

SAMEN WERKT



ANNUAL REPORT 2017



DURA VERMEER

Waarmaken van ambities

ANNUAL REPORT

2017

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FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

The building sector experienced strong growth in 2017. Dura Vermeer benefited from this and took a great step forward in all respects. The increase of the operating income and profit for the year, combined with the progress made on the charted strategic course, not only led to more work enjoyment but also created room for additional investments. We invested not only in projects and our organisation, but also specific issues that are of critical importance to us: safety, sustainability, digitisation and innovation.

In the past year, we again paid a lot of attention to further raising the safety awareness. For example, we invested in a new safety campaign, 'See-Act-Learn', which focuses on proactively taking action and improving the safety culture. We also conducted all kinds of activities around the issues of sustainability and innovation, including taking part in the Green Deal Dutch Windwheel, which involves the development and construction of an iconic building based on the principles of sustainable energy generation, innovation and circularity. In addition, we invested a great deal of energy and time into digitisation. This involved not only further extending our leading position in the area of BIM, but also investing in digitisation in general by applying data in our processes and products with a view providing optimal services to our customers.

Operating income increased to € 1.2 billion and the profit before taxes increased to € 22.6 million in 2017. Therefore, the gross margin came to 2% of operating income. Although the residential construction activities were again the main contributor to profit growth at Dura Vermeer, there was also growth in the infrastructure activities in 2017.

Thanks to growth in market volume, Dura Vermeer was able to tender more selectively for projects. By applying a selective policy in combination with a sharp focus on improving the projects result, we managed to improve the margin. The changes made to the organisational structure at the Infra Division in response to the trend towards multidisciplinary queries also contributed to this improvement. The new organisation is based on the principle that the focus should be on the customer, not on the professional discipline.

Therefore, there is clearly a new outlook, but we have not yet achieved our strategic ambitions and objectives. The margin we currently achieve is still not in proportion to the risks we are exposed to and the major efforts we undertake to realise projects. Our focus will continue to be on meeting the demands of our clients, by broadening our proposition, strengthening our organisation, continuously innovating and managing the risks. For the year, we aim for a gross margin of 2.5 to 3.0% of operating income. Our ambition is not only to be one of the top three innovators in construction, but also to be one of the most successful companies in the industry.

We are confident about the future. We have made a very good start to 2018, as we have signed a contract for the construction of the headquarters of the European Medicines Agency (EMA) in Amsterdam, and have provisionally been granted the contract for the extension of the A16 motorway at the north-eastern edge of Rotterdam.

Although projects are becoming increasingly complex and presents us with major challenges, at Dura Vermeer we have found that we are always able to come up with fitting solutions to these challenges. We would like to thank everyone who contributed to this by deploying his or her expertise, creativity and professional skills. We would also like to thank our clients and partners for their support and the confidence they have placed in us.

Rotterdam, 20 March 2018

Job Dura
Chairman of the Management Board
Dura Vermeer Groep NV

KEY FIGURES

in millions of euros	2017	2016	2015	2014	2013
Operating income and scheduled work					
Operating income	1,183	1,145	1,052	1,004	1,033
Scheduled work *	1,846	1,631	1,466	1,358	1,433
Earnings and assets					
Operating profit (loss), including from equity interests, before non-recurring income and expenses (EBITDA)	33.7	25.1	16.8	10.4	13.7
Profit (loss), including from equity interests, before interest, taxes and non-recurring income expenses (EBIT)	23.1	14.7	7.2	0.8	3.8
Profit (loss) from ordinary activities, including from equity interests, after taxes	17.1	11.6	5.7	1.1	3.1
Non-recurring income and expenses after taxes	-	-2.5	-2.1	-8.6	-8.6
Profit (loss) after taxes	17.1	9.1	3.6	-7.5	-5.5
Depreciation	10.4	10.1	9.6	8.6	9.1
Amortisation	0.2	0.2	-	2.8	0.8
Net investments	9.0	12.6	6.0	6.0	9.7
Net financing position **	45.9	40.1	49.6	41.3	66.1
Equity	128.9	114.5	105.3	101.7	126.7
Total assets	409.9	406.3	388.1	429.3	442.5
Ratios					
Profit (loss) from ordinary activities, including from equity interests, after taxes as a percentage of operating income	1.44%	1.01%	0.53%	0.11%	0.30%
Profit (loss) from ordinary activities after taxes as a ratio of average equity	14.1%	8.3%	3.5%	-6.5%	-4.2%
Current ratio	1.16	1.10	1.07	1.05	1.23
Solvency on the basis of equity	31.4%	28.2%	27.1%	23.7%	28.6%
Employees					
Average number of employees	2,515	2,423	2,398	2,393	2,478

* Scheduled work concerns the unfinished portion of the projects still in progress as at balance sheet date, measured based on the contract values, plus new projects that are highly probable to go ahead.


** Cash at bank and in hand, less interest-bearing debt.

DURA VERMEER AT A GLANCE

Dura Vermeer is a construction company operating throughout the Netherlands which, with a turnover of more than € 1.2 billion and some 2,500 employees, counts among the top of the Dutch construction market. We are active in the residential construction, non-residential construction, industrial construction, infrastructure and rail market segments. Our core activities are the development and realisation of our own newbuild projects, maintenance and renovation, service and re-let maintenance, consultancy and engineering. Our ambition is to be one of the top three innovating and most successful companies in the construction industry.

DURA VERMEER GROEP NV

DURA VERMEER TECHNIEK & INNOVATIE



Showroom BV
Minderheidsdeelnemingen

DURA VERMEER DIVISIE INFRA



Dura Vermeer Infra
Regionale Projecten BV
Dura Vermeer Infra
Regio Noord West
Dura Vermeer Infra
Regio Oost
Dura Vermeer Infra
Regio Zuid West

Dura Vermeer Infra
Landelijke Projecten BV

Dura Vermeer Infra
Participaties BV
Dura Vermeer
Gebiedsontwikkeling Infra BV
Dura Vermeer Infra Milieu BV
Dura Vermeer Reststoffen

Dura Vermeer Railinfra BV
ASSET Rail BV
Saferail BV

DURA VERMEER DIVISIE BOUW & VASTGOED



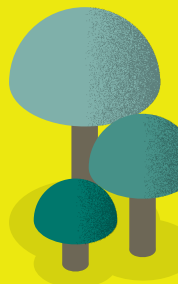
NIEUWBOUW EN ONTWIKKELING
Dura Vermeer Bouw
Hengelo BV

Dura Vermeer Bouw
Midden West BV

Dura Vermeer Bouw
Zuid BV

Dura Vermeer Bouw
Zuid West BV

Dura Vermeer
Vastgoed BV



ER

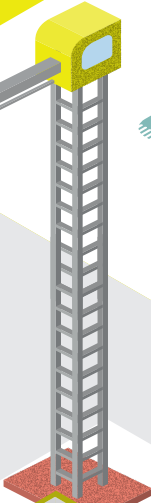
DURA VERMEER ADVIES & DIENSTEN

Advin BV
Archicom BV

DURA VERMEER FACILITAIRE BEDRIJVEN

Dura Vermeer
Autobeheer BV
Dura Vermeer
Materieelservice BV
Dura Vermeer
MaterieelDienst Infra BV
Dura Vermeer
Onroerend Goed BV

ONDERHOUD EN RENOVATIE
Dura Vermeer Bouw Heyma BV
Dura Vermeer
Onderhoud en Renovatie Hengelo BV
Dura Vermeer
Onderhoud en Renovatie Zuid BV
Dura Vermeer
Onderhoud en Renovatie
Midden West BV
SERVICE EN MUTATIE
Dura Vermeer Vastgoed Service BV



MANAGEMENT BOARD OF DURA VERMEER GROEP NV

Supervisory Board

J.M.A. van der Lof MBA, Chairman (since May 2017)

M.W. van Sluis RA, Vice-Chairman

drs. P.S. Overmars

B. Vree (since September 2017)

ing. D. van Well

M.E. van Lier Lels (adviser)

Management Board

drs. J. Dura MRE, Chairman

L.H. Barg RA, CFO

ir. R.P.C. Dielwart

ir. T. Winter

Group Staff Directors

J.T. Aalbers, ICT

drs. A.A. Boot, Human Resources

G.B. Metselaar, Corporate Communications

mr. T. Wilmink, Legal Affairs

drs. H.G. Wisman RA, Finance

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Construction and Property Division Directors

ir. R.P.C. Dielwart, Chairman

M.A. ter Hark RA

ing. A. Köster

drs. P.C.M. Krop MRE MRICS

Infra Division Directors

ir. T. Winter, Chairman

drs. J. Dijkstra RA

Consultancy and Services Director

J.W. van Holst (acting director)

Technology & Innovation Division Director

drs. H.G. Wisman RA

Facility Companies Director

ir. E.J. Peters

(situation as at 20 March 2018)

MANAGEMENT BOARD REPORT

We are pleased to present the annual report of Dura Vermeer Groep NV for the financial year ended 31 December 2017, which includes the financial statements for the year then ended.

General

In 2017, the building sector grew by 5%, outpacing the overall growth of the economy (3%). There is an increasing demand for rental homes and owned homes, as well as non-residential buildings. The strong growth in the building sector is also boosting the construction of infrastructure. The construction of new residential neighbourhoods and business buildings and premises also requires new access roads and paving. The infrastructure market as a whole is gathering steam. Following the lead taken by big clients, such as the Directorate-General for Public Works and Water Management (Rijkswaterstaat), ProRail and provinces, municipalities are now also starting to invest more. This growth is further boosted by the decision of Rutte III administration to provide an additional € 2 billion in funding until 2020 inclusive to update the infrastructure. Therefore, additional funding is available for major projects like the construction of new motorways and public transportation links.

At Dura Vermeer, these developments have contributed to a 3% growth of operating income, an increase in the net profit (87%) and a big increase in the order portfolio (13%).

Construction and Property

The continuing demand for new-build homes has led to increasing competition when it comes to obtaining new development locations. To be better equipped to beat the competition, the Construction and Property Division made changes to its organisation in the area of market research, design, project development and tender management. The division also continued to apply a selective policy on construction tenders and made further investments in digitisation (BIM), customer relations and contract management. In addition, the division invested in purchasing activities, smart supply chain partnerships and alternative construction methods. This includes using tunnel formwork for large series of homes, in response to the increasing scarcity of workers and materials shortages. To make the knowledge in the division more accessible, the Construction and Property Division is transforming its organisation into a network organisation in 2018.

Residential construction

The strong demand for new-build homes led to an increase in the number of homes delivered by the Construction and Property Division, which rose from 2,205 homes in 2016 to 2,257 homes in the past year. The number of sold homes built as part of our own property development activities also increased, from 938 to 1,183 and is now above the pre-recession levels. These activities require obtaining good land positions. In addition to (further) developing its own land positions, Dura Vermeer successfully worked towards the construction of houses with ground-level access and apartments in locations across most of the Netherlands, together housing corporations, property developers and investors.

The average sales full sales price for new homes built by Dura Vermeer was € 325,000, compared to € 318,000 in 2016. The margins in the residential construction segment improved, partly thanks to the rising house prices, improved operational efficiency and stronger customer focus.

Dura Vermeer has managed to maintain its position among the larger residential property developers in the Netherlands, in part because of its investments in locations (Rijswijk, IJmuiden, Amsterdam, Hoofddorp, Almere and Rotterdam) during the recession. To maintain this growth, the Construction and Property Division obtained residential property development positions in 2017, including in Hoofddorp and Rijswijk, and resumed the development of previously acquired land positions in Rotterdam and Dordrecht.

Non-residential construction

Dura Vermeer saw an increase in the demand for non-residential construction in 2017, thanks to the growing economy, investments by businesses and increasing consumer confidence. The initiated strategy of focusing on own development activities and Design & Build projects enabled us to win a number of contracts, including for the construction the Unilever Food Global Innovation Center in Wageningen and the AFAS Experience Center in Leusden.

In the past year, we delivered two function-specific non-residential construction projects: the AM Data-center in Amsterdam and a new-build project for the biotechnology company Genmab in Utrecht. In the past year, Dura Vermeer built a total floor area of 140,023 m², comprising offices, shops and business premises, compared to 170,837 m² in 2016. Of this total floor area, 11,250 m² was the result of our own development activities, compared to 37,385 m² in 2016.

Maintenance and renovation

In the past year, Dura Vermeer took decisive steps in the market for the maintenance and renovation of the existing housing stock. This resulted in many new projects focused on making homes more sustainable in accordance with the zero-energy building concept, including on behalf of housing corporations such as Lefier, Woonwaard, Portaal, Eigen Haard and Goede Woning. Because housing corporations prefer to have renovation done in such a way that residents do not have to move out, Dura Vermeer invested in customer-oriented working, technological developments and industrial solutions. This resulted, among other things, in the 'Around the Block' renovation concept, the installation of prefab bathrooms, and ready-to-go energy and climate control modules.

Dura Vermeer also achieved further growth in the market for the maintenance and renovation of non-residential buildings. A number of interesting projects were delivered, such as the renovation of the Hofplein Theatre and Zadkine College in Rotterdam. Dura Vermeer is also renovating the KPN tower in the Kop van Zuid district of Rotterdam and transforming this tower block into the new headquarters of telecom company KPN.

In this market Dura Vermeer also catered to the demand among clients for sustainability and circular construction, including by investing in knowledge, partnerships and technological innovations.

Property transformation

There are numerous vacant offices, shops and public buildings in the Netherlands. These property vacancies, combined with the strong demand for additional homes, have boosted the property transformation market. Dura Vermeer has decided to increase its focus on this market. Not only by carrying out property transformations on behalf of clients, but also by acquiring property development positions of our own.

Infrastructure

As more and more projects have a multidisciplinary design, the Infra Division changed its organisational structure in the first quarter of 2017. The new organisation is based on the principle that the focus should be on the customer, not on the professional discipline. The new organisation consists of four business units: Regional Projects, Nationwide Projects, Participations and Rail Infra. The road construction activities have been merged with the concrete and hydraulic engineering activities. This provides nationwide and regional clients a one-stop shopping concept with one point of contact for all questions.

In addition to a growth in market volume, there was also qualitative growth. Clients are increasingly adding a (multi-annual) maintenance component to their Design & Construct proposals. This is a positive development that contributes to more sustainable solutions. Another positive development is that virtually all client queries are based on the principle of the most economically advantageous tender. This trend had earlier already emerged at Rijkswaterstaat, ProRail and the provinces, and is now also gaining ground among municipalities and other local government bodies. Lastly, the price levels for projects are slowly recovering.

Thanks to the growth of the market volume, the Infra Division was able to tender more selectively for projects. The division focused on tendering for projects that fit in best with the chosen strategy and market segments. As a result, the Infra Division achieved a considerable increase of its profit in 2017, while generating virtually the same level of operating income year-on-year. The level of the tendering costs remains a point for attention. Dura Vermeer advocates a different, more socially responsible approach.

In 2017, the Infra Division benefited from the recovering residential construction market, which led to an increase of projects focused on making construction sites ready for construction work and residential use. In addition, investments by private parties in earthworks and asphalt work on and near industrial estates are also generating more contracts. Although there was a slight decrease in the total production of asphalt in the market, Dura Vermeer's share remained stable. 900,000 tonnes of asphalt was produced in 2017, which is virtually the same volume as in 2016.

In the heavy rail infrastructure market segment, Dura Vermeer saw a continuous flow of tenders for new-build and modification projects, particularly for ProRail, which manages the Dutch rail network infrastructure, and Dura Vermeer won several of these. Dura Vermeer also managed to increase its order portfolio of replacement and maintenance projects. In the light rail (tram and metro) market, Dura Vermeer focused on projects awarded based on value-based tendering. To be better equipped to win these projects, in the past year investments were made in the organisation, including in a new structure and new staffing. ASSET Rail (rail maintenance) doubled its market share in the past year by winning two new contracts for performance-oriented maintenance in the regions of Drenthe and De Peel. Saferail (work location safety) benefited from the increase in the number of projects at Dura Vermeer Rail Infra.

The Infra Division started the execution of a large number of projects in the area of mobility, energy and hydraulic engineering in 2017. Dura Vermeer was involved in the construction and rebuilding of several take-off and landing runways, including at Lelystad Airport, Maastricht Aachen Airport and Rotterdam The Hague Airport. Dura Vermeer also won several road projects, including the renovation of the N244-N246 for the province of Noord-Holland and rebuilding of the Amstelveenseweg for the city of Amsterdam, and a project for ProRail involving the expansion of the capacity of the railroad between Naarden and Bussum. Lastly, we began with the construction of a 380 kV substation in Vierverlaten for Tennet, and with the execution of a flood protection project in Ooijen-Wansum.

Technical consultancy services

In the market for consultancy and engineering services, Advin benefited from the increasing demand at clients for advice on mobility and sustainability issues in the Infrastructure and Local Area and Buildings segments. The market for logistics and production also improved. The exception to this improving trend was the Industry market segment, which, like the industrial market, continued to suffer from the absence of investments due to the worldwide decline in this market.

At the end of 2017, it was decided to concentrate all of Advin's design knowledge in the area of infrastructure into the Infra Division of Dura Vermeer. The decision was made to sell the remaining part of Advin. It is expected that this sale will be finalised in the spring of 2018.

Personnel and organisation

We had an average of 2,515 employees (FTEs) in 2017, compared to 2,423 in 2016. Thanks to the job market campaign 'What can you do? ', Dura Vermeer managed to attract many professionals and talented young people to fill the vacancies at our company. In the past year, 305 new employees joined Dura Vermeer.

In 2017, our women's network, EVA, again made an important contribution to delivering on the ambition of Dura Vermeer to hire and retain more women in management-level and/or line positions and to increase the percentage of women in senior professional positions. During the past year various activities were organised by the leadership of the EVA network to achieve these objectives. By organising meetings, gathering and monitoring statistics (women's ambitions, promotion aspirations and challenges) and inspiring and training women, the EVA network is working to achieve this ambition. This initiative also has the support of the Supervisory Board. However,

Dura Vermeer has no specific policy on a minimum male/female ratio for the Management Board and Supervisory Board. For future appointments of members of the Management Board and Supervisory Board, Dura Vermeer will consider the added value of each person in relation to the others, with diversity being one of the considerations.

The remuneration of the Management Board comprises a fixed annual salary plus variable remuneration, which is dependent on the company's overall performance and the achievement of individual targets. The remuneration of the Supervisory Board is fixed and independent of the company's performance and is determined in advance by the General Meeting of Shareholders.

Corporate social responsibility

Corporate social responsibility is an integral part of our activities. We are aware that any construction activity we carry out has an impact on people, the environment and the local area. Our CSR and sustainability policy includes objectives that focus on our employees (safety, integrity, absenteeism, training and internships), the environment (carbon emissions and waste) and our business performance (customer satisfaction, innovative capability and supply chain partnerships).

Safety

In the past year, we again paid a lot of attention to further raising the safety awareness. In 2017, we introduced the 'See-Act-Learn' safety campaign, which focuses on proactively taking action and improving the safety culture. The initial results of this campaign are very positive. We are seeing changes in behaviour, with the key result being that the Infra Division reached step 4 of the Safety Ladder in 2017. The campaign will be continued in 2018. In 2018, an external assessment for the Safety Ladder will also be conducted for the Construction and Property Division. In addition, Dura Vermeer will introduce uniform gate instructions, in order to standardise the safety instructions that apply when entering construction sites. The measure arises from Dura Vermeer's commitment to the Dutch Construction Safety Governance Code (GCvidB). Lastly, Dura Vermeer harmonised the scope of the injury frequency rate with the Dutch VCA methodology in 2017. Thanks to this step, we now register not only work-related injuries among our own employees, but also among hired-in workers. The injury frequency rate for 2017 was 4.1.

Integrity

Dura Vermeer took various steps in 2017 to further promote and embed its integrity policy. This included the development of an online training module for both

office and construction site staff on acting with integrity. This training module has also been included in the onboarding process for new employees. In addition, a system was put in place that enables anonymous reporting by both employees and third parties, so as to make it easier to report potential wrongdoing. Previously, wrongdoing had to be reported to the compliance officer.

Carbon emissions and waste

On specific projects, smart construction logistics solution led to a reduction of up to 50% in the carbon emissions of construction traffic. The focus on mobility and logistics also resulted in a reduction of the nuisance suffered by local residents (noise and fine particulate emissions) and increased safety. The carbon emissions of our offices and leased vehicle fleet remained at a stable (low) level in 2017. We aim to further reduce these emissions, including by concentrating office functions and new modern, energy efficient offices. We are not unhappy with our waste separation, as 90% is now separated at source, but there still is room for improvement. This can be achieved by focusing more on measuring and even closer monitoring of whether waste is being separated.

Customer satisfaction

Dura Vermeer is proud of the high level of satisfaction among our customers. We stand out from the competition, particularly thanks to our reliability and quality and safety of our work.

Innovations

In 2017, the Innovation and Technology Division, launched in 2016, gained a new dimension with the establishment of an Innovation Board. The aim of the Innovation Board, which consists of representatives of the group and of the Construction and Property, Infra and Facility Companies divisions, is to drive, accelerate and embed innovation within Dura Vermeer. The Board also fulfils a sounding board and advising role towards the organisation. The establishment of an Innovation Board gives Dura Vermeer a key tool for achieving its objective: being an innovative construction firm which thanks to effective innovation is continuously leading in the market and adds value in terms of functionality, price, social responsibility and sustainability, both for our employees and our customers.

Sustainability initiatives

In the past year, Dura Vermeer participated in new supply chain partnerships, including three Green Deals: the Dutch Windwheel Green Deal, the Green Deal for the earthworks, road construction and hydraulic engineering sector, and the Green Deal for construction logistics.

The first Green Deal is an innovation consortium for the development and construction of the Dutch Windwheel, an iconic 174-metre high building in the port of Rotterdam that will be a centre for energy generation, innovation and circularity. The second Green Deal builds on similar Green Deal from 2013 and focuses integrating sustainability into the supply chains for road and rail construction, earthworks and hydraulic engineering projects. The third Green Deals focuses on improving the logistics in the execution of projects in order to reduce transportation movements and carbon emissions.

In addition, Dura Vermeer has joined the Dutch Social Alliance, and established a partnership in the area of social return with the temping agency WerksaamBeter, with the aim to hire more people who struggle with long-term unemployment.

For further information on our initiatives in the area of corporate social responsibility, please see our separate Activities Report 2017.

Risk management

The market for residential and non-residential construction, property development and infrastructure is diverse and challenging. Projects range from relatively small, simple, serial construction projects to complex, unique and large projects. Dura Vermeer selects those projects that are a good match with our company, based on the general principle that they should have a good balance between risk and return:

- The characteristics and size of the project should match with the company's objectives, experience and expertise;
- There should be no unlimited liability at project level, and risks should be insured where possible and appropriate;
- Projects should be cost-covering, with a risk and profit margin that is appropriate to the risks;
- Projects with sales risk should generate an above-average profit margin, taking into account the contribution of equity;
- A project completed at the company's own risk and for its own account should be disposed of within six months of its completion, except if a decision was made beforehand to remain involved with the projects, such as with PPP contracts or projects for the company's own use;
- If a project is carried out through a building consortium, the resources contributed by each consortium partner should be proportionate to its financial contribution, and each partner should be proportionally exposed to risk.

Strategic and market risks

Dura Vermeer chooses to focus on projects that are a good match with the company, based on the general principle that they should have a good balance between risk and return. Another factor in the decision-making is how Dura Vermeer can stand out from its competitors. This is about aspects like innovativeness, complexity, an integral approach and the required financial contribution. The way in which projects are obtained, such as through tendering, a construction team, own development or a Public-Private Partnership, also plays a role in this. The presence and relative importance of each of these aspects in the individual projects ultimately determine the risk profiles and selection of projects.

To control the risks arising from the decisions we have made, Dura Vermeer applies a set of measures, based on which the impact of these decisions is monitored and adjustments can be made where necessary:

- In consultation with the Supervisory Board and the shareholders, the Management Board regularly evaluates the long-term strategy to determine if adjustments are needed. Based on this evaluation, a strategic plan is drawn up that sets the direction for the divisions and operating companies and sets the criteria the selection of projects.
- The operating companies and divisions each draw up their own operational plan, which should be based on the Management Boards strategic plan and, where possible, comprise a healthy mix of projects (tendering, construction team, own development, PPPs);
- Based on the principles formulated by the Management Board, the divisions and operating companies draw up an annual budget according to a fixed format and uniform measurement bases that adequately reflect the uncertainties and risks incurred.

Operational risks

The operational risks mainly relate to the individual projects that are accepted and executed by the operating companies. The primary responsibility for controlling those risks lies with the management of the operating companies.

The acceptance of projects is subject to a system of measures and procedures:

- Projects are clearly described (in terms of their characteristics and size, profitability, required financing and specific risks) by means of tender forms or investment applications. Depending on the characteristics and size of the project as set out in the Group Guidelines, the tender forms or investment applications must be submitted to the direc-

tors of the division or the Management Board or Supervisory Board for prior approval. On this basis, we determine whether the project matches with Dura Vermeer's risk profile and we should continue to pursue the project.

- Standard procedures apply to the selection and assessment of partners involved in the execution of the project, risk-bearing partners and other parties involved with the project.
- A detailed inventory is made of the identified risks (organisational, contractual, technical execution, financial, legal and underwriting risks) and the measures that have or can be taken to control these risks or reflect them in the bid price.
- Based on fixed schedules and regularly reviewed standards, market soundings and offers from suppliers and subcontractors, tender budgets and working budgets are drawn up to further detail the project.
- A project team is put together that includes all the necessary disciplines and fields of expertise.

The set of measures applied to control the execution risk is incorporated in the The Management Control System, which is part of Dura Vermeer's quality system. The Management Control System includes the guidelines, work instructions, procedures, and checklists with respect to contract management, local area management, purchasing, safety, health and the environment, liability and insurance and the security of IT systems.

The enforcement of procedures and instructions is monitored through regular tool box meetings, progress/evaluation meetings and internal and external audits.

The activities carried out by Dura Vermeer can also create risks for staff members, subcontractors, suppliers and local areas adjacent to construction sites. Dura Vermeer is strongly committed to ensuing safety. We apply the principle that there may be no safety risks whatsoever and that everyone must follow the safety instructions, even of that is detrimental to the progress and/or profit margin of the project.

Financial risks

The decisions we have made on strategic and market risks and controlling operational risks also impact the nature and level of our financial risk exposures. We are exposed to both short-term and long-term financial risks. Short-term financial risks relate to the working capital requirement. Long-term financial risks relate to the capital required for projects, the impact on the covenants with the banks, the remaining options for obtaining new projects and financing them if

necessary, and having the ability to furnish sufficient surety through bank guarantees or in some other form.

In order to control the financial risks, the following periodical reports are drawn up and analysed:

- Every four weeks, an updated, brief forecast of the profit for the year is drawn up according to a standard format, which includes an explanation of the changes compared to the budget and/or previous forecast.
- Every four weeks, a report is drawn up on the changes in the own cash flow and changes in cash flows at building consortiums, the age of receivables and the actual turnover.
- Periodically, an updated forecast is drawn up of the end result for each project.
- Each quarter, a comprehensive report is drawn up. In addition to the profit forecast, this report provides a description of current developments, insight into the status of the projects in progress, and an update on the uncertainties (formal and informal elements) included in the budget.
- Periodically, a forecast is drawn up of the balance sheet and financing requirement for the current year and the coming three years in order to assess whether there is sufficient financial scope to start with new projects. In addition, we apply the principle that we must first secure financing for the entire project through to its delivery before we can make investments in a project. Therefore, the acceptance of projects with a financing requirement that differs from the customary instalment arrangements is subject to the prior approval of the Management Board.
- Dura Vermeer also bears the risks arising from the development of residential and non-residential construction projects. We start with construction only if least 70% of the project has been sold or let, the financing has been secured and the project will generate a positive cash flow upon delivery.
- Dura Vermeer has guarantee facilities with banks and mutual insurance associations for providing guarantees. The guarantees usually take the form of completion bonds and are more than sufficient to provide the required cover.
- Where necessary and appropriate, risks are insured. For projects where Dura Vermeer acts as the designing contractor, insurance has been taken out that covers design errors, both before and after delivery of the project.

This set of procedures, measures and checks and balances to identify and control all potential risks at an early stage is critical to the success of our company.

FINANCIAL RESULTS

Dura Vermeer's net profit increased from € 9.1 million at year-end 2016 to € 17.1 million at year-end 2017. The operating income for 2017 amounted to € 1.2 million, a 3.3% increase compared to 2016. In the past year, Dura Vermeer experienced a definitive recovery of its financial performance, which has paved the way for further improvement and growth. In addition to the increase of our operating income and net profit, our financial performance can be summarised as follows:

- Scheduled work increased to € 1,846 million (2016: € 1,631 million).
- Solvency ratio increased to 31.4% (2016: 28.2%).
- Net financing position increased to € 45.9 million (2016: € 40.1 million).

Operating income

Operating income increased in 2017 compared to 2016. This increase was attributable to the residential construction activities; the operating income from these activities increased by € 102 million to € 478 million in 2017. Operating income from the Infra Division, the Consultancy and Services Division and other activities ('Other') was virtually the same as in 2016. The operating income can be presented by activity as follows:

Operating income		
In millions of euros	2017	2016
Residential construction	478	376
Non-residential construction	234	295
Infrastructure	448	448
Consultancy and Services and Other	23	26
	<u>1,183</u>	<u>1,145</u>

The operating income was generated entirely in the Netherlands.

Scheduled work increased by 13% to € 1,846 million at year-end 2017. This was mainly attributable to the Infra Division, where scheduled work increased by 18% compared to 2016.

EBIT

The earnings before interest and taxes (EBIT) increased from € 14.7 million in 2016 to € 23.1 million in 2017. At both the Construction and Property and the Infra divisions, the projects result improved, mainly because of a better price level. The tendering costs, however, increased. In the Consultancy and Services cluster, the margin decreased. The total EBIT margin came to € 23.1 million or 2% of operating income.

Profit (loss) after taxes

The profit after taxes for 2017 came to € 17.1 million and breaks down as follows:

Profit (loss) after taxes		
In millions of euros	2017	2016
EBITDA*	33.7	25.0
Depreciation/amortisation	-10.6	-10.3
EBIT	23.1	14.7
Net interest income	-0.5	-0.1
Non-recurring expenses	-	-2.5
Taxes	-5.5	-3.0
Profit (loss) after taxes	17.1	9.1

* including profit (loss) from equity interests

Current tax is calculated on taxable earnings, taking into account the change in the provision for deferred tax liabilities, tax-free or deductible amounts and other tax facilities. The applicable tax rate is 25%. The profit for 2017 of the tax group is partly offset against tax loss carryforwards.

Balance sheet, investments, net cash flow and equity

The balance sheet total increased from € 406.3 million at year-end 2016 to € 409.9 million at year-end 2017. This limited increase was due to a combination of factors, with the main factor being the higher amount in receivables due to the higher production at the end of 2017. The current liability recognised for work in progress decreased due to the delivery of a number of large projects.

Cash at bank and in hand increased by € 1.3 million to € 62.9 million, while the total interest-bearing debt decreased from € 21.5 million to € 17.0 million, which led to an improvement of the net financing position from € 5.8 million to € 45.9 million.

The cash flow from operating activities came to € 15.3 million positive in 2017, compared to € 2.7 million negative in 2016. Gross investments in property, plant and equipment increased to € 13.2 million, compared to € 10.5 million in 2016, and mainly comprised plant and machinery replacement investments and investments in IT applications. The cash flow from investing activities came to € 7.0 million negative, virtually the same amount as in 2016 (€ 6.8 million negative). Due to partial and full repayments of project financing and long-term loans, the cash flow from financing activities came to € 6.9 million negative, compared to € 0.3 million positive in 2016.

The net cash flow for 2018 will largely depend on the degree to which temporary use is made of the available

funds to develop and sell property projects; no use is expected to be made of the overdraft facility.

The balance of equity at year-end 2017 increased to € 128.9 million, which means the solvency ratio increased by 3.2% to 31.4% in 2017.

Dura Vermeer has agreed to comply with solvency, leverage and interest coverage ratios as part of covenants concluded with banks. Dura Vermeer complied with all these ratios in and at year-end 2017.

FINANCIAL INSTRUMENTS

General

As part of its ordinary activities, Dura Vermeer makes use of a range of financial instruments that expose the company to various market and credit risks. These financial instruments are recognised in the balance sheet. Dura Vermeer holds no forward exchange contracts or currency options and does trade in these financial derivatives. It has procedures and guidelines to minimise the credit risk in relation to each counterparty and market. If a counterparty defaults on payments due to the company, any resulting losses are limited to the fair value of the relevant instruments.

Credit risk

The company is exposed to credit risks on loans and other receivables recognised under financial fixed assets, trade and other receivables and cash at bank and in hand. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In addition, we consider the demographics of the company's customer base, including the default risk of the industry in which customers operate, as this factor may affect the credit risk. The Management Board has formulated a credit policy under which the creditworthiness of each new customer is analysed individually before the group's standard payment and delivery terms and conditions are offered. This analysis includes looking at external credit ratings, when available, and in some cases also bank references.

The trade receivables include no significant concentration of receivables in particular market sectors. The carrying amounts of the financial assets on which the company is exposed to credit risk are as follows:

Credit risk

In millions of euros	31-12-2017	31-12-2016
Loans and receivables under financial fixed assets	7,263	9,089
Receivables, prepayments and accrued income	200,266	194,754
Cash at bank and in hand	62,876	61,611
	270,405	265,454

Interest rate risk and cash flow risk

The company is exposed to interest rate risk on interest-bearing receivables and debts. The company is exposed to interest rate risk associated with future cash flows in respect of receivables and debts with floating interest rates, and to fair value risk in respect of fixed-interest loans. In view of the size of the interest-bearing receivables and debts, these receivables and debts are not very sensitive to interest rate fluctuations. Therefore, the company has not concluded any derivative interest instruments.

Liquidity risk

The company monitors its liquidity position with successive cash flow forecasts. Management ensures that the company at all times has sufficient liquidity to meet its financial obligations and sufficient financial scope under the available facilities to remain in compliance with the agreed financing covenant.

Market risk

Market risk is the risk that the company's revenue or the value of its financial instruments is adversely affected by fluctuations in market prices. It concerns the change in the market price of raw materials and consumables and outsourced work in the period between the quotation process and the execution phase. The company mitigates this risk by: (1) incorporating an indexation arrangement into the agreement for long-term projects and/or, where this is not possible, (2) agreeing to prices and conditions with suppliers and subcontractors at an early stage.

Outlook

We started 2018 with a well filled order portfolio. We will keep focusing on achieving our strategic priorities. In concrete terms, this means that we will (1) keep paying a lot of attention to project control (including by further professionalising our contract management) and cost optimisation in order to improve the projects results, and (2) invest in sustainable and innovative solutions for our processes, products, services and concepts.

We will keep investing in innovations and new applications that should directly benefit our projects and our clients. It is expected that investments outside the projects in the coming year will be restricted to replacement investments.

Our liquidity position is expected to remain good. For projects that have already been sold and/or let, we will apply for the necessary external financing on a non-recourse basis at such a level that we continue to comply with the bank covenants. Where necessary and appropriate, we will draw from the overdraft facility with the banks totalling € 60 million to finance our own property development projects.

We expect the number of employees to remain stable.

As a final point, we owe our directors and employees a lot of gratitude and appreciation for their effort and involvement over the past year.

Rotterdam, 20 March 2018

Management Board

J. Dura, Chairman
L.H. Barg, CFO
R.P.C. Dielwart
T. Winter

REPORT OF THE SUPERVISORY BOARD

We have discussed the financial statements and the Management Board report for the financial year 2017 with the external auditor in the presence of the Management Board and the Director of Finance. The financial statements have been audited by KPMG Accountants NV, who have issued an unqualified auditor's report, which can be found on page 60 of this annual report.

The financial statements and the Management Board report have our approval and we propose to the General Meeting of Shareholders to adopt the financial statements for 2017. We have approved the Management Board's dividend proposal. We ask the shareholders to grant the Management Board discharge from liability for its management conducted in the past financial year and to the Supervisory Board for its supervision of this management.

In the past year, we had six regular meetings with the Management Board. In addition to these formal meetings, the Chairman of the Supervisory Board regularly met with the Chairman of the Management Board throughout the year to discuss both strategic and operational matters. Members of the Supervisory Board also attended meetings of the Central Works Council.

The follow topics were standard agenda items during the meetings:

- the operational and financial status of a number of large projects;
- tenders for large and/or complex projects, as well as own property development projects;
- the development of the order portfolio; and
- the progress made on the strategic priorities.

In addition, detailed discussions were conducted about the developments in the sector, organisational change, HR topics, risk management (risk matrix), safety, sustainability and integrity. Lastly, the developments at Advin and the decision-making around its (partial) sale were discussed in detail.

We are pleased with the progress the company has made on its strategic priorities, and particularly with the resulting development of the company's operational result and financial position. We also see that

safety continues to be a top priority on the company's agenda. The implementation of the 'See-Act-Learn' safety campaign in 2017 has led to the Intra Division reaching step 4 of step of the Safety Ladder. In addition, important initiatives were launched focused on sustainable (circular) business practices. Given the importance of this issue, we welcome these initiatives.

At the General Meeting of Shareholders, we formally said goodbye to Mr P.C. Klaver, who served as Vice-Chairman and subsequently as Chairman of the Board from May 2010 until April 2017. We are very grateful to Mr Klaver for the contribution he has made to the organisation over the years. The way in which Mr Klaver conducted his duties was characterised by a great deal of engagement and professionalism. In September, Mr B. Vree was appointed a member of the Supervisory Board. In 2018, we also expect to welcome Ms M.A. van Lier Lels as a new member. She has been attending the meetings of the Supervisory Board (as an adviser) since June 2017 and will in 2018 succeed Mr M.W. van Sluis, whose term of office ends in May 2018.

We would also like to thank the Management Board, all directors and all employees for their hard work and the contributions they made in the past financial year.

Rotterdam, 20 March 2018

J.M.A. van der Lof MBA, Chairman
M.W. van Sluis RA, Vice-Chairman
drs. P.S. Overmars
B. Vree
D. van Well

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(before profit appropriation / x € 1,000)	Note	31-12-2017	31-12-2016
Fixed assets			
Intangible fixed assets	[1]	538	717
Property, plant and equipment	[2]	85,977	87,358
Financial fixed assets	[3]	<u>21,469</u>	<u>24,451</u>
		107,984	112,526
Current assets			
Inventories	[4]	39,705	38,592
Receivables, prepayments and accrued income	[5]	199,348	193,578
Cash at bank and in hand	[6]	<u>62,876</u>	<u>61,611</u>
		301,929	293,781
Current liabilities	[7]	<u>259,134</u>	<u>268,145</u>
Balance of current assets less current liabilities		<u>42,795</u>	<u>25,636</u>
Balance of assets less current liabilities		<u>150,779</u>	<u>138,162</u>
Long-term liabilities	[9]	7,900	9,767
Provisions	[10]	13,970	13,909
Equity	[11]	<u>128,909</u>	<u>114,486</u>
		<u>150,779</u>	<u>138,162</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(x € 1,000)	Note	2017	2016
Net turnover		1,078,296	1,199,070
Change in inventory of finished goods and work in progress		104,933	-54,216
Total operating income	[14]	1,183,229	1,144,854
Cost of raw materials and consumables, outsourced work and other external costs		961,761	936,801
Wages and salaries		151,289	147,888
Social insurance and pension costs	[15]	37,990	36,615
Amortisation		179	179
Depreciation		10,465	10,190
Other operating expenses	[16]	177	3,075
Total operating expenses		1,161,861	1,134,748
Operating profit (loss)		21,368	10,106
Financial income and expenses			
Interest receivable and similar income		512	695
Interest payable and similar expenses		-986	-786
		-474	-91
Profit (loss) from ordinary activities before taxes		20,894	10,015
Taxes	[17]	-5,466	-3,039
		15,428	6,976
Profit (loss) from equity interests		1,695	2,168
Profit (loss) after taxes		17,123	9,144

CONSOLIDATED CASH FLOW STATEMENT

(indirect method / x € 1,000)	Note	2017	2016
Operating profit (loss)		21,368	10,106
<i>Adjustments for:</i>			
Depreciation and amortisation	[1,2]	10,644	10,369
Gain (loss) on sale of property, plant and equipment		-546	-840
Change in provisions		-8,456	-350
Change in working capital			
- Change in receivables		-5,488	-35,294
- Change in inventories		-1,558	9,007
- Change in work in progress		-2,764	-34,003
- Change in current liabilities		1,470	36,773
		<u>-6,698</u>	<u>-14,338</u>
Cash flow from operating activities		14,670	-4,232
Interest received		486	695
Interest paid		-994	-801
Dividend received	[3]	1,572	1,624
Income tax paid/received		-451	-
Cash flow from operating activities		15,283	-2,714
Repayments received on other financial fixed assets	[3]	1,013	1,369
Investments in fixed assets	[1,2]	-13,219	-10,547
Disposals of property, plant and equipment		4,681	3,471
Disposal of non-consolidated equity interests	[3]	610	7
Investments in other financial fixed assets	[3]	-	-691
Loans issued recognised under financial fixed assets	[3]	-149	-412
Cash flow from investing activities		-7,064	-6,803
Change in project financing		-3,397	5,332
Repayment of long-term debts (including current portion)		-857	-5,004
Dividend paid		-2,700	-
Cash flow from financing activities		-6,954	328
Net cash flow		1,265	-9,189
Net cash at 1 January		61,611	70,800
Net cash at 31 December		62,876	61,611

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(x € 1,000)

2017

2016

**Consolidated profit (loss) after taxes attributable
to the legal entity**

17,123

9,144

Comprehensive income of the legal entity

17,123

9,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General

General

Dura Vermeer Groep NV is a nationally operating construction and infra group active in the construction, infrastructure, engineering and services sectors. The company is a public limited liability company (N.V.) which has its registered office and head office in Rotterdam. The company is registered in the Dutch Commercial Register under number 24289036.

Reporting period

These financial statements relate to the 2017 financial year that ended on 31 December.

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Netherlands Civil Code on a going concern basis. Unless stated otherwise, the accounting principles applied for the valuation of assets and liabilities and the determination of the result are based on the historical cost convention.

Application of Section 2:402 of the Netherlands Civil Code

The company's financial information is included in the consolidated financial statements. Therefore, in accordance with Section 2:402 of the Netherlands Civil Code, the company profit and loss account states only the company's share of the profit (loss) after taxes of entities in which it has an equity interest and its other income (losses) after taxes.

Principles for the valuation of assets and liabilities

Unless stated otherwise, assets and liabilities are measured at nominal value. An asset is recognised in the balance sheet when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Assets that do not meet these criteria for recognition are not recognised in the balance sheet, and are instead accounted for as off-balance sheet assets.

A liability is recognised in the balance sheet when it is probable that the settlement of the liability will result in an outflow of economic benefits from the company and the amount at which the settlement will take place can be measured reliably. Liabilities also include provisions. Liabilities that do not meet these criteria for recognition are not recognised in the balance sheet, and are instead accounted for as off-balance sheet liabilities.

If as a result of a transaction all or substantially all future economic benefits and all or substantially all risks associated with an asset or a liability have been transferred to a third party, the asset or the liability is no longer recognised in the balance sheet. In addition, assets and liabilities are derecognised from the balance sheet from the date on which they no longer meet the criteria concerning the probability of the related future economic benefits and the reliability of their value measurement.

Income is recognised in the profit and loss account when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Revenue and expenses are allocated to the period to which they relate. Net turnover is accounted for when all significant risks associated with the projects have been transferred to the buyer.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

The preparation of the financial statements requires that management make judgements, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

The Management Board believes the following accounting policies have the most significant effect on the presentation of the company's financial position and require estimates and assumptions:

- Valuation of work in progress
- Valuation of land inventories

Financial instruments

Financial instruments comprise investments in shares and bonds, trade and other receivables, cash, loans and borrowings, derivative financial instruments (derivatives) and trade and other payables. The following categories of financial instruments are included in the financial statements: loans and other receivables, and other financial liabilities.

Financial instruments also include derivatives embedded in contracts. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Financial instruments are initially recognised at fair value, which includes the share premium or discount

and directly attributable transaction costs. If financial instruments are subsequently measured at fair value with changes in fair value recognised through profit or loss, then any directly attributable transaction costs are recognised immediately in the profit and loss account. Embedded derivatives which are not separated from the host contract are recognised in accordance with the host contract.

Subsequent to initial recognition, financial instruments are measured in the manner described below.

Loans and other receivables

Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Impairment of financial assets

Financial assets that are not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not have considered otherwise and indications that a debtor will enter insolvency. The company considers evidence of impairment for receivables measured at amortised cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables and investments of which it has been established that they are not specifically impaired are then assessed collectively for a reduction in the value that has occurred but has not yet been established. Individually not significant receivables are collectively assessed for impairment by pooling similar receivables with similar risk characteristics.

When assessing whether there is a collective reduction in value, the company uses historical trends regarding the likelihood of default of a debtor, the timeframe within which receivables are collected and the amount of the losses incurred. The outcomes are adjusted if the management believes that the current economic and credit conditions suggest that it is likely that the actual losses will be higher or lower than suggested by historical trends. An impairment loss on a financial asset carried at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account. If in a subsequent period the impairment loss of an asset no longer exists or has decreased and this recovery can be objectively related to an event occurring after the impairment loss was recognised, the increase of the asset's carrying amount is recognised in the profit and loss account.

Offsetting in the balance sheet

A financial asset and a financial liability are offset if the company has a valid legal instrument to offset the financial asset and financial liability and the company has the firm intention either to settle the liability on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies for the consolidated balance sheet

Consolidation

The consolidated financial statements include the financial information of the company and its group companies and other legal entities over which the company can exercise control or which are under its centralised management. Group companies are entities in which the company holds a majority interest or can exercise significant influence on policy matters in some other way. In assessing whether it has such significant influence, the company takes into consideration financial instruments with potential voting rights that are currently exercisable. Entities in which the company holds a 50% interest and other joint ventures are consolidated proportionately. The financial information of companies in which Dura Vermeer Groep NV has a direct or indirect interest is accounted for as an equity interest, provided they do not qualify as group companies, joint ventures or other legal entities over which the company can exercise control or which are under its centralised management.

Newly acquired equity interests are consolidated from the moment significant influence can be exercised over policy matters. When equity interests are sold, they are consolidated until the moment this influence ends.

In preparing the consolidated financial statements, intragroup debts, receivables, transactions and profits have been eliminated. The group companies are consolidated in full and the minority interest is disclosed separately.

For a comprehensive overview of the equity interests of Dura Vermeer Groep NV, please refer to the list filed with the Chamber of Commerce.

Intangible fixed assets

Goodwill represents the excess of the costs of acquisition of the equity interests and the group's share of

the net fair value of the acquired identifiable assets and contingent liabilities of the acquired equity interest, less cumulative depreciation and amortisation and cumulative impairment losses. Capitalised goodwill is amortised on a straight-line basis over its estimated useful life, which has been set at 5 years.

Property, plant and equipment

Land and buildings, plant and equipment, other fixed operating assets, tangible fixed assets under construction and items of property, plant and equipment that are not used in the production process are measured at cost, less cumulative depreciation and any impairment losses. The cost of these assets comprises the cost of acquisition or cost of manufacture and other costs incurred in bringing the assets to their location and in the condition required for their intended use.

The recognition of depreciation charges starts when an asset is available for its intended use and ends upon its decommissioning or disposal. The company buildings, including the buildings presented under 'Not used in the production process', are depreciated based in their estimated useful life (20 to 30 years). Land, including land presented under 'Not used in the production process', is not depreciated.

Plant and equipment is depreciated based on its estimated useful life (8 to 10 years), except for assets that are used for rental purposes, which are depreciated on the basis of a fixed percentage of their carrying amount, based on an average estimated useful life of 8 years. Other fixed operating assets are depreciated based on an estimated useful of 3 to 10 years.

The cost of major repairs is recognised immediately in the financial year in which the repairs take place unless the useful life of the asset is obviously extended in the process. In that case, the costs are recognised and written down in proportion to the asset's remaining useful life.

Financial fixed assets

Equity interests in entities where the company can exercise significant influence on the business and financial policy are measured on the basis of their net

asset value. If an equity interest cannot be measured at net asset value because the required information cannot be obtained, it is measured at its visible equity value. In assessing whether the company exercises significant influence on the business and financial policy of an entity in which it has an equity interest, the company takes into consideration the totality of the facts and circumstances and contractual relationships (including any potential voting rights). The net asset value is determined on the basis of the company's accounting policies.

Equity interests with a negative net asset value are stated at nil. A share of the profit of an equity interest is only recognised in later years if and insofar as the cumulative portion of the non-recognised share of the loss has been made good. However, when the company furnishes full or partial surety for the debts of an entity in which it has an equity interest, or has the constructive obligation to enable the equity interest (in respect of its share) to enable the entity to repay its debts, a provision is recognised equal to the repayments expected to be made by the company on behalf of the entity. This provision is recognised primarily to the debit of the non-current receivables from the entity which should effectively be deemed part of the company's net investment, with the remaining amount being presented under provisions. Equity interests in entities where no significant influence is exercised are measured at cost of acquisition or permanently lower value in use.

The accounting policies for other financial fixed assets are included under the heading 'Financial instruments'.

Dividends are recognised in the period in which they become payable.

Joint ventures

Equity interests in which the company has joint control with other participants (joint ventures) are measured according to the equity method based on their net asset value.

In the case of joint ventures that involve jointly performing activities but where each participant retains exclusive control of its assets, the company

recognises the assets it controls, as well as the obligations it enters into, the costs it incurs and its share of the profit (loss) on the sales and/or services rendered by the joint venture.

In the case of joint ventures where the activities are performed jointly using assets over which the participants have joint control, the company recognises the joint assets, liabilities, costs and revenues proportionally.

Impairment of property, plant and equipment

Items of property, plant and equipment are assessed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated, which is the higher of its value in use and fair value less costs to sell. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount is determined based on the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. If any such indication exists, the recoverable amount is of the asset or cash-generating unit is estimated.

An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this is the case, the carrying amount of the asset (or cash-generating unit) is increased to its estimated recoverable amount, but not in excess of the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years.

Disposal of fixed assets

Assets available for sale are measured at the lower of their carrying amount and net realisable value.

Inventories

Inventories of land not yet in production and inventories of raw materials and consumables are measured at their purchase cost or lower fair value at the balance sheet date. Inventories of finished goods are measured at cost or lower fair value. No interest is allocated to inventories of land. Land is acquired for development as construction sites in the near future.

Work in progress

Work in progress comprises the balance of realised project costs, attributed profit, recognised losses and progress billings. The valuation of projects in progress includes the direct project costs (such as personnel costs for employees directly involved in the project, costs of materials, depreciation charges for plant and machinery used in the execution of the project), costs that are attributable to project activities in general and can be allocated to the project, and other costs that are contractually chargeable to the client.

Revenues, costs and profits in respect of work in progress are recognised pro rata to the completion of the work (percentage-of-completion method).

The percentage of completion of work in progress is determined based on the production (project costs as a percentage of total expected project costs) up until the balance sheet date or on the basis of the progress billings, provided these fairly represent progress of the work in progress. Recognition takes place as soon as a reliable estimate can be made of the result of the work in progress.

The result of a fixed price contract can be reliably estimated if the total project revenues, the project costs required to complete the project and the percentage of the completion of the project in progress can be reliably determined, it is probable that the economic benefits will flow to the company and the project costs attributable to the work in progress can be clearly identified and reliably determined. The result of a cost plus contract can be reliably estimated if it is probable that the economic benefits

will flow to the company and the project costs attributable to the project in progress can be clearly identified and reliably determined.

If the result of project in progress cannot be estimated reliably, project revenues are only recognised in profit and loss up to the amount of the project costs incurred that is likely to be recovered. Project costs are recognised in profit and loss in the period in which they are incurred.

Project revenues comprise the contractually agreed revenues plus any revenues related to variations in contract work, claims and payments, provided that it is probable that the revenues will be realised and they can be reliably determined. Project revenues are measured at the fair value of the consideration received or receivable.

Expenditures relating to project costs that will lead to required deliverables after the balance sheet date are recognised under inventories, work in progress or prepayments and accrued income if it is probable that they will lead to revenues in the following period. Project costs are recognised in profit and loss if the deliverables in the project are delivered and have been realised. Expected losses on work in progress are taken directly to profit and loss. The amount of the loss is determined irrespective of whether the project has already been started, the stage of completion of the project, or the amount of profit expected to arise on other, unrelated projects.

If at year-end, the amount in progress billings exceeds the value of the completed work, the resulting credit balance is recognised under current liabilities.

Projects originating from own development are measured at cost including a pro-rata share of the expected profit if the projects have been sold to third parties, less any amounts charged to provisions for expected losses and development risks. Interest expenses are not allocated to projects in progress.

Receivables

The accounting policies for receivables are described under the heading 'Financial instruments'.

Cash at bank and in hand

Cash at bank and in hand is stated at nominal value.

Current and long-term liabilities

The accounting policies for current and long-term liabilities are described under the heading 'Financial instruments'.

Provisions

Provisions are measured at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. If it is probable that any of the expenses expected to be incurred to settle the provision will be reimbursed by a third party, the reimbursement is presented as a separate asset. A provision is recognised if:

- as a result of a past event, the company has a present legal or constructive obligation;
- that can be estimated reliably;
- and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision for deferred tax liabilities

The accounting policies that apply to the provision for deferred tax liabilities are explained under the heading 'Taxes'.

Warranty provision

The warranty provision is recognised for the estimated costs that may be incurred due to warranty claims in respect of delivered work. The addition to the provision is related to the turnover generated from the work delivered in the financial year. The costs incurred due to warranty claims are charged against the provision. The amount of the provision is regularly reviewed on the basis of the estimated risks.

Employee-related provisions

Provision for long-service awards

The provision for long-service awards reflects the present value of payments to employees for long service and other related costs. In calculating the provision, account is taken of future increases in salaries and the probability that employees may not complete the necessary period of service.

Restructuring provision

If at balance sheet date there is a detailed formal restructuring plan, and no later than at the date of preparation of the financial statements a valid expectation has been raised among those affected by the restructuring that the plan will be implemented, a restructuring provision is recognised. A valid expectation is deemed to have been raised if a start has been made with the implementation of the restructuring, or if the main features of the restructuring have been announced to those affected by it.

The restructuring provision includes the necessary expenditures arising from the restructuring that are not associated with the ongoing activities of the company.

The provision is largely of a short-term nature; it is presented under current liabilities accordingly.

Equity

Financial instruments that qualify as equity instruments on the basis of their economic substance are presented under equity. Payments to holders of these instruments are deducted from equity after having first deducted any related income tax gain.

Financial instruments that qualify as financial liabilities on the basis of their economic substance are presented under liabilities. Interest, dividends, gains and losses associated with these financial instruments are recognised in the profit and loss account as expenses or revenue.

Principles for the determination of profit or loss

General

Income and expenditure is accounted for in the period to which it relates.

Operating income

Operating income concerns income from projects that were finished and delivered to third parties during the financial year (net turnover), plus or minus the change in the inventories of finished goods and work in progress. Revenue from services rendered is recognised under net turnover at the fair value of the consideration received or receivable, after deducting allowances and discounts.

Revenue recognition

As soon as the result of a project in progress can be estimated reliably, the project revenues and costs are recognised as revenue and expenses in the profit and loss account (as part of the change in work in progress) in proportion to the stage of completion of the project. If it is expected that a project in progress will be closed with a loss, a provision is recognised for the total expected loss.

Revenue from services rendered is recognised in the profit and loss account when the amount of revenue can be reliably determined, it is probable that the fee charged for the services will be collected, the extent to which the services have been rendered at balance sheet date can be reliably determined, and the costs that have been incurred already and those that will (potentially) have to be incurred to complete the services can be reliably determined.

Cost of outsourced work and other external costs

This is the total purchase cost of goods and services that can be allocated to the operating income.

Employee benefits

Employee benefits are charged to the profit and loss

account in the period in which the employees render the related services and, insofar as they have not yet been paid out, recognised as a liability in the balance sheet. If the amounts paid in employee benefits exceed the amounts payable at balance sheet date, this surplus is recognised as an asset under prepayments and accrued income to the extent that it concerns amounts that will be repaid by relevant employees or offset against future payments by the company. Any expected bonus payments are recognised if the obligation to make such payments originated on or before the balance sheet date and a reliable estimate of the obligation can be made.

Pensions

Most of the employees have a pension under a scheme administered by the industry-wide pension fund for the construction sector (BPF Bouw). This is a career average pension scheme that qualifies as a defined contribution scheme. In the event that the above-mentioned industry-wide pension fund has a deficit, the company has no obligation to make additional payments other than future pension contribution increases. As at balance sheet date, the pension fund had a coverage ratio (fair value of plan assets as a percentage of the provision for pension obligations according to the accounting policies of the Dutch central bank) of 117.9%.

As a rule, the pension charge to be recognised for the reporting period is equal to the pension contributions payable to the pension fund for that period. A liability is recognised if the pension contributions payable have not been paid yet by the end of the reporting period. If the pension contributions paid as at balance sheet date exceed the pension contributions payable, an asset is recognised under prepayments and accrued income if the fund will refund this amount or offset it against future payable pension contributions.

Leasing

The company may enter into finance and operating leases. A lease is classified as a finance lease if it transfers all or substantially all the risks and rewards incidental to ownership to the lessee. All other leases classify as operating leases. The classification of leases depends on the economic substance of the transaction rather than the legal form.

Operating lease

If the company is the lessee in an operating lease, the leased asset is not recognised. Lease payments in respect of operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Interest receivable and similar income and interest payable and similar expenses

Interest income is recognised in the period to which it relates, based on the effective interest rate for the relevant asset. Interest payable and similar expenses are recognised in the period to which they relate.

Taxes

Taxes comprise the current income tax payable or recoverable and deferred tax. Current and deferred tax are recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Corporation tax is calculated on the operating result, taking into account tax facilities and non-deductible costs.

Current tax is the expected tax payable (recoverable) in respect of the taxable income (tax loss) for the year, calculated on the basis of tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable for prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The provision for deferred tax liabilities is measured at nominal value.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are measured at nominal value, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the corresponding tax benefit will be realised.

Profit (loss) from equity interests

The profit (loss) from equity interests comprises Dura Vermeer's share of the profits (losses) of entities in which it has an equity interest. Gains and losses on transactions that involved the transfer of assets and liabilities between the company and its equity interests, or between its equity interests, are not recognised if they can be deemed unrealised. Profits or losses from equity interests acquired or disposed of during the financial year are accounted for in the group's profit or loss from the date of the acquisition or until the date of disposal of the relevant equity interest.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Fair value measurement

The fair value of a financial instrument is the amount for which an asset could be traded or a liability settled between knowledgeable and willing parties in an arm's-length transaction.

The fair value of non-listed financial instruments is measured based on their expected future cash flows, calculated using a discount rate that reflects the risk-free market interest rate applicable to the residual term of the instrument plus credit and liquidity risk premiums.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(X € 1,000)

(1) Intangible fixed assets

	Goodwill
Balance at 1 January 2017	
Cost of acquisition	896
Cumulative amortisation	-179
Carrying amount	<u>717</u>
Changes:	
Additions	-
Disposals	-
Amortisation	-179
Total changes	<u>-179</u>
Balance at 31 December 2017	
Cost of acquisition	896
Cumulative amortisation	-358
Carrying amount	<u>538</u>

The goodwill relates to the acquisition of additional shares in Asset Rail BV in 2016.

(x € 1,000)

(2) Property, plant and equipment	Buildings and land	Plant and equipment	Other fixed operating assets	Not used in the production process	Total
Balance at 1 January 2017					
Cost of acquisition	34,628	61,056	46,287	44,204	186,175
Cumulative depreciation	-14,927	-49,902	-31,331	-2,657	-98,817
Carrying amount	19,701	11,154	14,956	41,547	87,358
Changes:					
Additions	1,208	4,064	7,947	-	13,219
Disposals	-599	-846	-1,870	-820	-4,135
Depreciation	-710	-3,450	-5,096	-1,209	-10,465
Total changes	-101	-232	981	-2,029	-1,381
Balance at 31 December 2017					
Cost of acquisition	33,748	59,621	47,401	43,363	184,133
Cumulative depreciation	-14,148	-48,699	-31,464	-3,845	-98,156
Carrying amount	19,600	10,922	15,937	39,518	85,977

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The items of property, plant and equipment presented under 'Not used in the production process' concern four sites operated on a long-term basis which the company plans to take into production or sell in the future.

(3) Financial fixed assets	31-12-2017	31-12-2016
Non-consolidated equity interests	13,803	13,345
Deferred tax asset	403	2,017
PPS receivables	2,755	3,237
Other receivables	4,508	5,852
	21,469	24,451

Changes in financial fixed assets were as follows:

	Equity interests	Deferred tax asset	PPP receivable	Other receivables	Total
Balance at 1 January	13,345	2,017	3,237	5,852	24,451
Newly consolidated	519	-	-	-940	-421
Share of profit (loss)	1,695	-	-	-	1,695
Dividend received	-1,572	-	-	-	-1,572
Additions	-	-	-	-	-
Disposals	-189	-	-	-	-189
Repayments	-	-	-482	-531	-1,013
New loans	-	-	-	149	149
Other changes	5	-1,614	-	-22	-1,631
Balance at 31 December	13,803	403	2,755	4,508	21,469

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The deferred tax asset concerns the recognised available tax loss carryforwards. The change in the deferred tax asset concerns the portion of the tax loss carryforwards that will offset against the tax due on the profit for 2017. Of the deferred tax asset as at year-end 2017, € 0.3 million is expected to be deductible within one year.

The item 'PPS receivables' concerns availability fees receivable from Rijkswaterstaat for the N31 Public-Private Partnership project. This financial fixed asset has been measured at amortised cost, which is equal to its fair value plus cumulative interest, calculated using the effective interest method by applying an effective interest rate of 5.64%, and less repayments. Based on the major maintenance profile set out in the EPCM agreement, the work required to fulfil the availability obligation relating to the asset is carried out by Wâldwei.com BV. This availability obligation runs until the end of 2022. In the past year, this generated revenue recognised under net turnover of € 1.1 million (2016: 1.2 million) and a profit after taxes of € 0.2 million (2016: € 0.1 million).

The other receivables concern loans extended to non-consolidated equity interests, for which fixed repayment terms have been agreed. As at year-end 2017, the other receivables largely consisted of non-current receivables.

In accordance with the relevant statutory provisions, a list of the consolidated non-consolidated equity interests and the main building consortiums and other partnerships has been filed with the Chamber of Commerce for inspection.

(4) Inventories	31-12-2017	31-12-2016
Land	33,764	32,281
Raw materials and consumables	3,392	3,165
Finished goods	2,549	3,146
	39,705	38,592

The value of the land positions was analysed at year-end 2017 based on the current expectations about the development potential, development periods and price level. The cumulative impairment loss on land positions totalled € 5.5 million at year-end 2017 (2016: € 7.4 million). This decrease was due to the fact that land positions were put into use.

(5) Receivables, prepayments and accrued income	<u>31-12-2017</u>	<u>31-12-2016</u>
Trade receivables	117,788	115,850
Receivables from non-consolidated equity interests	3,832	505
Taxes and social insurance contributions	3,148	2,662
Work yet to be invoiced	28,816	37,006
Receivables from building consortiums	20,339	13,853
Prepaid expenses	13,976	4,465
Other receivables, prepayments and accrued income	11,449	19,237
	<u>199,348</u>	<u>193,578</u>

Of the receivables under 'Receivables from non-consolidated entities', € 3.8 million concerns trade receivables (2016: € 0.5 million) from equity interests where the company can exercise significant influence. No interest is charged on these receivables.

All items under receivables, prepayments and accrued income fall due within one year. The bad debt provision amounted to € 0.9 million at year-end 2017 (2016: € 1.2 million).

(6) Cash at bank and in hand

Of the cash at bank and in hand, € 29.0 million (2016: € 23.2 million) is freely available to the company. Cash at bank and in hand that is not freely available comprises funds for work done through building consortiums totalling € 29.2 million (2016: € 35.7 million) and on blocked accounts totalling € 4.7 million (2016: € 2.7 million).

As at balance sheet date, Dura Vermeer Groep NV had a syndicated bank facility with three banks. This comprises a committed overdraft facility for a total of € 60 million and a guarantee facility for € 200 million (of which € 89.0 million had been drawn at year-end 2017). The banking syndicate has been furnished with surety in the form of a first mortgage on buildings and land for € 26.1 million and various items of collateral, principally consisting of trade receivables.

This overdraft facility was not used in 2017.

The bank facilities are subject to solvency, leverage and interest coverage ratios. As at year-end 2017, Dura Vermeer Groep NV complied with these ratios.

In addition, two mutual insurance associations provided a total of € 95 million in guarantee facilities (2016: € 87 million), of which € 31 million had been drawn at year-end 2017.

(7) Current liabilities	<u>31-12-2017</u>	<u>31-12-2016</u>
Current portion of long-term liabilities	1,744	1,057
Credit institutions	7,288	10,685
Work in progress (8)	9,730	16,104
Suppliers and trade payables	107,312	121,497
Payables to non-consolidated equity interests	2,227	3,820
Taxes and social insurance contributions	24,744	20,353
Invoices received in respect of work	69,242	52,181
Holiday pay and unused holiday entitlement	10,099	9,461
Current portion of provisions	3,615	3,347
Advance billings	0	3,283
Other payables, accruals and deferred income	23,133	26,357
	<u>259,134</u>	<u>268,145</u>

All current liabilities fall due within one year.

The debts to credit institutions concern project financing for specific projects, largely for projects carried out through building consortiums where the maturity date of the financing coincides with the date of sale of the project. The interest rate is based on the 1-month Euribor plus a margin of between 2.6% and 3.25%.

(8) Work in progress

Direct costs plus a margin to cover general costs and a pro-rata share the expected profit based on the stage of completion, less expected losses.

Less: Progress billings to clients	-971,174	-865,644
Balance	<u>980,904</u>	<u>881,748</u>
	<u>9,730</u>	<u>16,104</u>

The balance of costs less progress billings can be presented as follows:

- Projects for third parties, including PPP contracts	62,283	39,000
- Projects originating from own development	-52,553	-22,896
	<u>9,730</u>	<u>16,104</u>

The net balance of work in progress at year-end 2017 consisted of a positive balance of € 99.9 million (2016: € 105.1 million) less a negative balance of € 109.6 million (2016: € 121.2 million).

A positive balance arises if the amount in direct costs incurred, plus a margin for general costs and a share of the expected profit calculated pro rata to the stage of completion and less expected losses, exceed the progress billings. A negative balance arises if the amount in direct costs incurred, plus a margin for general costs and a share of the expected profit calculated pro rata to the stage of completion and less expected losses, falls short of the progress billings.

As at 31 December 2017, scheduled work totalled € 1,846 million (2016: € 1,631 million).

(9) Long-term liabilities	31-12-2017	31-12-2016
Long-term liabilities	7,900	9,767

The long-term liabilities concern three loans.

The first loan, which amounted to € 2.3 million as at balance sheet date, is a PPP financing relating to Dura Vermeer Groep NV's share of the construction of the N31 (carried out by Wâldwei.com BV) with a remaining term of 4 years. The annual principal payment is € 0.6 million and has been recognised under current liabilities. Interest is payable based on 3-month Euribor plus a margin of 0.85%.

The second loan, which amounted to € 5.4 million at balance sheet date, relates to Dura Vermeer Groep NV's share of the non-recourse financing of a site recognised under property, plant and equipment as 'Not used in the production process'. A first mortgage has been furnished on the site. The loan has a maximum term that runs until the end of 2020. The annual principal payment is € 0.5 million and has been recognised under current liabilities. Interest is payable based on 3-month Euribor plus a margin of 2.80%.

(10) Provisions	1-1-2017	Addition	Withdrawal	Release	31-12-2017
Deferred tax liabilities	1,819	-	-599	-	1,220
Warranties	6,757	4,465	-2,751	-1,445	7,026
Employee-related provisions	5,333	757	-339	-27	5,724
	13,909	5,222	-3,689	-1,472	13,970

Provision for deferred tax liabilities

The provision for deferred tax liabilities relates to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, to the extent that these differences will be taken into account in future taxation. It is a long-term provision.

Warranty provision

The warranty provision is recognised for the estimated costs that may be incurred due to warranty claims in respect of delivered work. It is a long-term provision.

The current portion of the provision amounts to € 2.7 million (2016: € 3.0 million) and is presented under the current liabilities (7).

Employee-related provisions

This provision concerns long-service awards and has been calculated based on the assumption of an annual salary increase of 2.0% (2016: 2.0%) and by applying a discount rate of 1.6% (1 January 2016: 1.3%). It is a long-term provision.

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(11) Equity

For more information about this item, see the notes to the company balance sheet.

(12) Financial instruments

General

As part of its ordinary activities, Dura Vermeer Groep NV makes use of a range of financial instruments that expose the company to various market and credit risks. These financial instruments are recognised in the balance sheet.

The company holds no forward exchange contracts or currency options, does not buy or sell these financial derivatives and has procedures and guidelines to minimise the credit risk in relation to each counterparty and market. If a counterparty defaults on payments due to the company, any resulting losses are limited to the fair value of the relevant instruments.

Credit risk

Credit risk is the risk that the company incurs losses due to the fact that customers fail to meet their contractual obligations. The company is exposed to credit risks on loans and other receivables recognised under financial fixed assets, trade and other receivables and cash at bank and in hand. These receivables total € 269.8 million and are due from approximately 1,250 customers. As the receivables are not concentrated among a limited number of customers, the company's exposure to credit risk is mainly determined by the individual characteristics of each of the customers. In addition, management also takes into consideration the demographics of the company's customer base, including the default risk of the industry in which customers operate, as this factor may affect the credit risk. The Management Board has formulated a credit policy under which the creditworthiness of each new customer is analysed individually before Dura Vermeer's standard payment and delivery terms and conditions are offered. This analysis includes looking at external credit ratings, when available, and in some cases also bank references.

The trade receivables include no significant concentration of receivables in particular market sectors.

The company's cash is held on bank accounts with a number of different banks. As the company only does business with reputable banks, the credit risk is limited.

The nominal values of the financial assets on which the company is exposed to credit risk are as follows:

	31-12-2017	31-12-2016
Loans and receivables under financial fixed assets	7,263	9,089
Receivables, prepayments and accrued income	200,266	194,754
Cash at bank and in hand	62,876	61,611
	270,405	265,454

Interest rate risk and cash flow risk

The company is exposed to interest rate risk on interest-bearing receivables and debts. The company is exposed to interest rate risk associated with future cash flows in respect of receivables and debts with floating interest rates, and to fair value risk in respect of fixed-interest loans. In view of the size of the interest-bearing receivables and debts, these receivables and debts are not very sensitive to interest rate fluctuations. Therefore, the company has not concluded any derivative interest instruments.

Liquidity risk

The company monitors its liquidity position with successive cash flow forecasts. Management ensures that the company at all times has sufficient liquidity to meet its financial obligations and sufficient financial scope under the available facilities to remain in compliance with the agreed financing covenant.

The undiscounted payment obligations as at 31 December 2017 break down by cash outflow per year as follows:

	2018	2019	2020- 2022	2023 and beyond	Total
Long-term debts, including current portion	1,744	1,368	1,302	5,230	9,644
Current liabilities, excluding debts to credit institutions, current portion of long-term debts and work in progress	240,372	-	-	-	240,372
Credit institutions	6,680	304	304	-	7,288
Rental obligations	6,000	5,700	8,200	3,100	23,000
Lease obligations	8,756	6,880	8,275	-	23,911
	263,552	14,252	18,081	8,330	304,215

The undiscounted financial assets as at 31 December 2017 break down by year as follows:

	2018	2019	2020- 2022	2023 and beyond	Total
Loans under financial fixed assets	276	191	381	3,660	4,508
Receivables under financial fixed assets	612	612	1,531	-	2,755
Receivables, prepayments and accrued income	200,266	-	-	-	200,266
Cash at bank and in hand	62,876	-	-	-	62,876
	264,030	803	1,912	3,660	270,405

To cover fluctuations between its annual payment obligations and financial assets, the company has a committed overdraft facility of € 60 million. This facility was concluded with three banks on 18 November 2016 for a period of three years, with an option to extend it twice by one year (maximum period runs until the end of 2021).

Fair value

The fair value of most of the financial instruments recognised in the balance sheet, including receivables, cash at bank and in hand and liabilities, approximates their carrying amount.

Market risk

Market risk is the risk that the company's revenue or the value of its financial instruments is adversely affected by fluctuations in market prices. It concerns the change in the market price of raw materials and consumables and outsourced work in the period between the quotation process and the execution phase. The company mitigates this risk by: (1) incorporating an indexation arrangement into the agreement for long-term projects and/or, where this is not possible, (2) agreeing to prices and conditions with suppliers and subcontractors at an early stage.

(13) Off-balance sheet assets and liabilities

As at year-end 2017, the group had provided clients with guarantees for a maximum amount of € 120.2 million (year-end 2016: € 152.3 million) through credit institutions and mutual insurance associations. Dura Vermeer is jointly and severally liable for all liabilities of the commercial partnerships (building consortiums) in which it participates. At year-end 2017, these liabilities, excluding the bank guarantees, totalled € 259 million (2016: € 229 million). Dura Vermeer's share of these liabilities, which amounted to € 109 million (2016: € 98 million), has been recognised in the consolidated balance sheet.

Dura Vermeer rents land and buildings. The rent payable for 2018 amounts to € 6.0 million. The terms of the rental obligations vary from 1 to 10 years. The instalments payable in 2018 on operating leases (for motor vehicles and rolling stock) total approximately € 8.8 million (2017: approximately € 8.5 million). The leases have an average remaining term of 2.5 years. As at year-end 2017, Dura Vermeer Groep NV had obligations to purchase land for a maximum amount of € 7.4 million (2016: € 10.0 million).

Most of the consolidated equity interests are part of Dura Vermeer Groep NV's tax group for the purposes of corporation tax and VAT and are therefore jointly and severally liable for any tax payable by the companies in the tax group. For a comprehensive overview of the equity interests of Dura Vermeer Groep NV belonging to the tax group, please refer to the list filed with the Chamber of Commerce.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(14) Operating income

The operating income is generated entirely in the Netherlands. It can be presented by activity as follows (in millions of euros):

	2017	2016
Residential construction	478	376
Non-residential construction	234	295
Infrastructure	448	448
Consultancy and other	23	26
	<u>1,183</u>	<u>1,145</u>

(15) Social insurance and pension costs

This item breaks down as follows:

Social insurance costs	23,368	22,138
Pension costs	14,622	14,477
	<u>37,990</u>	<u>36,615</u>

The average number of employees amounted to 2,515 FTEs in 2017 (2016: 2,423 FTEs), all working in the Netherlands, and can be specified as follows:

- Construction site workers	637	719
- Supervisors, technical and administrative staff	1,878	1,704
	<u>2,515</u>	<u>2,423</u>

(16) Other operating expenses

Other operating expenses concern the change in the bad debt provision, which amounted to € 0.2 million. In 2016, other operating expenses were higher due to a one-off expense related to the disposal of Dura Vermeer Ondergrondse Infra B.V.

(17) Taxes

Taxes are calculated on the accounting profit, taking into account the change in the provision for deferred tax liabilities, non-taxable or deductible amounts and other tax facilities. The applicable tax rate is 25%.

	2017	2016
The tax expense breaks down as follows:		
Tax expense (income) for the year of tax group	-4,992	-2,588
Tax expense for the year of entities not included in tax group	-474	-451
	<u>-5,466</u>	<u>-3,039</u>

The tax group of Dura Vermeer Groep NV recorded a profit for 2017.

The tax expense (income) breaks down as follows:	2017		2016	
Profit (loss) before taxes	20,894		10,015	
Tax expense based on applicable tax rate	-5,224	(25%)	-2,504	(25%)
Deviating tax effect:				
Income from prior years	10	(0%)	250	(-3%)
Tax expense on non-deductible costs	-252	(1%)	-785	(8%)
	<u>-5,466</u>	(26%)	<u>-3,039</u>	(30%)

(18) Related party transactions

Related party transactions are defined as transactions between the company and persons or entities that are related to the company.

As part of its ordinary activities, the company buys and sells goods and services to and from various related parties in which the company holds an interest. These transactions take place at arm's length, on terms similar to those applying to transactions with unrelated parties.

(19) Auditor's fees

The following fees of KPMG Accountants N.V., relating to the audit of the financial statements for the financial year for which the financial statements have been prepared, have been charged to the company, its subsidiaries and other consolidated companies in accordance with Section 2:382a(1) and (2) of the Netherlands Civil Code.

(x € 1,000)	2017	2016
Audit of the financial statements	625	585
Other audit engagements	17	15
Tax consulting services	135	117
	<u>777</u>	<u>717</u>

(20) Subsequent events

No events occurred subsequent to the balance sheet date that would require providing additional information about the actual situation as at balance sheet date.

COMPANY BALANCE SHEET

(before profit appropriation / x € 1,000)	Note	31-12-2017	31-12-2016
Fixed assets			
Property, plant and equipment	[21]	7,551	7,329
Financial fixed assets	[22]	127,903	118,720
		135,454	126,049
Current assets			
Receivables, prepayments and accrued income	[23]	38,347	43,934
Cash at bank and in hand		19,577	17,068
		57,924	61,002
Current liabilities	[24]	63,085	70,596
Balance of current assets less current liabilities		-5,161	-9,594
Assets less current liabilities		130,293	116,455
Provisions	[25]	1,384	1,969
Equity	[26]		
Issued share capital		1,923	1,923
Share premium reserve		32,178	32,178
Statutory reserve		10,600	10,950
Other reserves		67,085	60,291
Unappropriated profit (loss)		17,123	9,144
		128,909	114,486
		130,293	116,455

COMPANY PROFIT AND LOSS ACCOUNT

(x € 1,000)	2017	2016
Company profit (loss) for the year excluding profit (loss)	-613	-608
Profit (loss) from equity interests	17,736	9,752
Profit (loss) after taxes	17,123	9,144

ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

General

The company financial statements are part of the group's consolidated financial statements for 2017. With respect to the company profit and loss account, the company availed itself of the exemption provided under Section 2:402 of the Netherlands Civil Code.

The accounting policies used for the company financial statements are identical to those applied for the consolidated balance sheet and profit and loss account, with the exception of the following:

Financial instruments

In the company financial statements, financial instruments are presented on the basis of their legal form.

Profit (loss) from equity interests

The profit (loss) from equity interests concerns the company's share of the profit (loss) of entities in which it has an equity interest. Gains and losses on transactions that involved the transfer of assets and liabilities between the company and its equity interests, or between its equity interests, are not recognised if they can be deemed unrealised.

Financial fixed assets

The equity interests in group companies are measured at net asset value.

NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(x € 1,000)

(21) Property, plant and equipment	Other fixed operating assets	Total
Balance at 1 January 2017		
Cost of acquisition	21,215	21,215
Cumulative depreciation	-13,886	-13,886
Carrying amount	<u>7,329</u>	<u>7,329</u>
Changes:		
Additions	3,029	3,029
Disposals	-864	-864
Depreciation	-1,943	-1,943
Total changes	<u>222</u>	<u>222</u>
Balance at 31 December 2017		
Cost of acquisition	23,380	23,380
Cumulative depreciation	-15,829	-15,829
Carrying amount	<u>7,551</u>	<u>7,551</u>

(22) Financial fixed assets

	Equity interests	Deferred tax asset	Total
Balance at 1 January 2017	117,131	1,589	118,720
Share of profit (loss)	17,736	-	17,736
Dividend received	-12,660	-	-12,660
Addition	3,001	-	3,001
Disposal	-7	-	-7
Other changes	2,702	-1,589	1,113
Balance at 31 December 2017	127,903	0	127,903

For more information about the deferred tax asset, see the notes the consolidated balance sheet.

In accordance with the relevant statutory provisions, a list of the consolidated and non-consolidated equity interests and the main building consortiums and other partnerships has been filed with the Chamber of Commerce for inspection. This list also shows for which companies a statement of joint and several liability has been issued in accordance with Section 2:403 of the Netherlands Civil Code.

	31-12-2017	31-12-2016
(23) Receivables, prepayments and accrued income		
Receivables from group companies	30,801	37,935
Other receivables, prepayments and accrued income	7,546	5,999
	38,347	43,934

All items under receivables, prepayments and accrued income fall due within one year.

	31-12-2017	31-12-2016
(24) Current liabilities		
Suppliers and trade payables	1,760	541
Taxes and social security contributions	6,865	4,448
Payables to group companies	45,838	56,904
Other payables, accruals and deferred income	8,622	8,703
	63,085	70,596

All current liabilities fall due within one year.

(25) Provisions	1-1-2017	Addition	Withdrawal	Release	31-12-2017
Deferred tax liabilities	1,803	-	-599	-	1,204
Employee-related provisions	166	52	-38	-	180
	1,969	52	-637	-	1,384

Due to their nature, a substantial part of the provisions qualify as long-term.
For more information about the provisions, see the notes the consolidated balance sheet.

(26) Equity

The company's authorised capital amounts to € 9.0 million, divided into 1,800,000 ordinary shares with a par value of € 5 each. As at 31 December 2017, 384,517 ordinary shares had been issued.

2017	Balance at 1 January	Profit appropriation	Changes	Balance at 31 December
Issued share capital	1,923	-	-	1,923
Share premium reserve	32,178	-	-	32,178
Statutory reserve	10,950	-	-350	10,600
Other reserves	60,291	6,444	350	67,085
Unappropriated profit (loss)	9,144	-9,144	17,123	17,123
Total for 2017	114,486	-2,700	17,123	128,909

2016	Balance at 1 January	Profit appropriation	Changes	Balance at 31 December
Issued share capital	1,923	-	-	1,923
Share premium reserve	32,178	-	-	32,178
Statutory reserve	11,200	-	-250	10,950
Other reserves	56,440	3,601	250	60,291
Unappropriated profit (loss)	3,601	-3,601	9,144	9,144
Total for 2016	105,342	-	9,144	114,486

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The full balance of the share premium reserve qualifies as paid-up capital for tax purposes.

The statutory reserve concerns the company's share of unappropriated profits from equity interests which the company cannot pay out in dividends without the cooperation of third parties. The change in the past year amounted to € 0.4 million, which was added to the other reserves.

Of the appropriated profit for 2016 of € 9.1 million, € 2.7 million was paid out in dividends and the remaining € 6.4 million was added to the other reserves.

The profit for 2017 of € 17.1 million has been recognised under the item 'Unappropriated profit (loss)'.

It will be proposed to pay out € 5.1 million of the profit for the past year in dividends and to add the remaining amount of € 12.0 million to the other reserves.


Remuneration of Management Board and Supervisory Board

As at year-end, the total remuneration of current and former members of the Management Board, comprising wages, salaries and social insurance and pension costs, totalled € 2,776,363 (2016: € 1,995,261).

The remuneration of the members of the Supervisory Board totalled € 176,500 (2016: € 148,000).

Off-balance sheet assets and liabilities

In addition to the off-balance sheet liabilities disclosed in the notes to the company balance sheet, the company has for most of its subsidiaries accepted joint and several liability for all their debts arising from legal acts. For more information, please refer to the list of these subsidiaries that has been filed with the Chamber of Commerce.

Rotterdam, 20 March 2018

Supervisory board

J.M.A. van der Lof, Chairman
M.W. van Sluis, Vice-Chairman
P.S. Overmars
D. van Well
B. Vree

Management Board

J. Dura, Chairman
L.H. Barg, CFO
R.P.C. Dielwart
T. Winter

OTHER INFORMATION

Independent auditor's report

To: the General Meeting of Dura Vermeer Groep NV

Report on the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2017 of Dura Vermeer Groep NV, based in Rotterdam.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Dura Vermeer Groep NV as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2017;
- the consolidated and company profit and loss account for 2017; and
- 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 consolidated financial statements' section of our report.

We are independent of Dura Vermeer Groep NV in accordance with 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

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

- Foreword by the Chairman of the Management Board;

- Dura Vermeer at a glance;
- Management Board of Dura Vermeer Groep NV;
- Management Board report;
- Report of the Supervisory Board;
- other information pursuant to 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 consolidated 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 consolidated 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 less than the scope of those performed in our audit of the consolidated financial statements.

The Board of Directors is responsible for the preparation of the other information, including the annual report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the consolidated financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the consolidated financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events

and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the consolidated 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 scepticism 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 consolidated financial statements, whether due to errors or fraud, 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 errors, 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 the Board of Directors;
- 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 consolidated 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 ceasing to continue as a going concern;

- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represents 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 20 March 2018

KPMG Accountants N.V.

J. van Delden RA

PROFIT APPROPRIATION

Provisions in the Articles of Association

Under Article 42(1) of the company's Articles of Association, the profit is at the disposal of General Meeting of Shareholders.

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