumptions	–1	2
Actuarial gains and losses arising from changes in financial assumptions	–1	–
Return on plan assets (excluding amounts included in net interest)	5	1
Change in limit on recognition of assets	–1	–3
Total	2	–

Expenses recognised in the income statement for defined contribution plans
The expenses recognised in the income statement for defined contribution plans in 2019 amount to €96 million (2018: €91 million). Refer to note 7.

32 Provisions for associates and joint ventures

	2019	2018
As at 1 January	19	13
Additions	–	–
Share in result	4	6
Received dividends	–	–
Foreign currency exchange differences	1	–
Other movements	1	–
As at 31 December	25	19
Non-current portion	23	16
Current portion	2	3
Total	25	19

33 Other provisions

	Provisions for onerous contracts	Guarantees	Restructuring	Environmental and remedia- tion costs	Other	Total
As at 1 January 2019	127	68	3	4	34	236
Acquisitions	–	–	–	–	–	–
Addition	20	20	9	–	19	68
Withdrawal	–11	–15	–5	–	–7	–38
Release	–14	–4	–	–	–7	–25
Interest accrual	–	1	–	–	–	1
As at 31 December 2019	122	70	7	4	39	242
Non-current portion	38	50	3	2	23	116
Current portion	84	20	4	2	16	126
Total	122	70	7	4	39	242

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

[1] The impact of change in accounting policy as of 1 January 2019 relates to the implementation of IFRS 15.

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

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

The restructuring provision relates to expenditure in respect of changes to the operational structure that are deemed necessary in order to continue to respond to changing market demands. A provision for restructuring is recognised only when the Group has approved a detailed and formal restructuring plan and the restructuring has commenced or been publicly announced.

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

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

The non-current part of the provisions has been discounted at a rate of 2% (2018: 2%).

34 Trade and other payables

	31 Dec 2019	31 Dec 2018
Trade payables	843	871
Other creditors and accrued expenses	207	187
Taxes and social charges	188	174
Accruals and deferred income	150	142
Expected accrual on delivered projects	66	58
Holiday accrual	57	56
Advances received on projects to be started	7	9
Amounts owed to associates and joint ventures	37	35
Payable to the majority shareholder	4	–
Total trade and other payables	**1,559**	**1,532**

The payable to the majority shareholder of €4 million relates to the income tax settlement regarding the share incentive charge (borne by Reggeborgh Holding BV).

Supply chain finance
In the Netherlands, Coöperatieve Rabobank UA has provided a supply chain finance facility of €45 million, allowing the suppliers of several operating companies access to their payments ahead of the contractual terms, reducing their need for working capital. At the balance sheet date an amount of €16 million (2018: €16 million) was used. VolkerWessels liability to the supplier continues to exist until the final payment is transferred. Given the amount and timing of cash flows and no interest is paid the liability is classified as trade payables.

35 Contingent liabilities

	31 Dec 2019	31 Dec 2018
Guarantees		
Guarantees relating to performance	573	547
Guarantees relating to credit facilities	–	1
Guarantees relating to prepayments received	49	4
Guarantees issued to clients based in North America	321	236
Total bank guarantees	**943**	**788**
Guarantees relating to performance	1,513	1,411
Guarantees relating to credit facilities	107	151
Guarantees relating to prepayments received	2	3
Total parent company guarantees	**1,622**	**1,565**

From the total bank guarantees as at 31 December 2019 an amount of €18 million (2018: €29 million) relates to joint ventures.
From the total parent company guarantees as at 31 December 2019 an amount of €60 million (2018: €49 million) relates to joint ventures.

Bank guarantees
At the request of a project company or subsidiary of the Company, VolkerWessels may request a financial institution to provide a bank guarantee, surety bond or letter of credit (a 'bank guarantee') to its clients. A bank guarantee typically guarantees the performance and/or warranty obligations of such project company or subsidiary under a construction and/or maintenance agreement. Each bank guarantee is issued under a bank guarantee facility and the borrower of such facility is a holding and/or operating company of VolkerWessels. As the obligations of each borrower are also counter-indemnified by one or more (other) holding companies within the Group, a provider of a bank guarantee facility has recourse against the Group. VolkerWessels strives to provide the counter-indemnities for a bank guarantee facility at the lowest possible (holding company) level to avoid cross-links between its various operating segments as much as possible.

The Group has entered into bank guarantee and surety bond facilities with various financial institutions totalling €1.7 billion at year-end 2019 (2018: €1.6 billion), including a committed syndicated guarantee facility of €150 million. The text of each bank guarantee is verified for compliance with the internal company policy for guarantees. Bank guarantees relating to credit facilities are issued typically as security for project financing granted in connection with a construction project or as security for a bank guarantee facility. Bank guarantees relating to prepayments received serve as security for advance payments made by clients in connection with projects.

Parent company guarantees
At the request of a project company or subsidiary of the Company, certain holding companies within the Group may provide a parent company guarantee (a 'PCG'). A PCG typically guarantees the performance and/or warranty obligations of such project company or subsidiary under a construction and/or maintenance agreement. Providing a PCG as a form of security is carefully considered and the text of a PCG is verified for compliance with the internal company policy for guarantees. VolkerWessels aims to provide a PCG at the lowest possible (holding company) level to avoid cross-links between its various operating segments as much as possible.

Other contingent liabilities

	Within 1 year	2-5 years	After 5 years	Total 31 Dec 2019
Lease, rental and leasehold agreements	4	2	–	6
(Contingent) obligation to purchase land for development or building purposes	78	30	13	121
Other purchase commitments	90	1	–	91
Total	172	33	13	218

	Within 1 year	2-5 years	After 5 years	Total 31 Dec 2018
Lease, rental and leasehold agreements	70	120	61	251
(Contingent) obligation to purchase land for development or building purposes	68	17	3	88
Other purchase commitments	48	10	1	59
Total	186	147	65	398

The obligations arising from lease and rental agreements relate mainly small ticket assets, based on the nominal value.

The contingent obligations to purchase building land relate to, among other items, the amendment of development plans, the obtainment of building permits and the actual completion of property development plans. If a construction consortium is set up in the form of a general partnership, joint and several liability is only recognised if, and insofar as, this is prompted by the financial status of the consortium and/or that of one or more partners therein. The total obligation to third parties of entities for which the Group is jointly and severally responsible (such as general partnerships) at year-end 2019 amounts to €212 million (2018: €199 million).

Off-balance sheet assets and liabilities

In previous years the Group selectively sold residential property at a discount, sharing in any gain on resale. As the size and timing of the future gains on resale are uncertain, the respective entitlement qualifies as a contingent asset. Any future gains are recognised at the time of resale.

The Group has contingent assets in respect of current proceedings and disputes with clients. It is impossible to determine with sufficient certainty the amount and the timing of receipt of any economic benefits. Accordingly, these contingent assets are not recognised.

In the normal course of business the Group is involved in disputes, arbitrations and legal procedures. This can relate to contracts with customers on topics such as claims, design changes, variation orders, project delays and other variations, throughout the various stages of such contracts. But also in relation to discussions with governmental bodies or taxing authorities. In accordance with the current accounting policies, the Group recognises a provision with respect to these disputes and/or proceedings if the Group has a current obligation for which an outflow of economic resources is probable and of which the amount can be estimated reliably.

The Group also has various disputes and/or legal proceedings with customers or any other third party, for which the Group expects based on a legal analysis that:

- it has no obligation; or
- it is not probable that an obligation will result in an outflow of economic resources.

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

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

36 Related party transactions

The Group identifies the shareholders, subsidiaries, associates, joint arrangements and key management as related parties.

The transactions with the shareholders and key management can be specified as follows:

- VolkerWessels (ultimate) shareholders, including close family members of the VolkerWessels (ultimate) shareholders and entities (in)directly controlled by VolkerWessels' (ultimate) shareholders (together called: Reggeborgh entities);
- joint ventures between VolkerWessels companies and Reggeborgh entities (Joint ventures between VolkerWessels and Reggeborgh);
- entities where Reggeborgh entities have the ability to exercise significant influence (Reggeborgh associates); or
- VolkerWessels' Management Board and Supervisory Board (to the extent they are not a Reggeborgh entity), including legal entities controlled by individual Management and Supervisory Board members (Management Board).

Related party transactions with the shareholders and key management can be categorised as follows:
- sales transactions to related parties in the ordinary course of business;
- purchase transactions from related parties in the ordinary course of business;
- other related party transactions; or
- key management remuneration; we refer to note 37 for more information.

These related party transactions have been concluded at arm's length.

Sales transactions to related parties in the ordinary course of business

Sales transactions to related parties in the ordinary course of business can be specified as follows:

	Transaction value		Commitments (including outstanding balance) as at 31 December	
	2019	2018	2019	2018
Sales by:				
VolkerWessels consolidated entities	207	138	205	254
VolkerWessels joint ventures	10	7	–	–
VolkerWessels associates	3	9	–	3
Total	220	154	205	257
Sales to:				
Reggeborgh entities	131	109	108	154
Joint ventures between VolkerWessels and Reggeborgh	58	18	81	92
Reggeborgh associates	29	26	14	8
Management Board	2	1	2	3
Total	220	154	205	257

Sales to Reggeborgh entities primarily consist of:
- revenue in the Construction & Real Estate Development segment, including land, real estate completed and sale of non-current third party receivables, to Reggeborgh entities of €67 million (2018: €75 million); and
- revenue in the Germany segment, including land and real estate completed, to Reggeborgh entities of €64 million (2018: €34 million);

The total commitments (including outstanding balance) at year-end 2019 amounts to €108 million (2018: €154 million) and relates to construction contracts for the delivery of real estate concluded but not yet completed or delivered.

Sales to joint ventures between VolkerWessels and Reggeborgh primarily consist of:
- revenue in the Construction & Real Estate Development segment of €57 million (2018: €17 million);
- revenue in the Infrastructure segment of €0 million (2018: €1 million); and
- revenue in the Germany segment of €1 million (2018: €0 million).

The total commitments (including outstanding balance) at year-end 2019 amounts to €81 million (2018: €92 million) and mainly relates to construction contracts concluded but not yet completed or delivered.

Sales to Reggeborgh associates primarily consist of:
- revenue in the Construction & Real Estate Development segment of €6 million (2018: €10 million); and
- revenue in the Energy & Telecoms Infrastructure segment related to maintenance of oil terminals and telecoms networks of Reggeborgh associates of €23 million (2018: €16 million).

The total commitments (including outstanding balance) at year-end 2019 amounts to €14 million (2018: €8 million).

Sales to the Management Board primarily consist of:
- revenue, including real estate sold in the Construction & Real Estate Development segment for the year 2019 €2.0 million (2018: €1.2 million).

The total commitments (including outstanding balance) at year-end 2019 amounts to €2 million (2018: €3 million) and relates to construction contracts for the delivery of real estate concluded but not yet completed or delivered.

All these transactions were approved by the Supervisory Board.

Purchase transactions from related parties in the ordinary course of business

Purchase transactions from related parties in the ordinary course of business can be specified as follows:

	Transaction value		Commitments (including outstanding balance) as at 31 December	
	2019	2018	2019	2018
Purchases by:				
VolkerWessels consolidated entities	14	16	43	44
VolkerWessels joint ventures	–	–	–	–
VolkerWessels associates	–	–	–	–
Total	14	16	43	44
Purchases from:				
Reggeborgh entities	7	7	35	34
Joint ventures between VolkerWessels and Reggeborgh	–	–	–	–
Reggeborgh associates	7	9	8	10
Management Board	–	–	–	–
Total	14	16	43	44

Purchases from Reggeborgh entities primarily consist of:
- rent of property in several locations in the Netherlands and Germany from Reggeborgh entities of €7 million (2018: €7 million).

The total commitments (including outstanding balance) at year-end 2019 amounts to €35 million (2018: €34 million) and mainly relates to the contractually agreed rent period.

Purchases from Reggeborgh associates primarily consist of:
- rent of property locations from Reggeborgh associates of €3 million (2018: €4 million);
- delivering construction materials and services to VolkerWessels companies for an amount of €4 million (2018: €3 million); and
- purchase land and a production hall for an amount of €0 million (2018: €2 million).

The total commitments (including outstanding balance) at year-end 2019 amounts to €8 million (2018: €10 million) and mainly relates to the contractually agreed rent period.

Other related party transactions

Joint ventures between VolkerWessels and Reggeborgh entities

Certain VolkerWessels companies, active in the Construction & Real Estate Development segment and in the Germany segment, hold joint participations in property development companies together with Reggeborgh entities. The range of participations of the Reggeborgh entities varies from 14% to 63% in the Construction & Real Estate Development and from 6% to 75% in the Germany segment.

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

	2019	2018
Equity provided as at 31 December		
Construction & Real Estate		
Development	38	30
Germany	2	1
Total	40	31

Loans to VolkerWessels joint ventures

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

	2019	2018
Loans as at 1 January	4	6
Provided during the year	2	–
Repaid during the year	–	–2
Loans as at 31 December	6	4

Loans to VolkerWessels Associates

In 2015, a Reggeborgh entity provided a loan of €3 million to an associate of VolkerWessels, of which an amount of €2 million was outstanding as at 31 December 2018. The outstanding amount as at 31 December 2019 is €2 million.

37 Management remuneration

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

Management Board

The performance based remuneration proposal for the Management Board's performance in 2019 was discussed between the Remuneration Committee and the Management Board. When discussing this, attention was paid to best practice provision 3.1.2 of the Dutch Corporate Governance Code. The compensation paid or payable to the Management Board for their services provided in 2019 is shown below:

Amounts in thousands of euros	Base pay	Pension benefits	Short-term incentive	Management participation plan	Subtotal[1]
J.A. de Ruiter (chairman)	581	158	556	541	1,836
J.G. van Rooijen	581	126	568	541	1,816
A. Vos	581	128	581	541	1,831
D. Boers	581	146	570	541	1,838
A.R. Robertson	581	116	538	541	1,776
Subtotal	2,905	674	2,813	2,705	9,097
H.J. van der Kamp[2]	93	30	–	–315	–192
Total	2,998	704	2,813	2,390	8,905

1 Subtotal is excluding share incentive charge. Please refer to the third table in this note on page 179.

2 Base salary and pension benefits till 1 March 2019.

Mr H.J. van der Kamp resigned as member of the Management Board with effect from 31 August 2018. The employment of Mr Van der Kamp terminated as per 1 March 2019. In 2019, Mr Van der Kamp received a severance payment of €559.625 as part of his resignation arrangement. This payment was already accounted for in 2018 (see column Termination benefits in table below regarding 2018 compensation). Mr Van der Kamp and VolkerWessels agreed to release Mr Van der Kamp from his non-compete obligations enabling him to commence working as manager director of the Van Gelder Groep as of 1 May 2019. In consideration hereof Mr Van der Kamp agreed to not receive any payment under the Management participation plan related to the 2018 financial year and to hand back 40,000 shares under the Share incentive plan to Reggeborgh Holding BV.

The compensation paid or payable to the Management Board for services provided in 2018 is shown below:

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

1 Subtotal is excluding share incentive charge. Please refer to the fourth table in this note on page 179.

Base pay
This represents a fixed cash remuneration consisting of the base salary including holiday allowance.

Pension and other benefits
This reflects the individual pension obligation paid out for participation in VolkerWessels' pension scheme, similar to the other VolkerWessels employees in the Netherlands who are not covered by a collective bargaining agreement or industrial pension fund. It includes an additional compensation payment for the pension entitlement relating to the part of the salary that exceeds the amount established for Dutch tax purposes on which the company can make a tax deductible contribution to a pension fund, as established from time to time. In addition, the members of the Management Board are eligible for other pension related benefits, such as life insurance, as determined by the Supervisory Board from time to time.

The Management Board also received expense reimbursements as well as a company car. The expense reimbursement is intended to compensate for expenses incurred and is not included in the remuneration schedule.

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

The basis for the 2019 payment under the STI scheme is the balanced scorecard 2019 which has been set for each individual board member. The KPI's for the balanced scorecard 2019 are 50% financially driven (operational EBITDA, EBITDA margin, free cash flow and return on capital employed); 25% is driven by operational excellence targets and the remaining 25% is driven by safety, integrity and sustainability KPI's. For both the chairman and the CFO, the financial KPI's are based on the aggregate group numbers. For the board members with direct responsibility for the divisions, the financial KPI's (50% of total balanced scorecard) are for 20% determined at the aggregate group numbers and for 30% on the divisional numbers.
Operational excellence KPI's are designed at the level of responsibility of each board member. The KPI's for safety, integrity and sustainability partly overlap, or partly vary, for each board member. Due to the commercial sensitivity the individual management board members' targets shall not be disclosed. The chairman of the Management Board discusses the results on the balanced scorecard with each of the board members and makes a recommendation of the payments under the STI scheme to the Remuneration Committee. The payment under the STI scheme for the chairman of the Management Board is proposed by the Remuneration Committee.
All payments are subsequently discussed and approved by the Supervisory Board.

The chairman of the Management Board J.A. de Ruiter has been awarded a short-term incentive for 2019 equal to 120% of his 'at target' short term incentive (equal to 80% of the base pay) in view of the achievement of targets set for 2019.

Board member J.G. van Rooijen has been awarded a short-term incentive for 2019 equal to 122% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

Board member A. Vos measured performance of targets set for 2019 was 129%. Based on this performance the maximum pay-out of the annual base pay of €581,000 has been awarded.

Board member D. Boers has been awarded a short-term incentive for 2019 equal to 123% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

Board member A.R. Robertson has been awarded a short-term incentive for 2019 equal to 116% of his 'at target' short term incentive (equal to 80% of the annual base pay) in view of the achievement of targets set for 2019.

The balanced scorecard 2020 will follow a similar division in KPI's as the balanced scorecard 2019.

Management participation plan
The members of the Management Board are eligible to participate in VolkerWessels' long-term management participation plan. Together with a group of over 200 managers, the members of the Management Board may share in the profits of VolkerWessels by holding, through a management investment company, a leveraged profit participating loan, which instrument has been issued by VolkerWessels. Participation in the management participation plan is subject to a (limited) investment by, and the continued employment of, the participants with VolkerWessels.

The management participation plan is intended to drive sustainable long-term performance through cash-backed earnings with due regard of the risk-appetite of VolkerWessels and to foster alignment of interests of the participants with shareholders. The interest on the profit participating loan is dependent on the financial performance of VolkerWessels as a whole and is calculated as a percentage of the operational profit before tax.
At the end of each performance year, once the financial statements for that year are finalised, the interest payments to the management investment company (and therefore to the participants) are made. At that time, one-third of the entitlement is paid out, whilst the remaining two-thirds is deferred in two equal annual instalments. Deferred payments can be adjusted downwards, in part or in full, if VolkerWessels incurs losses in future years or the management participation plan entitlement over a certain performance year has been

based on incorrect data. In addition, good and bad leaver provisions apply. In unforeseen circumstances, the Supervisory Board may adjust or terminate the management participation plan, in whole or in part, without the approval of the participants being required.

The benefits due to the Management Board under the management participation plan amounted to €2.4 million for the year 2019, payable in the years 2020-2022.

The benefits due to the Management Board under the management participation plan amounted to €2.8 million for the year 2018, payable in the years 2019-2021.

Other
The members of the Management Board have been granted shares under the share-incentive plan (refer to page 178). No loans or advances have been granted to members of the Management Board and none of the members of the Management Board received any form of compensation from subsidiaries or other entities consolidated at the level of VolkerWessels. In addition no revision or clawback of any incentives occurred in 2019.

Pay ratio
In compliance with best practice provision 3.4.1 (iv) of the Dutch Corporate Governance Code we report on the ratio between the pay of the Management Board members and the other employees within VolkerWessels as from financial year 2017. For this pay ratio calculation we use the remuneration obtained, including base pay, pension benefits, short-term incentive and management participation plan and excluding share incentive.

We compare the average pay of the five Management Board members with the average pay of all other employees within VolkerWessels.

	Management Board			Other employees		
Amounts in thousands of euros	2019	2018	2017	2019	2018	2017
Average number of FTEs	5.0	4.67	4.83	17,039	16,625	16,174
Employee benefit expenses[1]	9,097	7,825	8,125	1,268,209	1,246,445	1,160,094
Average pay	1,819	1,675	1,682	74	75	72

[1] Excluding employee benefit expenses for Mr H.J. van der Kamp in 2018 and 2019.

The pay ratio (calculated as: Average pay of Management Board / Average pay of other employees) in 2019 is 24.58 (2018: 22.33 and 2017: 23.36).

Supervisory Board
The remuneration paid or payable to the Supervisory Board for services is shown below:

Amounts in thousands of euros	2019	2018
J.H.M. Hommen	90	90
H.M. Holterman	70	70
S. Hepkema	70	70
R.J.H.M. Kuipers[1]	18	70
F. Verhoeven[2]	70	46
A.H. Montijn-Groenewoud[3]	50	–
E. Blok[3]	50	–
Total	**418**	346

[1] Resigned from the Supervisory Board with effect from 18 April 2019.
[2] Appointed as member of the Supervisory Board with effect from 3 May 2018.
[3] Appointed as member of the Supervisory Board with effect from 18 April 2019.

As of 12 May 2017 the compensation for the chairman of the Supervisory Board has been set at €90,000 per year and the compensation for each of the other Supervisory Board members has been set at €70,000 per year.
The remuneration of the Supervisory Board is not directly linked to the performance of the company.

The compensation paid in 2019 includes the remuneration for Mr Blok (as from 18 April 2019), Mr Hepkema, Mr Holterman, Mr Hommen, Mr Kuipers (until 18 April 2019), Mrs Montijn-Groenewoud (as from 18 April 2019) and Mr Verhoeven. Other than the compensation in the table referred to above, no compensation for expenses, costs or else was paid to any of the members of the Supervisory Board in 2019.

The compensation paid in 2018 includes the remuneration for Mr Hepkema, Mr Holterman, Mr Hommen, Mr Kuipers and Mr Verhoeven (as from 3 May 2018).

No shares have been granted to the members of the Supervisory Board. As at 31 December 2019 Mr Hommen holds 13,000 shares (31 December 2018: 13,000 shares) in the company, which were acquired on a personal title. As at 31 December 2019 Mr F. Verhoeven holds 5,441 shares in the company (31 December 2018: 5,441 shares), which were acquired on a personal title and also at 31 December 2019, Mr S. Hepkema holds 5,000 shares in the company (31 December 2018: 5,000 shares), which were acquired on a personal title. The other members of the Supervisory Board do not (directly) hold any shares in VolkerWessels. However, Mr Holterman is the solely authorised director of Reggeborgh Holding BV (indirectly through Reggeborgh Bestuur BV) and as such a non-independent Supervisory Board member as referred to in best practice principles 2.1.7 and 2.1.8 of the Code. Reggeborgh Holding BV is the majority shareholder of VolkerWessels. There have been no loans or advances granted to the members of the Supervisory Board.

Share incentive

On 12 May 2017, Reggeborgh Holding BV granted a one-off share incentive, on an after tax basis, to the members of the Management Board and to other key managers to ensure a smooth transition from a privately held company to a publicly held company. The financial costs of these incentive shares (including any shares granted after 12 May 2017) – including any taxes – are and will be borne by Reggeborgh Holding BV. These ordinary shares are placed in a blocked securities account and are subject to a lock-up period as set out below.

The chairman of the Management Board was granted 70,000 ordinary shares and each of the other Managing Directors were granted 110,000 ordinary shares. The additional 40,000 ordinary shares for each Managing Director (other than the chairman of the Management Board) reflect their contribution prior to 2017. The 70,000 ordinary shares that are granted to the chairman of the Management Board would, in accordance with the original share incentive plan, be released to him one day after the general meeting of the company in 2020, on the condition that he continues to be employed by VolkerWessels on such date. For the other Managing Directors, 20,000 ordinary shares have been released from lock-up one day after the general meeting of the company in 2018 and an additional 20,000 ordinary shares have been released one day after the general meeting of the company in 2019.
The remaining 70,000 ordinary shares would, in accordance with the original share incentive plan, be released one day after the general meeting of the company in 2020, on the condition that the relevant Managing Director continues to be employed by the company on these dates. However, as part of the offer by Reggeborgh Holding on all issued shares in the company, it has been agreed that the lock-up on the incentive shares until the general meeting in 2020 shall be released in order to enable the tendering of these shares under the offer.

In November 2018, Mr Vos has been granted 20,000 additional shares. In June 2018, Mr Robertson was granted 35,000 additional shares as incentive for joining the Management Board on 3 May 2018. In 2019, the members of the Management Board have received an additional 4,000 shares per person as reward for their performance in 2018.
Both the 20,000 additional shares for Mr Vos and the 35,000 additional shares for Mr Robertson as well as the grant of 4,000 shares to each member of the Management Board in 2019 have been granted under the same conditions as the other shares being granted to the Managing Directors.

At the end of each reporting period, VolkerWessels revises its estimates of the number of shares that are expected to vest based on the lock-up conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The development of the share incentive plan (in number of shares) during 2019 for the members of the Management Board and for all other participants is shown below:

	1 January 2019	Granted	Vested	Forfeited	31 December 2019
J.A. de Ruiter	70,000	4,000	–	–	74,000
J.G. van Rooijen	90,000	4,000	–20,000	–	74,000
A. Vos	110,000	4,000	–20,000	–	94,000
D. Boers	90,000	4,000	–20,000	–	74,000
H. van der Kamp	60,000	–	–20,000	–40,000	–
A.R. Robertson	50,000	4,000	–	–	54,000
Other managers	368,000	–	–	–40,000	328,000
Total granted shares	838,000	20,000	–80,000	–80,000	698,000

Under the terms of the Merger Protocol between the company and Reggeborgh Holding BV (signed on 11 November 2019), all active board members including the Supervisory Board members holding shares (Messrs Hommen, Hepkema and Verhoeven) have agreed to tender their shares to Reggeborgh Holding BV on the offer conditions.

The development of the share incentive plan (in number of shares) during 2018 for the members of the Management Board and for all other participants is shown below:

	1 January 2018	Granted	Vested	Forfeited	31 December 2018
J.A. de Ruiter	70,000	–	–	–	70,000
J.G. van Rooijen	110,000	–	–20,000	–	90,000
A. Vos	110,000	20,000	–20,000	–	110,000
D. Boers	110,000	–	–20,000	–	90,000
H. van der Kamp	110,000	–	–20,000	–30,000	60,000
A.R. Robertson	15,000	35,000	–	–	50,000
Other managers	361,500	13,500	–	–7,000	368,000
Total granted shares	886,500	68,500	–80,000	–37,000	838,000

	31 December 2019	31 December 2018	31 December 2017
Granted shares	858,000	955,000	886,500
Vested	–80,000	–80,000	–
Forfeited	–80,000	–37,000	–
Reserved shares for future granting	–	5,000	73,500
Total number of available and granted shares	698,000	843,000	960,000

The fair value per share of the share grant, for the share incentive participants, is determined based on the value as per grant date, taking into account a discount for the lock-up period in line with tax rules as applicable in the Netherlands. As participants receive dividend compensation the dividend yield on the awards equals nil. The most important assumptions used in the valuations of the fair values were as follows:

2017 share price at grant date (in €)	23.00
2018 weighted share price at actual grant date for other managers (in €)	18.68
discount for a one-year period (in %)	5.50
discount for a two-year period (in %)	10.00
discount for a three-year period (in %)	13.50

In 2019, a total amount for the share incentive plan (including other managers) of €4.4 million was charged to the income statement.
In 2018, a total amount for the share incentive plan (including other managers) of €6.2 million was charged to the income statement.

The charge to the income statement from 2017 until 2020 for the share incentive plan for the Management Board is summarised in the table below:

Amounts in thousands of euros	2017	2018	2019	2020	Total
J.A. de Ruiter	290	464	513	199	1,466
J.G. van Rooijen	691	834	591	199	2,315
A. Vos	691	850	787	264	2,592
D. Boers	691	834	591	199	2,315
A.R. Robertson	–	195	439	154	788
H. van der Kamp	691	511	–353	–	849
Total	3,054	3,688	2,568	1,014	10,324

The total charge to the income statement in 2019 in respect of the Management Board for the remuneration as well as the share incentive is summarised in the table below:

Amounts in thousands of euros	Remuneration subtotal	Share incentive	Total
J.A. de Ruiter	1,836	513	2,349
J.G. van Rooijen	1,816	591	2,407
A. Vos	1,831	787	2,618
D. Boers	1,838	591	2,429
A.R. Robertson	1,776	439	2,215
Subtotal	9,097	2,921	12,018
H. van der Kamp	–192	–353	–545
Total	8,905	2,568	11,473

The total charge to the income statement in 2018 in respect of the Management Board for the remuneration as well as the share incentive is summarised in the table below:

Amounts in thousands of euros	Remuneration subtotal	Share incentive	Total
J.A. de Ruiter	1,652	464	2,116
J.G. van Rooijen	1,620	834	2,454
A. Vos	1,763	850	2,613
D. Boers	1,661	834	2,495
A.R. Robertson	1,128	195	1,323
H. van der Kamp	1,585	511	2,096
Total	9,410	3,688	13,098

38 Financial instruments

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

Credit risk

Credit risk is the risk of a financial loss for the account of the Group stemming from failure of a third party to meet its contractual obligations. As a significant percentage of VolkerWessels' clients are public sector organisations (i.e. government bodies), the credit risk for this portion of the Group's revenue is limited. Other than the exposure to public sector organisations, there were no significant concentrations of credit risk as at 31 December 2019. The credit risk is under constant review. The Company limits its credit risk by doing business exclusively with clients, subcontractors or suppliers whose creditworthiness is acceptable. If there are any doubts about their underlying creditworthiness, the policy is to have all or part of the underlying obligations to VolkerWessels guaranteed by a bank or other financial institution. Prepayments are used to further limit the credit risk where possible. Credit insurance is also used to hedge the credit risk. The Group further limits its credit risk on financial institutions by spreading the credit, bank guarantee and bonding facility limits and its surplus liquidity among several financial institutions with a good credit rating.

Assets subject to credit risk

	31 Dec 2019	31 Dec 2018
Non-current receivables	115	107
Contract assets	551	579
Trade receivables	607	620
Other receivables	363	366
Cash and cash equivalents	624	467
Total	2,260	2,139

The Group has several types of financial assets that are measured at amortised cost and are therefore subject to the IFRS 9 ECL model. While all assets included in the table above are subject to this ECL model, the identified impairment loss for non-current receivables, contract assets, other receivables and cash and cash equivalents was immaterial.

Trade receivables

The provision for impairment on trade receivables, following the simplified approach under IFRS 9, was determined as follows:

	31 December 2019		31 December 2018	
	Gross	Provision	Gross	Provision
Not yet due	449	–1	446	–1
Overdue 1 to 60 days	118	–	131	–
Overdue 61 to 180 days	25	–1	24	–1
Overdue 181 days to one year	12	–1	14	–1
More than one year	15	–9	19	–11
Total	619	–12	634	–14

Trade receivables are written off (provisions used) when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The changes in the provision for impairment of trade receivables during the year were as follows:

	2019	2018
As at 1 January	14	17
Provisions made during the financial year	3	–
Provisions used during the financial year	–4	–4
Release of provision during the year	–1	–1
Other movements	–	2
As at 31 December	12	14

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in the short term. The liquidity management of VolkerWessels is aimed at maintaining its credit profile and, where possible, improving it to ensure that the Group retains access to the banking / financial markets on terms acceptable to the Company. The Company's policy is to keep a significant part of its RCF headroom available at all times for unforeseen events. VolkerWessels has an ongoing focus on its working capital and capital demands and commits its cash as efficiently and effectively as possible within the Group.

The Company applies a strict investment policy in order to manage its cash position. This means that the permission of the Management Board is required if large amounts of cash are invested or if cash is invested for a longer period of time. The Group has committed and uncommitted bank guarantee and surety bonding facilities with several banks and other financial institutions in order to satisfy client requirements in respect of providing bank guarantees and surety bonds.

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2019:

	31 Dec 2019 Carrying amount	Contractual cash flows	Within 1 year	Year 2-5	> 5 years
Loans (including current)	35	40	16	5	19
Derivatives (including current)	4	4	–	4	–
Lease liabilities (including current)	251	268	77	137	54
Bank overdrafts	22	22	22	–	–
Trade and other payables	1,559	1,559	1,559	–	–
Total	1,871	1,893	1,674	146	73

The contractual expiry terms of financial obligations, including interest payments, are as follows as at 31 December 2018:

	31 Dec 2018 Carrying amount	Contractual cash flows	Within 1 year	Year 2-5	> 5 years
Loans (including current)	61	62	29	19	14
Derivatives (including current)	2	2	–	2	–
Lease liabilities (including current)	16	16	5	10	1
Bank overdrafts	22	22	22	–	–
Trade and other payables	1,532	1,532	1,532	–	–
Total	1,633	1,634	1,588	31	15

Market risk

Foreign exchange risk

As a result of the geographical spread of the Group's operations, foreign exchange rates affect the Group's results of operations and equity. The Company records its financial results in euros, but receives revenues and incurs costs in a variety of other currencies, including the pound sterling, Canadian dollar and US dollar. As a result, these non-euro assets, liabilities, revenues and costs are translated into euro at the prevailing exchange rate for purposes of preparing the Company's accounts and financial statements. Changes in the value of the euro, on the one hand, and the pound sterling, Canadian dollar or to a lesser extent US dollar on the other, could result in translational gains or losses in a given year as compared to prior operating periods. The translation risk on equity is not hedged.

The principal exchange rates during the year were as follows:

	Average exchange rate		Closing rate	
	2019	2018	2019	2018
GBP	1.14	1.13	1.18	1.12
CAD	0.67	0.65	0.69	0.64

Sensitivity analysis

The influence of a stronger or weaker euro exchange rate against the above currencies would have had an impact on the profit for the financial year and equity at the reporting date. This analysis is based on assumptions made by the Group with respect to possible currency fluctuations at the reporting date. In this analysis, it is assumed that all other variables, in particular interest rates, remain constant.

	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
2019				
GBP (5% variation)	–6	–1	6	1
CAD (5% variation)	–10	–	10	–

	Stronger euro		Weaker euro	
	Equity	Result	Equity	Result
2018				
GBP (5% variation)	–5	–1	5	1
CAD (5% variation)	–9	–1	9	1

Interest rate risk

VolkerWessels' interest policy is designed to limit the influence of fluctuating interest rates on the Group's result and to optimise net interest expenses. To this end, part of the floating interest rate exposure has been fixed by a floating-to-fixed interest rate swap of €250 million that was entered into in February 2018 and matured in January 2022. In March 2019, the existing €250 million interest rate swap was restructured through a blend-and-extend transaction extending the maturity to January 2025. The new interest rate swap has the same notional principal amount and a blended fixed interest rate of 0.45% (and a floor of 0%).

Partly because of this swap, an increase of 100 basis points in the interest rate at the reporting date has no material impact on the results and cash flows of the Group. However, due to such hedging instruments, the Group runs a fair-value interest rate risk as the value of the instrument (mark-to-market value) correlates with market interest rates which may fluctuate. Due to this and its average (operational) cash position, the Group is not entirely insensitive to changes in interest rates.

At year-end 2019 the Group assessed that, based on the critical terms, an economic relationship no longer exists between the hedged item and hedge instrument. Hence the hedge relationship ceases to meet the qualifying criteria and hedge accounting is terminated as of 30 September 2019.

The Group assessed that the hedged cash flows are still expected to occur. Therefore the amount still in OCI as per the date of termination is amortised on a straight-line basis over the expected remaining period of the hedged item.

Instruments with a fixed interest rate

	31 Dec 2019	31 Dec 2018
Non-current receivables from associates and joint ventures	63	62
Non-current receivables from third parties	31	31
Lease liabilities	–251	–16
Total	–157	77

Instruments with a variable interest rate

	31 Dec 2019	31 Dec 2018
Non-current receivables from associates and joint ventures	14	9
Non-current receivables from third parties	7	5
Other financing obligations	–35	–61
Cash and cash equivalents	624	467
Bank overdrafts	–22	–22
Total	588	398

Sensitivity analysis

The fair value of the instruments with a variable interest rate approximates to their carrying amount. A change of 100 basis points in the interest rate as at the reporting date would have affected the result and equity by the amounts shown below. In this analysis it is assumed that all other variables, in particular foreign currency rates, remain constant.

31 December 2019	Result (before tax) Increase by 100 basis points	Result (before tax) Decrease by 100 basis points	Equity Increase by 100 basis points	Equity Decrease by 100 basis points
Instruments with a variable interest rate				
Non-current receivables from associates and joint ventures	–	–	–	–
Non-current receivables from third parties	–	–	–	–
Other financing obligations	–	–	–	–
Cash and cash equivalents	6	–6	–	–
Bank overdrafts	–	–	–	–
Sensitivity of cash flows	6	–6	–	–
Instruments with a fixed interest rate				
Interest rate swaps – non-current	8	–2	–	–
Sensitivity of fair value	14	–8	–	–

31 December 2018	Result (before tax) Increase by 100 basis points	Result (before tax) Decrease by 100 basis points	Equity Increase by 100 basis points	Equity Decrease by 100 basis points
Instruments with a variable interest rate				
Non-current receivables from associates and joint ventures	–	–	–	–
Non-current receivables from third parties	–	–	–	–
Other financing obligations	–1	1	–	–
Cash and cash equivalents	5	–5	–	–
Bank overdrafts	–	–	–	–
Sensitivity of cash flows	4	–4	–	–
Instruments with a fixed interest rate				
Interest rate swaps – non-current	–	–	–3	3
Sensitivity of fair value	4	–4	–3	3

Fair value of financial instruments

The table below shows the fair value of financial instruments.

	31 Dec 2019	31 Dec 2018
Hedging instruments at fair value		
Interest rate swaps	–4	–2
Financial assets at amortised costs		
Non-current receivables	115	107
Contract assets	551	579
Trade and other receivables	970	986
Cash and cash equivalents	624	467
Total financial assets at amortised costs	2,260	2,139
Financial liabilities at amortised cost		
Lease liabilities (current and non-current)	–251	–16
Committed credit facility	–	–
Other financing obligations (current and non-current)	–35	–61
Contract liabilities	–532	–489
Trade and other payables	–1,559	–1,532
Bank overdrafts	–22	–22
Total financial liabilities at amortised cost	–2,399	–2,120

The carrying amount of financial instruments that are not valued at fair value is approximate to the fair value as at the reporting date.
The fair value of financial instruments is determined as described in the following paragraphs:

Derivatives

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

Non-current receivables and borrowings
Fair value is calculated on the basis of discounted future repayments and interest payments.

Lease liabilities
Fair value is estimated at the present value of the future minimum lease payments over the lease term, discounted against the incremental borrowing rate. The estimated fair value reflects changes in the incremental borrowing rate.

Trade and other receivables/trade and other payables
For receivables and liabilities that fall due within one year, the nominal value is regarded as a reflection of the fair value. All other receivables and liabilities are discounted to determine the fair value.

Determination of fair value
The following table provides an overview of financial instruments recognised at fair value, by measurement method. The various levels are defined as follows:
- **Level 1:** quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (in the form of prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Interest rate swaps used for hedging

31 December 2019	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Balance
Level 1	–	–	–	–	–
Level 2	–	–	–4	–	–4
Level 3	–	–	–	–	–
Total	–	–	–4	–	–4

31 December 2018	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Balance
Level 1	–	–	–	–	–
Level 2	–	–	–2	–	–2
Level 3	–	–	–	–	–
Total	–	–	–2	–	–2

39 Joint operations
A part of the Group's activities is carried out in joint arrangements classified as joint operations. This applies to all activities and all countries in which the Group operates. These joint operations include our general partnerships in EPC contracts as part of our public private partnerships as disclosed in note 18.
Joint operations remain in place until the project is finished. The Group's share of the balance sheet and income statement of joint operations as included in our consolidation is indicated on the right:

	31 Dec 2019	31 Dec 2018
Assets		
Non-current assets	1	2
Current assets	179	184
Total assets	180	186
Liabilities		
Non-current liabilities	10	8
Current liabilities	266	260
Total liabilities	276	268
Net balance	–96	–82

	2019	2018
Total revenues	260	338
Total costs	–255	–364
Total net result	5	–26

The net result includes our share in OpenIJ EPC VOF (2019: -€4 million, 2018: -€39 million).

40 Audit fees

The following fees relating to services provided by Deloitte Accountants are charged to the Company, its subsidiaries and other companies that are fully consolidated, as defined in Article 2:382a of the Dutch Civil Code.

	Deloitte Accountants BV 2019	Other Deloitte network 2019	Total Deloitte 2019
Audit of the financial statements	3	2	5
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	3	2	5

	Deloitte Accountants BV 2018	Other Deloitte network 2018	Total Deloitte 2018
Audit of the financial statements	3	1	4
Other audit assignments	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
Total	3	1	4

41 Research and development

The costs of research and development recognised in the income statement during the 2019 financial year amounted to €5 million (2018: €9 million).

42 Government grants

The subsidies received in 2019 and 2018 relate mainly to training, research and development and labour costs.
The subsidies received are offset against the costs incurred.

43 Events after the reporting date

No material events after the reporting date have occurred.

COMPANY INCOME STATEMENT

Amounts in millions of euros

	Note	2019	2019	2018	2018
Revenue			–		–
Employee benefit expenses[1]		–14		–15	
Amortisation and impairment of intangible assets	1	–		–	
Other operating costs		–3		–1	
Operating expenses			–17		–16
Operating result			–17		–16
Financial income	7	–		–	
Financial expenses	7	–17		–18	
Net financial result			–17		–18
Share in result of group companies	2		170		156
Result before tax			136		122
Income tax			5		9
Result after tax			141		131

[1] Including share incentive charge of €4 million (2018: €6 million).

COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in millions of euros

	Note	31 December 2019		31 December 2018	
Intangible assets	1	369		369	
Participations in group companies	2	1,282		1,267	
Deferred tax assets		16		30	
Total non-current assets			1,667		1,666
Trade and other receivables		1		1	
Receivable from group companies		19		18	
Cash and cash equivalents		–		–	
Total current assets			20		19
Total assets			1,687		1,685
Issued share capital		1		1	
Share premium reserve		1,090		1,099	
Translation reserve		1		–15	
Hedge reserve		–7		–4	
Other legal reserves		35		27	
Other reserves		–9		–57	
Result for the year		141		131	
Total equity	3		1,252		1,182
Other provisions	4	10		9	
Total non-current liabilities			10		9
Bank overdrafts	5	406		482	
Other provisions	4	12		11	
Other liabilities		7		1	
Total current liabilities			425		494
Total equity and liabilities			1,687		1,685

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General

The company financial statements form part of the financial statements 2019 of Royal VolkerWessels NV ('the Company').

Accounting principles

The principles applied by the Company for the measurement of assets and liabilities and for determining the result of her separate financial statements are in accordance with the option allowed in Article 2:362 paragraph 8 of the Dutch Civil Code. This means that the principles applied for the measurement of assets and liabilities and determination of the results (hereafter referred to as 'measurement principles') of the separate financial statements are identical to those used for the consolidated IFRS financial statements.
Participating interests over which significant influence is exercised are measured according to the equity method, which is determined on the basis of the measurement principles used in the consolidated IFRS financial statements. Refer to notes 1 to 4 in the consolidated IFRS financial statements.

Change in company specific accounting policies

Cash and cash equivalents

To facilitate its debt and cash management, VolkerWessels has a virtual account management system in place called CVA. VolkerWessels' wholly-owned subsidiaries hold a virtual current account in the CVA with VolkerWessels' in-house bank, Volker Wessels Stevin Financial Services BV, for the purpose of meeting short-term cash commitments and set-off claims between these group companies. The CVA account balances are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. As a result, the Group has changed its accounting policy and classifies the CVA accounts as part of cash and cash equivalents (credit balance) or bank overdrafts (debit balance) instead of intercompany balances. This change in accounting policy is accounted for retrospectively and the comparative figures have been reclassified accordingly in the company financial statements.

1 Intangible assets

	Goodwill	
	2019	2018
Balance as at 1 January		
Cost	369	369
Accumulated impairments	–	–
Carrying amount	369	369
Changes		
Impairments	–	–
Other changes	–	–
Total changes	–	–
Balance as at 31 December		
Cost	369	369
Accumulated impairments	–	–
Carrying amount	369	369

2 Participations in group companies

Participations in group companies developed as follows:

	2019	2018
Balance as at 1 January	1,267	1,127
Share in result	170	156
Received dividends	–110	–19
Disposal	–63	–
Foreign currency exchange differences	16	–3
Other movements	2	6
	1,282	1,267
To provision	–	–
Balance as at 31 December	1,282	1,267

The disposal of €63 million mainly relates to the intra group sale of Matex I BV to VolkerWessels Stevin Financial Services BV. Having due regard for the relevant legal requirements, a list of group companies and other participating interests of the Company has been filed with the Rotterdam Trade Register for inspection by the public.

3 Equity

Refer to note 27 in the consolidated financial statements.

Proposed appropriation of the result

The 2019 result attributable to shareholders of the Company amounts €141 million. Excluding the share incentive charge of €4 million the result attributable to shareholders amounts €145 million.
VolkerWessels paid an interim dividend of €22.4 million, or €0.28 per share, in cash (subject to 15% withholding tax) in November 2019. Due the formal launch of the offer by the majority shareholder Reggeborgh, the company will not propose to pay a final dividend over 2019.

4 Other provisions

This item comprises the provision for employee benefits:

	2019	2018
Balance as at 1 January	20	19
Addition	11	10
Release/Withdrawal	–9	–9
Balance as at 31 December	22	20
Non-current portion	10	9
Current portion	12	11
Total	22	20

5 Bank overdrafts

The bank overdrafts relate to the virtual current account (CVA) held with VolkerWessels' in-house bank, Volker Wessels Stevin Financial Services BV. Interest is paid at the in-house bank's debit interest rate of 4% per annum (2018: 4%).

6 Contingent liabilities

Royal VolkerWessels NV together with most of its wholly-owned domestic subsidiaries, is included in the tax group of VolkerWessels for income tax purposes. On that basis, the Company is jointly and severally liable for the income tax liability of the tax group as a whole.

The corporate income tax is calculated as if the Company would be independently liable and is accrued in the current account with Royal VolkerWessels NV.

Royal VolkerWessels NV, as stand-alone company, has not issued any guarantees. The guarantees which are disclosed in note 35 in the consolidated financial statements have been issued by certain holding companies within the Group.

7 Financial income and expenses

The financial expenses in 2019 amounting to €-17 million (2018: €-18 million) relate to interest paid on the bank overdrafts held with the in-house bank, Volker Wessels Stevin Financial Services BV.

8 Related party transactions

Royal VolkerWessels NV, as stand-alone company, did not have any related party transactions in the financial year 2019, nor in 2018.

9 Management remuneration

The remuneration of members of the Management Board and the Supervisory Board of VolkerWessels is included in note 37 to the consolidated financial statements.

10 Events after the reporting date

No events after the reporting period have occurred.

Rotterdam, 20 February 2020

Management Board

J.A. de Ruiter
J.G. van Rooijen
A. Vos
D. Boers
A.R. Robertson

Supervisory Board

J.H.M. Hommen
H.M. Holterman
S. Hepkema
F.A. Verhoeven
A.H. Montijn-Groenewoud
E. Blok

Other information

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Royal VolkerWessels NV

Report on the audit of the financial statements 2019 included in Annual Report 2019

Our opinion
We have audited the accompanying financial statements 2019 of Royal VolkerWessels NV (VolkerWessels or the Company), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
– The accompanying consolidated financial statements give a true and fair view of the financial position of Royal VolkerWessels NV as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
– The accompanying company financial statements give a true and fair view of the financial position of Royal VolkerWessels NV as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated statement of financial position as at 31 December 2019.
2. The following statements for 2019: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company statement of financial position as at 31 December 2019.
2. The company income statement for 2019.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Royal VolkerWessels NV in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands.

Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at €25 million (2018: €25 million).

Additional explanation
Based on our analysis of the common information needs of users of the financial statements, we consider profit before tax the most appropriate benchmark to determine materiality.

However, profit before tax is not a representative benchmark given the size of the business and can be volatile. For this reason we considered multiple benchmarks. Based on professional judgement the primary benchmark applied is revenue. The percentage applied is 0.4 per cent (2018: 0.4 per cent), which is the lower end of an acceptable range. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €1.25 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Royal VolkerWessels NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal VolkerWessels NV

Our group audit mainly focused on significant group entities which are located in The Netherlands and United Kingdom.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team, by component auditors from other Deloitte network firms and specific for one component of VolkerWessels North America a local audit firm. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient.

For the foreign VolkerWessels activities, we involved Deloitte component auditors, who are familiar with local laws and regulations and who applied full scope audits. We have used the work of other Deloitte auditors when auditing the components in The Netherlands: Construction & Real Estate Development, Infrastructure and Energy & Telecom Infrastructure. In order to take responsibility as group auditor in line with current auditing standards, we visited our component auditors in United Kingdom and furthermore, discussed the outcome of audit procedures with all component auditors.

For one component of VolkerWessels North America a local audit firm was involved who we also visited in 2019.

We concluded that we can rely on their work in relation to the audit of the consolidated financial statements of Royal VolkerWessels NV.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonble assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the auditing standards. Also, we are not responsible for preventing and cannot be expected to detect non-compliance with all laws and regulations.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
Our audit procedures differ from those performed as part of a specific forensic investigation, which often has a more in-depth scope.

In determining the audit procedures, we made use of the evaluation of management in relation to management's fraud risk assessment respectively the risk of non-compliance with laws and regulation (prevention, detection and response) including ethical standards that contribute to a culture of honesty. In our risk assessments, we made use of a specialist.

We have exercised professional judgement and have maintained professional skepticism throughout our audit in identifying and assessing the risks of material misstatement of the financial statements due to fraud or non-compliance, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Fraud

In identifying fraud risks, we assessed fraud risk factors, which we discussed with Management, those charged with governance and others within the group. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Based on the auditing standards, we considered the following presumed fraud risk relevant to our audit:

- Fraud risk in relation to management override of controls.

Furthermore, we identified and considered the following other fraud risks, which could have a material impact on the financial statements:

- Fraud risk related to the valuation and allocation of significant construction contracts including significant estimates and forecasted costs to complete;
- Specifically the construction industry is characterised by contract risk and the judgements involved in the assessment of contract financial performance. Revenue is recognised based on the percentage of completion. We identified a fraud risk related to revenue recognition specifically related to manual, non-systematic adjustments to revenue.

As part of audit procedures to respond to fraud risks, we evaluated the internal controls relevant to mitigate these fraud risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including testing journal entries based on certain risk-based characteristics, is part of our audit approach to address fraud risks, which could have a material impact on the financial statements.

We refer to the audit procedures as described in the separate Key Audit Matters in addressing fraud risks in connection with revenue recognition, and potential management override on specific estimates on i.e. the valuation of construction contract.

Laws and regulations

We assessed factors related to the risks of non-compliance with law and regulations that could reasonably be expected to have a material effect on the financial statements taken as a whole from our general and industry experience, through discussions with management and by the inspection of selected documents regarding compliance with law and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the company is subject to laws and regulations that directly affect the financial statements including corporate tax law, financial reporting regulations and requirements under Part 9 of Book 2 of the Dutch Civil Code. We assessed the compliance with these laws and regulations as part of our procedures on the related financial statements.

Secondly, the group is subject to many other (sector specific) laws and regulations where the consequences of non-compliance with these laws could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. We identified antitrust or competition law, anti-bribery and corruption regulation, labor laws and Dutch stock exchange regulations as those most likely to have such an effect.

As required by auditing standards, we performed certain audit procedures that address the risk of non-compliance with these laws and regulations, including inquiries of Management, those charged with Governance and others within the group and inspecting (board) minutes, correspondence with relevant authorities and lawyers' letters. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group levels. Furthermore, we performed corroborative inquiry with Group legal counsel and Internal Audit. Finally, we obtained written representations that all known instances of (suspected) non-compliance with laws and regulations have been disclosed to us.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

General observation

The company has established an internal control framework. The company is working on strengthening the internal control framework and the related IT environment. For the key developments we refer mainly to pages 51, 52 and 56 of the Management Board report. Depending on the maturity of the internal control environment and the related IT environment in the individual components a control or non-control reliance approach is applied. With respect to the United Kingdom we applied a control reliance approach. For all other components we tested the design and implementation of the relevant controls and do not rely on the Company's internal control framework.

As part of our 2019 audit of the financial statements we tested the design and implementation of certain selected key financial controls including controls related to segregations of duties, construction contracts, information security, manual journal entries and cash/payment related controls.

Valuation of large and more complex construction contracts

(Refer to pages 66-74 (Management Board Report), page 132 (use of estimates and judgements) and pages 146-147 (Notes to the consolidated income statement).

Description

Inherent to the business the Company's net result is affected by the performance of construction contracts. The net result is driven by a wide range of contracts from non-complex residential projects to more complex "one off" projects. The volatility of the net result is especially affected by contracts that carry a higher risk than others due to the type of contract, technical complexities, size and phase of the project.

The valuation of these contracts, and the related recognition of results, involves estimations in relation to contact complexities, costs to complete, technical progress, and the settlement of significant variation orders and claims. The inherent uncertainty around these estimates is critical from a risk and financial impact perspective, and therefore the valuation of these construction contracts is considered a key audit matter.

How the key audit matter was addressed in the audit

We evaluated the internal accounting policies for compliance with EU-IFRS. Our audit procedures included an evaluation of the design and implementation of the relevant key project controls. Performing substantive procedures including testing the company's position against supporting documentation and the company's accounting policy, site visits, vouching project costs and challenging the company's estimates including project valuation. We performed substantive procedures on the valuation of claims and variation orders and validated compliance with internal accounting policies on revenue recognition and loss provision criteria.
For long-term contracts we performed a retrospective review to ensure consistency in the valuation applied and forecasted project results by the company.

Observation

We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (Note 6) to the financial statements being proportionate. We note that VolkerWessels concluded that a degree of uncertainty about the valuation of work in progress development and property development is inherent to the company's operations, particularly as regards the expected costs to complete the work and, consequently, the recognised profit or expected loss, respectively, in relation to the process.

Valuation of land and property held for sale

Page 132 (use of estimates and judgements) and page 159 (Notes to the consolidated statement of financial position).

Description

The valuation of the land and property held for sale is based on the historical cost or lower net realisable value. The assessment of the net realisable values involves assumptions relating to future market developments, decisions of governmental bodies, discount rates and future changes in costs and selling prices. These estimates involve various terms and are sensitive to scenarios and assumptions used. The estimation uncertainty for land positions is therefore considered to be a key audit matter.

How the key audit matter was addressed in the audit
We tested the design and implementation of the relevant controls. We substantively tested the calculations of net realisable values and challenged the reasonableness and consistency of the assumptions and model used by the company. We verified that the company's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external sources. We compared the company's assumptions concerning the development of land and property prices with independent market references of external parties and institutions. Expected future costs and interest expenses are assessed based on reasonableness. We involved valuation specialist for the most complex positions to assess the underlying assumptions and methodologies used.

Observation
We consider management's key assumptions and estimates to be within the acceptable range and we assessed the disclosure (Note 22 and 23) to the financial statements being proportionate. We note that the analyses of VolkerWessels focusses on the riskiest positions, mainly in land and land developments, and are based on current expectation in respect of development potential, the development period and the price level.

Related parties
Page 132 (use of estimates and judgements) and pages 171-174 (Notes to the consolidated statement of financial position).

Description
The company is owned in majority by VolkerWessels' (ultimate) shareholders together called the Reggeborgh entities.
We emphasize Reggeborgh made an offer on all issued and remaining ordinary shares of VolkerWessels, further information is included on pages 4, 5, 12 and 13 of the Annual Report 2019. Related party transactions with the shareholders can be categorised as: sales transactions to related parties, purchase transaction from related parties and other related party transactions.

How the key audit matter was addressed in the audit
We tested the design and implementation of the relevant controls. Auditionally we performed substantive testing procedures to test if sales transactions, purchase transactions and other related party transactions, including transactions with the Reggeborgh entities, are at arm's length. Additionally we audited the related parties' disclosure notes.

Observation
We performed procedures to test the recognition and measurement criteria of the related party transactions.
Our procedures did not result in material findings for the related party transactions. Additionally we consider that there is adequate disclosure in Note 36 of the nature and amounts of the related party transactions in accordance with the applicable standards.

Report on the other information included in Annual Report 2019

In addition to the financial statements and our auditor's report thereon; the Annual Report 2019 contains other information that consists of:
- VolkerWessels at a glance
- Management Board report
- Supervisory Board report
- Remuneration report
- Segments report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the Supervisory Board as auditor of Royal VolkerWessels NV for a three year period on June 16, 2017, as of the audit for the year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 20 February 2020

Deloitte Accountants BV

Signed on the original: A.G. van Bochove

PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

Article 36 of the Articles of Association states:

36.1
After adoption of the annual accounts, but no later than within six months from the end of the financial year concerned, a cash distribution will be made on the Preference Shares in respect of the previous financial year, which distribution will be calculated as follows:

(i) if the payment of the Preference Shares has been charged to the reserves of the Company, the annual distribution for all issued Preference Shares will amount to the aggregate amount of one thousand euro (EUR1,000);

(ii) otherwise, the distribution will be a percentage equal to the average one monthly Euribor (Euro Interbank Offered Rate) – weighted to reflect the number of days for which the payment is made – plus a premium, to be determined by the Management Board, subject to the approval of the Supervisory Board, of at least one percentage point and at most four percentage points, depending on the prevailing market conditions.

The distributions mentioned under (i) and (ii) shall be calculated over the proportionate period of time if the relevant Preference Shares were issued in the course of the financial year. Distributions in respect of the Preference Shares are calculated over the paid up part of their nominal value.
The making of such distributions is subject to the provision of article 36.5.
The amounts of said distributions will be charged to the profits realised during the financial year in respect of which it is made or, if such profits are insufficient, any other part of the Company's distributable equity.
No further distributions will be made on the Preference Shares.

36.2
The Management Board, with the approval of the Supervisory Board, may decide that the profits realised during a financial year and remaining after application of article 36.1 are fully or partially appropriated to increase or form reserves.

36.3
The profits remaining after application of articles 36.1 and 36.2 shall be put at the disposal of the General Meeting.
The Management Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

36.4
The Company's policy on reserves and dividends shall be determined and can be amended by the Management Board, subject to the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting under a separate agenda item.

36.5
The Company may distribute profits to Shareholders and other persons eligible to receive any share of the distributable profits only insofar as the Company's shareholders' equity exceeds the total amount of the paid-up and called-up capital plus the statutory reserves.

OVERVIEW OF GROUP COMPANIES

Per 20 February 2020 - this is the principal operational structure which differs from the legal structure.

Where VolkerWessels shares are not equal to 100% entities are marked with an *.

Construction & Real Estate Development (NL)

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

VolkerWessels Bouw & Vastgoedontwikkeling Nederland BV
M.H. Luchjenbroers
BMB ontwikkeling BV E.B.H. de Weijer, D.C. Ruit
Jongen Projectontwikkeling BV G.M.B. Stals, N.P.A.L. van Es
G&S Vastgoed BV* J.F. Blackmore
KondorWessels Vastgoed BV W.A. Gaijmans, R.H.K. Elbersen
Kondor Wessels Projecten BV H.T.J.M. Roelofs, R.G.J. Hasselerharm
Loostad BV H. Driesen
SDK Vastgoed BV F.P.M. Gremmen
VolkerWessels Vastgoed BV M.H. Schipper, A. Vink,
VolkerWessels Logistics Development BV E.J.A. Sprakel, M.R. van den Berg

VolkerWessels Bouw & Vastgoedontwikkeling Noord-Oost BV
D.H.C. van der Hulst
Koenen, Bouw- en Aannemingsmaatschappij BV B.J.M. Poelman, W.M. van Vilsteren
Rottinghuis' Aannemingsbedrijf BV B.J.M. Poelman, W.M. van Vilsteren
Goossen Te Pas Bouw BV H.J. Nijkamp, G.D.J. van den Berg,
Bouwmaatschappij Ufkes Apeldoorn BV H.A. Leenders, T.S. de Boer
Bouwbedrijf Wessels Rijssen BV C.J. Knoot, J. Koenderink
Systabo BV R.M.C. van Hoof, R.C. Achterberg
Veluwezoom Verkerk Bouw BV R.A. Brons, D.H.C. van der Hulst
Bouwbedrijf Wessels Zeist BV J. Schellevis, E.W. Vernooij

VolkerWessels Bouw & Vastgoedontwikkeling West BV
P.A. van Hoeven
Bébouw Midreth BV A.B.J.M. Pompe, R.G. Dressel
Boele & van Eesteren BV P.A. van Hoeven a.i., G.T. Vos, P.P.J. van Adrichem
G&S Bouw BV H. Huisman, J.A. Messemaker
IBB Kondor BV J.P.G. Bac, A.A. Spaan
Kondor Wessels Amsterdam BV F. Aalders, O.A. van der Pluijm
Kroon & De Koning BV I.H.J. Zweekhorst, A.P. in 't Veld

VolkerWessels Bouw & Vastgoedontwikkeling Zuid BV
A.H.P. van Laarhoven
Bouwbedrijven Jongen BV J.F.A.M. Corten, W.J.A.M. Martens, R.W.P.A. Quaedackers, R.H.J. Schreurs
Aannemersbedrijf Van Agtmaal BV J.A.C. Snepvangers, M.S. Robberegt
de Bonth van Hulten BV J.A.C. Snepvangers, M.S. Robberegt
Aannemersbedrijf Van der Poel BV R.M. van Pamelen, M.C. de Raad
Stam + De Koning Bouw BV A.G. van Tilburg, R.H.A. Haarmans
Van de Ven Bouw en Ontwikkeling BV A.J.M. Krekels, J.A.W. Schepens
Visser & Smit Bouw BV A.J. van Eijk, B.R. Roosendaal, T.A.M. Oorsprong

VolkerWessels Industriële Bouw en Technische Dienstverlening BV
HOMIJ Technische Installaties BV* A. Navarrete Gelde, J.W.J. Fabri, R.A.C. van Zijl, G.C. Jacobs
Dubotechniek Beheer BV J.W.J. Fabri
DigiBase BV R.L. de Groot
MorgenWonen BV M. den Harder, E.J. Pot
VolkerWessels Bouw & Vastgoedontwikkeling ICT BV G.H.S. Huisjes

VolkerWessels Industriële Bouw en Bouwtoelevering BV
B.R. Schuuring
De Groot Vroomshoop BV G. Beltman, H.W. Sturris
De Mors Houtbouw BV/De Mors BV M. Zomer, N.W.A. Brand
PGB Holding BV G.J. Baan
Westo Prefab Betonsystemen BV G.J. Baan, J.W. Olde Kalter, H. Kleijer
Reinaerdt Deuren BV F.J. van Wilgen, A.E.A. Ebbekink
VolkerWessels Bouwmaterieel BV K.J. Nieboer, R.G.R. Frazer

Infrastructure (NL)

Infrastructure (NL) C. de Wijs, A.M. van Aller, R. Leijnse

Infra Projects
VolkerWessels Infra Competence Centre BV R.S. Beurze, P.J. Boogaard
VolkerWessels Infra EPC BV F.C. Nibbering, A.M. van Aller

Civil Engineering
Van Hattum en Blankevoort BV J. Bonekamp, R. Jansen, B.G. van Katwijk
Volker Staal en Funderingen BV L.F.P.C. van Mansfeld

Road construction
KWS Infra BV J.P. de Boer, R.M. Mars, M.A.P. Euser
KWS Infra BV, vestiging Leek R. van den Berg
KWS Infra BV, vestiging Zwolle J.M. Dijkstra
KWS Infra BV, vestiging Amsterdam/Heerhugowaard T.C. Stoop
KWS Infra BV, vestiging Utrecht H.T. te Beest
KWS Infra BV, vestiging Rotterdam F.F.P. Groot
KWS Infra BV, vestiging Zwijndrecht P.A.H. Ahsman
KWS Infra BV, vestiging Roosendaal/Sas van Gent M. Dees
KWS Infra BV, vestiging Eindhoven H.T.M. Vugs
Gebr. Van Kessel BV A. de Jong
M.J.O. Holding BV D.N. Winkel
Wilchem BV P.A.H. Ahsman

Traffic and Rail Technology
Vialis BV R.M. Wittmaekers, J. Willemsen, S.T.P.M. de Bekker

Railway Construction and Technology
VolkerRail Nederland BV H. Zijlstra, B.F. Hendriks, P. van Gool

Equipment Management and Services
Volker Stevin Materieel BV J.H.H. Hertsenberg, R. Leijnse
Romers Transport BV J.H.H. Hertsenberg

Measurement and Inspection Services
Asset Insight BV G.J. Paalman

Engineering, Advice and Services
Aveco de Bondt BV G.J. Paalman, R.S. te Velde, L.M. Embsen

Energy & Telecoms Infrastructure

Energy (NL)
Visser & Smit Hanab BV R.C.H. Koole, H. Herremans, M. Springvloed

Telecom (NL)
VolkerWessels Telecom BV W.R. van de Mast, S.H.M. Braam, J. ten Hove

Oil & Gas (NL)
Pipeline Refinery Services BV A. Stoevelaar, T. Rozeveld
Oakite BV A. Stoevelaar, T. Rozeveld
Workforce Nederland BV* A. Stoevelaar, E.J.F.H. Koops, T. Rozeveld

Energy & Telecom (BE)
Visser & Smit Hanab NV V.E. van Esbroeck, J. Troch
VolkerWessels Telecom Belgium NV V.E. van Esbroeck, J. Troch

Other (NL)

PCH Dienstengroep R.E. Kas, L.A.M. Stockmann

International markets

Germany

Kondor Wessels Holding GmbH* L.W.A. de Man, R. Richter
Kondor Wessels Bouw Berlin GmbH* M. Becker, R. Richter, L.W.A. de Man
Kondor Wessels Invest GmbH* R. Richter, L.W.A. de Man
Kondor Wessels Projektentwicklung GmbH* L.W.A. de Man
Kondor Wessels West GmbH* R. Richter, L.W.A. de Man, E. Bertarelli
Kondor Wessels Wohnen Berlin GmbH* V. Mulder, L.W.A. de Man
Kondor Wessels Dach - Bauelemente und Service GmbH* L.W.A. de Man, T. Stoll
Kondor Wessels Planungsgesellschaft GmbH* L.W.A. de Man, T. Hoffmann

United Kingdom

VolkerWessels UK Ltd A.R. Robertson, N.A. Connell, M.G. Woods, S.J. Cocliff, R. Coupe, R.A. Offord
VolkerFitzpatrick Ltd R.A. Offord, A.R. Robertson, N.A. Connell, M.G. Woods, C.S. Humphrey, J.A. Cox, D.J. Griffin
VolkerRail Group Ltd S.J. Cocliff, A.R. Robertson, N.A. Connell, P.H. Nolan, M.G. Woods, A. Wilkins
VolkerHighways Ltd A.G. Thompson, A.R. Robertson, N.A. Connell, M.G. Woods, J.M. Humphries
VolkerStevin Ltd R.D. Coupe, A.R. Robertson, N.A. Connell, M.G. Woods, A.R. Towse, L. Taylor
VolkerLaser Ltd M.J. Weaver, A.R. Robertson, N.A. Connell, M.G. Woods
VolkerInfra Ltd R.D. Coupe, A.R. Robertson, N.A. Connell, M.G. Woods, A.R. Towse, L. Taylor

North-America

Canada

VolkerWessels Canada Ltd. K.R. Briscoe, J.W. Vanover
Volker Stevin Contracting Ltd. K.R. Briscoe, M. Festa, W.G. Hooper, J. Wallace
Volker Stevin Highways Ltd. K.R. Briscoe, F.D. Desjarlais, M. Rijkens
H. Wilson Industries (2010) Ltd. K.R. Briscoe, W.G. Hooper, W. Holodniuk
McNally Contractors (2011) Ltd. K.R. Briscoe, F.D. Desjarlais, M. Peterson
Mainline Construction (2014) Ltd. K.R. Briscoe, G. Hooper, B. Ogston
Lakes District Maintenance Inc.* K.R. Briscoe, F.D. Desjarlais, J.W. Vanover

United States

VWS US Corp. K.R. Briscoe, M. Mills, J.W. Vanover
MidMountain Contractors Inc. K.R. Briscoe, J.W. Vanover, M. Mills, G. Lovinger

Group head office

O. Bus, Director Insurance
F. van Dissel, Director Internal Audit
E.H. van Gasteren, Director Tax Affairs
H.W.R.A.M. Janssen, Central Compliance Officer
H. de Jong, Director Finance & Control
B. van de Kam, General Counsel
T. Lampe, Company Secretary
L. van der Meulen, Director Corporate Social Responsibility
I. Prins, Director Communication
B. Roordink, Safety Manager
B.P. Spelbos, Director Treasury & Financing
B. Verhoeven, Director Corporate Development
D.S.E.M. Wieggers, Director Human Resources

Supervisory Board

J.H.M. Hommen, Chairman
H.M. Holterman, Vice Chairman
E. Blok
S. Hepkema
A.H. Montijn-Groenewoud
F.A. Verhoeven

Management Board

J.A. de Ruiter, Chairman
J.G. van Rooijen, Chief Financial Officer
A. Vos, Chief Operating Officer, Energy & Telecoms Infrastructure (NL, BE), Infrastructure (NL), North-America and Germany
D. Boers, Construction & Real Estate Development (NL)
A.R. Robertson, United Kingdom

Central Works Council

F.T.M. Engelen, Chairman
E.J. van Heeren, Secretary

European Works Council

M. van der Sluys, Chairman

DEFINITIONS

Capital employed Group equity minus net cash position.

Current ratio The current ratio is calculated on the basis of the ratio of current assets to current liabilities (excl. current loans and other financial obligations, current lease liabilities and current provisions).

EBT Earnings Before Tax.
Operating result before tax.

EBIT Earnings Before Interest and Tax.
Operating result before interest and tax.

EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation.
Operating result before interest, tax, depreciation and impairment of tangible fixed assets and right-of-use assets and amortisation and impairment of intangible assets.

Operational EBITDA Operating result before interest, tax, depreciation and impairment of property, plant & equipment and right-of-use assets and amortisation and impairment of intangible assets excluded third party results on sale of participations for real estate developments and the share incentive charge.

Free cash flow Net cash flow from continuing operating activities plus net cash flow from continuing investment activities, excluding acquisitions.

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

Net debt/net cash position Loans and other financing obligations, lease liabilities, derivatives, bank overdrafts, loans and other financing obligations (current), lease liabilities (current) minus cash and cash equivalents.

Non-recourse financing Project financing where the lender himself can only seek redress from the cash flows and assets of that specific project. For a project financing, the lender has no or hardly any recourse against other companies of VolkerWessels.

Traditional working capital Inventories (excluding property development), contract balances (including provisions onerous contracts project losses), trade and other receivables (excluding receivables from associates and joint ventures and excluding current third party loans) less trade and other payables (excluding amounts owed to associates and joint ventures) and net tax.

Strategic working capital Land, property development, property held for sale, associates and joint ventures (less provisions), non-current receivables from associates and joint ventures, and net receivables on participations.

Net working capital Traditional working capital and strategic working capital.

Return on capital employed (ROCE) EBIT/Capital employed.

Solvency The total equity (including minority interests) as a percentage of total assets.

Total assets Non-current assets plus current assets.

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