

WAAR MAKERS



ANNUAL REPORT 2016



DURA VERMEER

Waarmaken van ambities

ANNUAL REPORT

2016

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FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Thanks to the recovery of the market in which we operate, as well as our efforts on our strategic priorities, Dura Vermeer managed to achieve higher turnover and a considerably better net result for the year in 2016. This was especially attributable to our residential construction activities, but the Infra division also experienced a modest recovery and slightly better price levels. In the non-residential construction market, which is hampered by low volumes and overcapacity, we also managed to increase turnover.

Although our strategy prioritises margin over turnover, we saw a 9% increase in turnover compared to 2015 for nearly all our activities. Our profit from ordinary activities before taxes doubled from € 7.2 million in 2015 to € 14.7 million in 2016, corresponding to 1.3% of operating income. So there is clearly a new outlook, but we have certainly not achieved our strategic ambitions and objectives yet. 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. We have high expectations for further improvement in this respect based on the 'market vision' document that was completed in 2016. In this document, clients and builders have agreed to cooperate as equal partners based on a healthy allocation of risks between contractors and clients and contract fees that are commensurate to the quality delivered and the efforts made. For the coming two years, we aim for a gross margin of 2.5 to 3.0% of operating income.

Despite the higher workload due to the increased operating activities, there is sufficient scope for further strengthening our organisation. As part of this, we divested ourselves of our underground cable and pipe laying activities, which no longer fitted in with our prospects. We managed to sell this company in full to a third party, so none of the employees involved lost their job. In addition, we increased our interest in Asset Rail from 40% to 60%, further strengthening our presence in the rail construction and maintenance market. Based on our improved performance and prospects, we also decided not to extend our existing financing agreement with the banks, but to conclude

a new agreement with broader financing facilities and covenants.

Other steps we have taken to help achieve our objectives include the decision to make safety our first priority, the progress made on defining our strategic objectives, our digitisation project and technological changes. In line with our strategy of making good on our ambitions, we invested heavily in HR and ICT programmes in the past year, and we will continue to do so in the coming years. We are optimistic about the coming years and we will keep focusing on investing, entrepreneurship and innovation. This will enable our organisation to remain flexible and constantly adjust to changing market conditions.

However, our primary focus will continue to be on the meeting demands of our clients, by broadening our proposition, strengthening our organisation, continuously innovating and managing the risks. This latter issue is critical for the success of the company, so we have devoted a separate section to it in this report.

Our goal 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. Based on these strategic priorities and the performance we plan to achieve, we are confident that we will make good on our ambitions.

Rotterdam, 21 March 2017

Job Dura

KEY FIGURES

in millions of euros	2016	2015	2014	2013	2012
Operating income and scheduled work					
Operating income	1,145	1,052	1,004	1,033	1,024
Scheduled work *	1,631	1,466	1,358	1,433	1,579
Earnings and assets					
Operating profit (loss), including from equity interests, before non-recurring income and expenses (EBITDA)	25.1	16.8	10.4	13.7	23.5
Profit (loss), including from equity interests, before interest, taxes and non-recurring income expenses (EBIT)	14.7	7.2	0.8	3.8	11.4
Profit (loss) from ordinary activities, including from equity interests, after taxes	11.6	5.7	1.1	3.1	11.1
Non-recurring income and expenses after taxes	-2.5	-2.1	-8.6	-8.6	-7.8
Profit (loss) after taxes	9.1	3.6	-7.5	-5.5	3.3
Depreciation	10.1	9.6	8.6	9.1	10.0
Amortisation	0.2	-	2.8	0.8	2.1
Net investments	12.6	6.0	6.0	9.7	7.6
Net financing position **	40.1	49.6	41.3	66.1	62.3
Equity	114.5	105.3	101.7	126.7	134.4
Total assets	406.3	388.1	429.3	442.5	483.8
Ratios					
Profit (loss) from ordinary activities, including from equity interests, after taxes as a percentage of operating income	1.01%	0.53%	0.11%	0.30%	0.79%
Profit (loss) from ordinary activities after taxes as a ratio of average equity	8.3%	3.5%	-6.5%	-4.2%	2.5%
Current ratio	1.10	1.07	1.05	1.23	1.24
Solvency on the basis of equity	28.2%	27.1%	23.7%	28.6%	27.7%
Employees					
Average number of employees	2,423	2,398	2,393	2,478	2,646

* 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 € 1.1 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 DIVISIE BOUW EN VASTGOED

Grote Projecten
Design Studio

DURA VERMEER DIVISIE INFRA

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

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

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
ADVIES EN DIENSTEN**

**DURA VERMEER
TECHNIEK & INNOVATIE**

**DURA VERMEER
FACILITAIRE BEDRIJVEN**

Advin BV

Archicom BV

Showroom BV

Minderheidsdeelnemingen

**Dura Vermeer
Autobeheer BV**

**Dura Vermeer
Materieelservice BV**

**Dura Vermeer
MaterieelDienst Infra BV**

**Dura Vermeer
Onroerend Goed BV**

MANAGEMENT BOARD OF DURA VERMEER GROEP NV

Supervisory Board

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

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
drs. A. Heins RA, Finance
G.B. Metselaar, Corporate Communications Director
Mr. T Wilmink, Legal Affairs

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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

Infrastructure Division Directors

ir. T. Winter, Chairman
drs. J. Dijkstra RA

Consultancy and Services Director

ing. R.H.M.M. Henderix

Facility Companies Director

ir. E.J. Peters

(situation as at 21 March 2017)

MANAGEMENT BOARD REPORT

We are pleased to present the annual report of Dura Vermeer Groep NV for the financial year ended 31 December 2016, which includes the financial statements for the year then ended.

General business trend

In 2016 the market saw a recovery that led to a significantly improved performance compared to 2015, particularly in the residential construction market. Although the non-residential construction market remained stable, with relatively low volumes and overcapacity, we managed to increase our turnover in this market as well.

The infrastructure market is slowly recovering and price levels are improving, although not in all segments yet. We saw the following developments and trends in the market:

- strong demand for new homes, particularly in the big cities, leading to a significant rise in the number of sold homes;
- stable but low demand for offices and business premises;
- demand for infrastructure projects is stable overall, but varies per client category;
- rising margins on residential construction; infrastructure market shows signs of recovery;
- portfolio of construction companies continues to grow; improvement of the financial position varies;
- increasing demand for well qualified staff due to the market recovery and changing needs.

The recovery of the residential construction market accelerated in 2016 thanks to a strong demand for new homes in nearly all big cities in the Netherlands. Construction is on the rise again, with the supply of new homes lagging behind the demand. So it is vital to own good land positions. In addition to further developing its own land positions, Dura Vermeer is working towards the construction of houses and apartments with ground-level access in locations across most of the Netherlands, together with local and nation-wide property developers and investors such as pension funds.

Our new-build activities were running at full steam to keep up with the strong demand and we delivered 2,205 new homes in 2016, compared to 2,534 in 2015. The total number of new homes sold in 2016 as a result of our own development activities came to 938. The average full sales price for new homes built by

Dura Vermeer rose by 6% to € 318.000 The margins in this market segment improved, partly thanks to the rising house prices, improved operational efficiency and stronger customer focus.

There are also opportunities in the area of developing smart newbuild concepts that can enable us to meet the demand more quickly. For example, Dura Vermeer is currently developing a pilot for IRIS, a new type of home with a self-learning system that utilises smart innovations and digitisation to adjust itself to the behaviour and user patterns of occupants. With IRIS, Dura Vermeer aims to create more added value for the end user.

In the stagnating non-residential building market, Dura sticks to its strategy of focusing on acquiring Design & Build projects. This led to a number of contracts, including for building a new bank office in Gouda for Rabobank, and a school in Etten-Leur. In addition, we won contracts thanks to the increasing demand for client-specific accommodation, such as data centres (AM Datacenter) and laboratories (Genmab), and the transformation of offices and business premises, such as the redevelopment of the Potential building into a student housing complex.

In the past year, we again delivered a number of Design & Build projects, including the maritime training centre CSMart and the new accommodation of the European Air Transport Command (EATC). Our number of own commercial property development projects remained at the same level as in 2015. In the past year, Dura Vermeer built a total floor area of 170,837 m², comprising offices, shops and business premises, including the head office of the law firm Stibbe in Amsterdam, compared to 163,609 m² in 2015. Of this total floor area, 37,385 m² consisted of own development activities, compared to 32.218 m² in 2015.

Compared to 2015, in our Construction and Property division we achieved further turnover growth in the market for the maintenance and renovation of existing building stock, which now comprises nearly 25% of our construction activities. That said, price levels in this market have still not improved, although we improved our financial performance. We expect to see further improvement when the market achieves further professionalisation and housing corporations start to recognise the added value of outsourcing their service and re-let maintenance to a professional party like Dura Vermeer. Dura Vermeer Vastgoed Service, the new Property Service business we established in 2016, met with a favourable market response and its initial efforts generated modest earnings.

Dura Vermeer benefited from the new transformation market that seems to be emerging in the market for the redevelopment and renovation of non-residential buildings. Examples of this include our transformation of the Alliander head office in Arnhem into a sustainable building according to the principles of circularity.

The infrastructure market slowly emerged from its slump and experienced a modest recovery. This was also noticeable at Dura Vermeer, although we expect it will take until 2020 before this market returns to a healthy margin. Operating income decreased by 11.7% in 2016, and we produced 900,000 tonnes of asphalt, compared to 800,000 tonnes in 2015. In the past year, Dura Vermeer divested itself of its underground cable and pipe laying activities as part of a change in strategy. These activities were sold to MNO Vervat. We are glad that this step has given the staff members involved reassurance about the continuity of their jobs and better prospects.

In the past year, Dura Vermeer benefited from the recovering market for flood protection programmes and acquired the Ooijen-Wanssum project. After the 'Ruimte voor de Waal' project in Nijmegen and the 'Spui-Oost' dyke protection project in Goudswaard, this is the third major project in this field to be carried out by Dura Vermeer. In the past year, we won various tenders thanks to our focus on obtaining multidisciplinary projects with an EMAT component (Economically Most Advantageous Tender). In the industrial market segment our activities in the oil and gas market stagnated, but we were able to start with the execution of several projects, including starting with the construction of offshore foundations for Sif Group and a biodiesel refinery for Neste. In the market for soil and groundwater restoration, which is one of our key areas of expertise, we suffered from the stagnation among corporate clients in the industrial and ports sectors.

In the rail infrastructure market, the volume in 'heavy rail' (railway) and 'light rail' (tram and metro track) projects was slightly below expectations. We aimed for further diversification of our activities through further growth of our activities in E-technology (electrical engineering, electric mobility, energy solutions). To this end, we took over part of the workforce of Dynniq (formerly Imtech Rail) and helped them with the completion of their contracted projects. Our newly obtained cable certifications for laying, removing and mounting railway cables will help us to make good on our ambitions in the area of heavy and light rail and reduce our heavy dependence on railway construction activities. By reaching step 4 of the safety ladder, we have taken a major step in the

proactive approach we will implement within Dura Vermeer in the coming year. In the past year, Dura Vermeer and the engineering firm Arcadis increased their interest in the railway maintenance company ASSET Rail by jointly acquiring a 40 percent share package from the investment company Egeria. Under the new constellation Dura Vermeer owns 60 percent of the shares in Asset Rail and Arcadis owns the remaining 40 percent. In the past year, ASSET Rail won a new multi-annual railway contract ('De Peel') and submitted the lowest bid in the tender for a performance-oriented railway maintenance contract in the province of Drenthe, which was definitively awarded to ASSET Rail in February 2017.

The consultancy and engineering firm Advin saw a further increase in the demand for advice on mobility issues in the past year. The demand for advice on making buildings more sustainable, including supporting BREAAAM certification projects, also remained strong. At the same time, however, Advin suffered from the stagnation in the industrial market. Despite a slight increase in operating income, Advin closed the year with a loss. Engineering firm, part of Dura Vermeer and operating in close partnership with Advin, closed the year with a profit thanks to strong growth in the logistics and manufacturing markets.

Personnel and organisation

We had an average of 2,423 employees (FTEs) in 2016, compared to 2,398 in 2015. This increase in our workforce is due to the strong demand for qualified staff. In 2016 we launched the job market campaign 'Maar wat kan jij?' to find professionals and talented young people that could fill the vacancies at Dura Vermeer. In the past year, we filled around 200 vacancies at our company.

To achieve the Management Board's ambition to retain and recruit female employees at management level and/or line departments and increase the percentage of female professionals at the top of the organisation, Dura Vermeer has put in place EVA, our new women's network. The EVA network was set up in the past year by three female employees who acted as trailblazers, organising various activities to achieve these objectives, and who currently lead this network. 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. 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 also adopted by the General Meeting of Shareholders.

CSR and sustainability

Dura Vermeer subscribes to the view that proper and responsible business practices are a precondition for building trust and thus for the continuity of the company.

The CSR and sustainability policy focused in the following issues:

- Integrity
- Employees
- Safety
- Waste
- Reducing carbon emissions
- Customer satisfaction
- Innovations
- Supply chain partnerships

In the past year, Dura Vermeer achieved 14 of the 17 CSR targets it had set for itself. Furthermore, in 2016 we further increased the commitment and awareness in our organisation regarding the KPIs for CSR and sustainability by adding these KPIs in our internal quarterly reporting, in addition to our six-monthly and annual CSR reporting.

In 2016, we increased our focus on sustainable construction. To this end, we developed various innovations and launched value chain partnerships. We are increasing applying circular construction, for example, which has a positive impact on our carbon footprint. In 2016 we actively tackled the reuse of asphalt at our asphalt plants. We also increased reuse options by putting out our waste flows in the form of monoflows, enabling the reuse of this waste in the construction chain.

The customer is at the heart our (circular) construction chain. We monitor our customers' perceptions of our performance through customer satisfaction surveys. For these surveys, we set a target response rate of 76% but the actual response rate lagged behind this KPI and only came to 50%. In 2017 we will apply a more personal approach of customers to try to increase the response rate.

2016 saw a continuation of the trend of a decreasing number of accidents leading to sickness absence. In 2017 we will further increase our focus on raising safety awareness, including among our supply chain partners (hired-in workers and subcontractors). To this end, in addition to recording the injury frequency rate among our employees, in 2017 we will also record the injury frequency rate among hired-in workers and subcontractors, leading to a total injury frequency rate for all workers at our construction sites (employees, hired-in workers and subcontractors). By extending the safety actions to our supply chain partners, we will further increase the safety level at our construction sites.

Dura Vermeer has already achieved a lot in its organisation in terms of CSR and sustainably; further opportunities for improvement are mainly to be found the total construction chain. Accordingly, in 2017 we will also focus on sustainable supply chain partnerships, such as in the area of construction logistics. In addition, we will continue to actively employ our knowledge and expertise to develop sustainable products, including zero energy homes and roads constructed on the basis of circularity. In 2017 our focus will therefore be on reducing our carbon footprint and making a sustainable contribution to Dutch society.

For further information on our initiatives in this area as well as social responsibility and corporate governance, please see our separate Activities Report 2016.

FINANCIAL RESULTS

In the past year, Dura Vermeer experienced a definitive recovery of its financial performance, which has paved the way for further improvement and growth. This good financial performance can be summarised as follows:

- Profit after taxes increased from € 3.6 million at year-end 2015 to € 9.1 million at year-end 2016;
- Operating income increased by 9% to € 1,145 million;
- Scheduled work increased from € 1,466 million at year-end 2015 to € 1.631 million at year-end 2016;
- Solvency ratio came to 28.2% at year-end 2016 compared to 27.1% the year before;
- Net financing position remains good at € 40.1 million positive (2015: € 49.6 million).

Operating income

With turnover coming to € 1,145 million, our activities increased by almost 9% in 2016 compared to 2015.

This increase was mainly attributable to the Construction and Property division and the Infra division, with non-residential construction generating the largest increase. Operating income from Advice and Services remained at the same level. The operating income can be presented by activity as follows:

Operating income		
In millions of euros	2016	2015
Residential construction	376	358
Non-residential construction	295	258
Infrastructure	448	410
Consultancy and Services and Other	26	26
	<u>1,145</u>	<u>1,052</u>

The operating income was generated entirely in the Netherlands.

Total scheduled work increased by 11% to a total of € 1,631 million, especially in the Construction and Property division, which increased by 17% compared to 2015.

EBIT before non-recurring income and expenses

The operating profit before non-recurring income and expenses increased from € 7.2 million in 2015 to € 14.7 million in 2016. At both the Construction and Property and the Infra divisions, the construction works result improved because of a better price level on new construction works, result improvements on existing works and lower coverage deficits for direct and indirect costs. The tendering costs, however, increased. In the Consultancy and Services cluster, the margin decreased. The total EBIT margin came to € 14.7 million or 1.3% of operating income. The EBIT margin can be presented by activity as follows:

EBIT before non-recurring income and expenses		
In millions of euros	2016	2015
Construction and Property	15.0	9.3
Infra	8.9	6.4
Consultancy and Services	-0.5	0.3
Holding Company and Other	-8.7	-8.8
	<u>14.7</u>	<u>7.2</u>

Non-recurring income and expenses

After our underground cable and pipe laying activities had generated a loss for a number of years, we decided in 2015 that we would cease these activities or sell them in their entirety to a third party. In early April 2016 we successfully concluded the negotiations with an prospective buyer, and the entire subsidiary, including the employees and the order portfolio, was

transferred to this third party. We incurred a capital loss of € 2.5 million on this disposal.

Profit (loss) after taxes

In 2016 we recorded a profit after taxes of € 9.1 million, compared to a profit of € 3.6 million in 2015. The profit breaks down as follows:

Profit (loss) after taxes		
In millions of euros	2016	2015
EBITDA	25.0	16.8
Depreciation/amortisation	-10.3	-9.6
EBIT	14.7	7.2
Net interest income	-0.1	-0.5
Non-recurring expenses	-2.5	-2.9
Taxes	-3.0	-0.2
Profit (loss) after taxes	<u>9.1</u>	<u>3.6</u>

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 tax entity recorded a profit in 2016, which can be offset against tax loss carryforwards. After this offsetting, the remaining tax loss available for offset at year-end 2016 came to € 8.3 million; this concerns a tax loss dating back to 2014.

Balance sheet, investments, net cash flow and assets

The balance sheet total increased from € 388.1 million at year-end 2015 to € 406.3 million at year-end 2016. This increase is mainly caused by higher production at the end of 2016, leading to higher amounts receivable and yet to be invoiced. However, this was offset by the decrease of the current liability recognised for work in progress due to the start of a number of our own property development projects which had we partly or fully prefinanced. Therefore, cash at bank and in hand decreased by € 9.2 million to 61.6 million, while our interest-bearing debt remained at nearly the same level, coming to € 21.5 million. Our net financing position came to € 40.1 million at year-end 2016, compared to € 49.6 at year-end 2015.

On balance, the cash flow from operating activities came to € 2.7 million negative, compared to € 17.5 million positive in 2015. Gross investments in property, plant and equipment were kept to € 10.5 million and mainly comprised plant and machinery replacement investments and investments in IT applications. On balance, the cash flow from investing activities therefore came to € 6.8 million negative, compared to € 9.2 million negative in 2015. The cash flow from financing activities came to € 0.3 million positive.

The net cash flow for 2017 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.

After taking the appropriated profit for the year to equity, the balance of equity at year-end 2016 came to € 114.5 million, corresponding to a solvency ratio of 28.2% on a balance sheet total of € 406.3 million, compared 27.1% at year-end 2015. It is proposed to pay out 30% of the profit for 2016 in dividends, which comes to a total dividend distribution of € 2.7 million.

At year-end 2016, we were in full compliance with the covenants agreed with the banks.

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. Should a counterparty default 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 debtors show no significant concentration of receivables in particular market sectors.

The carrying amounts of the financial assets which pose a credit risk are as follows:

Credit risk		
In millions of euros	31-12-2016	31-12-2015
Loans and receivables under financial fixed assets	9,089	10,046
Receivables, prepayments and accrued income	194,754	158,688
Cash at bank and in hand	61,611	70,800
	265,454	239,534

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.

From top to bottom in the company, general and specific controls are applied to focus vigilantly on identifying, monitoring and controlling risks which could have a negative impact on the company's objectives, financial performance and reputation. In controlling financial risks, an assessment is made of the extent to which financial instruments can be used to further reduce these risks.

Market risk

Market risk is the risk that the company's revenue income or the value of its financial instruments is adversely affected by fluctuations in market prices. At balance sheet date, the value of the group's bitumen hedges was virtually nil. These hedges have been concluded to hedge the purchase cost of the scheduled production. The hedges mature at the end of the first quarter of 2017 and had a volume of 100 tonnes as at balance sheet date.

Outlook

Overall, we started 2017 with a well filled order portfolio. We are positive about the way the residential

and non-residential construction market is developing, whereas the success of our infrastructure activities will partly depend on whether we manage to obtain two or three large projects. But here too, we see enough chances and opportunities, particularly in terms of EMAT contracts for management and maintenance, also based on the positive effects of our strategy launched at the end of 2015.

In the coming year, investments not related to projects are expected to remain limited to replacement investments, except for the furnishing of our new offices in Utrecht and Den Bosch. The new office in Den Bosch will bring all of our disciplines in the south and south-east of the Netherlands under one roof. In addition, we will keep investing in innovations and new applications that should directly benefit our projects and our clients.

Our liquidity position is expected to remain good. For projects that have already been sold and/or rented, 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 more or less 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, 21 March 2017

Management Board

J. Dura, Chairman

L.H. Barg, CFO

R.P.C. Dielwart

T. Winter

RISK MANAGEMENT

The extent to which a construction company manages to control the many risks it faces is critical to its success. Below we explain how Dura Vermeer addresses the various risks.

General

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 and unique projects whose size far exceeds the annual turnover of an average operating company.

The challenge for Dura Vermeer is to select from the large offering and diversity of projects those projects that are a good match with our company in terms of characteristics and size, with a good balance between risk and return. The extent to Dura Vermeer manages to control risks is critical to the success of our company.

Our risk appetite is partly influenced by the fact that Dura Vermeer is a family company with a history dating back more than 160 years. This is reflected by the type of projects we want to obtain, and our policy to manage risks even if that is detrimental to our profit margin. We apply the criterion that individual projects should not jeopardise the continuity of the entire company. This also translates into the following general principles:

- 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.

Of course risk management is not only the responsibility of the top management echelon; it should also be deeply embedded in the company. Risk management is part of our company culture, and is achieved through a range of measures, courses, instructions, agreements, project and other audits, checklists, financial and non-financial reports and evaluations. This involves ensuring that everyone working for our company understands the decisions made by Dura Vermeer in terms of accepting risks, what types and size of projects Dura Vermeer can and cannot handle, and how they themselves can contribute to controlling those risks and therefore help to ensure the success of Dura Vermeer.

Strategic and market risks

Dura Vermeer chooses to focus on projects that are a good match with the company in terms of size, experience, expertise, general risk profile and financial capacity, and where we can stand out from our competitors. This is about aspects like, innovativeness, complexity, the need for an integral approach and, if necessary, also contributing financially. 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. The presence and relative importance of each of these aspects in a given project ultimately determines its risk profile.

To control the risks arising from our strategy and market decisions, the company has in place a set of measures and reporting lines, based on which the impact of these decisions can be 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 for the coming three to five years that sets the direction for the divisions and operating companies and the type of projects (in terms of the technological, legal and financial aspects) Dura Vermeer wants to obtain.
- Within the authorities delegated to them, each of the operating companies draws up its own operational plan. This plan should be based on the Management Board's strategic plan and, where possible, comprise a healthy mix of projects (tendering, construction team, own development, PPPs). The authorities are laid down in our Group Guidelines.
- Based on the principles formulated by the Management Board, the divisions and operating companies draw up a budget for the coming years, according to

a fixed format and uniform measurement bases that adequately reflect the uncertainties and risks incurred.

- In terms of staffing, it is up to the operating companies to decide whether they use their own employees to execute projects or hired-in workers so as to remain as flexible as possible. In doing so, the operating companies are aware of the risks of engaging temping agencies or self-employed workers.
- The Management Board monitors market developments on a monthly basis and adjusts the strategy if necessary.

This combination of strategic decisions, agreed measures and delegated authorities should ensure that the company continues to follow the predefined principles and that the resulting risks are controlled.

Operational risks

Most of the operational risks are directly related to the individual projects that are accepted and carried out 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 and compliance with these measures and procedures is strictly monitored.

This includes, among other things:

- 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 directors 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.
- 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 identified risks in relation to the execution of projects and the measures to be taken in this respect are included in the Management Control System, which is part of the QSHE system. The Management Control System includes the guidelines, work instructions, procedures, checklists, evaluation forms, etc. 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.

For our financial project monitoring, we use detailed budgets, regular progress reports, overviews of outstanding purchase obligations, monthly updated forecasts of end results and analyses of the differences between the budgeted and actual profit, which are drawn up in consultation with the person responsible for the project and the directors of the operating company.

The activities carried out by Dura Vermeer can also create risks for staff members, subcontractors, suppliers, local areas adjacent to construction sites and society in general. Dura Vermeer is strongly committed to protecting the safety of its employees, others present on construction sites, local residents and others who may be affected by our activities. We apply the principle that there may be no safety risks whatsoever and that everyone must follow the safety instructions, even if 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 monitor and control the financial risks, the following periodical reports are drawn up:

- Every week, a cash flow forecast is drawn up for the coming six weeks.
- Every four weeks, the operating companies draw up an updated, brief forecast of the profit for the year, which includes an explanation according to a standard format of the changes compared to the budget and/or previous forecast.
- Every four weeks, reports are drawn up that present the changes in equity and cash flows at building consortiums, the age of receivables, a condensed balance sheet, the actual turnover, etc., which are assessed by the directors of the division, also to ensure that the operating companies are aware of the necessity of active cash management.
- Periodically (at least once every eight weeks), an updated forecast of the end result is drawn up for each project, and the forecasts of the operating companies are adjusted to this.
- 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.
- Every four weeks, 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. The cash flow schedule for the prospective project is added to the existing cash flow forecast for the coming three years, based on which an assessment is made of whether the project matches with the group's liquidity position or its external financing options. Because of the importance of a healthy (long-term) financing of the company, this assessment is performed centrally under the responsibility of the Management Board. Projects are financed through separate project financing arrangements (on a recourse and non-recourse basis), leasing, a committed overdraft and project financing facility with the banks and medium-term loans.
- Dura Vermeer also bears the risks arising from the development of residential and non-residential construction projects. However, 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. This includes not only the customary contractor's all risks and general corporate liability insurance, but also directors' and officers' liability and accident insurance. 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. A separate deductible has been set for each insured risk category.

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.

REPORT OF THE SUPERVISORY BOARD

We have discussed the financial statements and the Management Board report for the financial year 2016 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 55 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 2016. 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 and Vice-Chairman of the Supervisory Board regularly consulted with the Chairman of the Management Board throughout the year. Members of the Supervisory Board also attended meetings of the Central Works Council.

A range of topics was discussed during our discussions with the Board of Directors. This included, among other things, the operational and financial state of affairs, including major tenders for new projects, own property development projects, the development of the order portfolio, strategy, market trends, organisational changes, risk management, safety, sustainability and integrity. We are pleased with the way in which the company has recovered from the slump in the construction industry and steadfastly pursues its strategy to become one of the top three innovators in construction. In the past year, this strategy delivered its first results in the form of a promising improvement of the company's financial performance and financial position.

In September of the past year, P.S. Overmars joined the Supervisory Board as the successor of J.P. Drost, who could not combine his duties as a member of the Supervisory Board with his new position of chairman of the Executive Board of SHV Holding. We are very

grateful to Mr Drost for his contributions to our meetings.

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

Rotterdam, 21 March 2017

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

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(before profit appropriation / x € 1,000)	Note	31-12-2016	31-12-2015
Fixed assets			
Intangible fixed assets	[1]	717	-
Property, plant and equipment	[2]	87,358	84,528
Financial fixed assets	[3]	<u>24,451</u>	<u>27,729</u>
		112,526	112,257
Current assets			
Inventories	[4]	38,592	47,599
Receivables, prepayments and accrued income	[5]	193,578	157,474
Cash at bank and in hand	[6]	<u>61,611</u>	<u>70,800</u>
		293,781	275,873
Current liabilities	[7]	<u>268,145</u>	<u>258,254</u>
Balance of current assets less current liabilities		25,636	17,619
Balance of assets less current liabilities		138,162	129,876
Long-term liabilities			
	[9]	9,767	10,275
Provisions			
	[10]	13,909	14,259
Equity			
	[11]	114,486	105,342
		138,162	129,876

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(x € 1,000)	Note	2016	2015
Net turnover		1,199,070	970,792
Change in inventory of finished goods and work in progress		-54,216	81,427
Total operating income	[12]	1,144,854	1,052,219
Cost of raw materials and consumables, outsourced work and other external costs		936,801	865,460
Wages and salaries		147,888	138,428
Social insurance and pension costs	[13]	36,615	37,111
Amortisation		179	-
Depreciation		10,190	9,553
Other operating expenses	[14]	3,075	-
Total operating expenses		1,134,748	1,050,552
Operating profit (loss)		10,106	1,667
Financial income and expenses			
Interest receivable and similar income		695	987
Interest payable and similar expenses		-786	-1,479
		-91	-492
Profit (loss) from ordinary activities before taxes		10,015	1,175
Taxes	[15]	-3,039	-254
		6,976	921
Profit (loss) from equity interests		2,168	2,680
Profit (loss) after taxes		9,144	3,601

CONSOLIDATED CASH FLOW STATEMENT

(indirect method / x € 1,000)	Note	2016	2015
Operating profit (loss)		10,106	1,667
<i>Adjustments for:</i>			
Depreciation and amortisation	[1,2]	10,369	9,553
Gain (loss) on sale of property, plant and equipment		-840	-1,011
Change in provisions		-350	-1,061
Change in working capital			
- Change in receivables		-35,294	22,112
- Change in inventories		9,007	12,410
- Change in work in progress		-34,003	10,317
- Change in current liabilities		36,773	-39,629
		<u>-14,338</u>	<u>12,691</u>
Cash flow from operating activities		-4,232	14,358
Interest received		695	992
Interest paid		-801	-1,466
Dividend received	[3]	1,624	3,609
Income tax paid/received		-	42
Cash flow from operating activities		-2,714	17,535
Repayments received on other financial fixed assets	[3]	1,369	1,243
Investments in fixed assets	[1,2]	-10,547	-11,161
Disposals of property, plant and equipment		3,471	6,145
Disposal of non-consolidated equity interests	[3]	7	52
Investments in other financial fixed assets	[3]	-691	-2,752
Loans issued recognised under financial fixed assets	[3]	-412	-2,762
Cash flow from investing activities		-6,803	-9,235
Change in project financing		5,332	-4,394
Repayment of long-term debts (including current portion)		-5,004	-10,229
Cash flow from financing activities		328	-14,623
Net cash flow		-9,189	-6,323
Net cash at 1 January		70,800	77,123
Net cash at 31 December		61,611	70,800

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(x € 1,000)

2016

2015

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

9,144

3,601

Comprehensive income of the legal entity

9,144

3,601

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.

Reporting period

These financial statements relate to the 2016 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. 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.

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, other financial liabilities and derivatives.

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.

Derivative financial instruments

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at the lower of cost and fair value, unless hedge accounting is applied under a cost price hedge accounting model.

Hedge accounting for derivatives measured at cost

If cost price hedge accounting is applied, the derivative is not remeasured as long as the derivative relates to the hedging of the specific risk of a forecast future transaction. The gain or loss associated with the derivative instrument is recognised in the profit and loss account as soon as the forecast transaction hedged by the derivative affects profit or loss. If the hedged item relating to a forecast future transaction leads to the recognition in the balance sheet of a non-financial asset, the company adjusts the cost price of this asset to reflect the hedging results that have not yet been recognised in the profit and loss account.

If a derivative instrument expires or is sold, the cumulative gain or loss that has not yet been recognised in the profit and loss account is recognised in the balance sheet under accruals and deferred income or prepayments and accrued income, respectively, until the hedged transactions occur. If transactions are no longer expected to take place, the cumulative gain or loss is accounted for in the profit and loss account. If derivative instruments no longer meets the criteria for hedge accounting, but the financial instrument is not sold, then hedge accounting is also discontinued. The financial instrument is then subsequently measured at the lower of cost and fair value.

Conditions for hedge accounting

The company documents the hedging relationships and periodically tests their effectiveness by establishing whether the hedges are effective and that there are no overhedges. The effectiveness test involves comparing the critical characteristics of the hedging instrument to those of the hedged item. If there is an

overhedge, the relevant amount is recognised immediately in the profit and loss account at the lower of cost and fair value.

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.

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 over 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.

Property, plant and equipment

Items of property, plant and equipment are measured at cost of acquisition less accumulated depreciation, based on the estimated useful life of the asset, or at their lower value in use. Land, including land presented under 'Not used in the production process', is not depreciated. For some of the items of plant and equipment, the annual depreciation charge is calculated as a percentage of the asset's carrying amount, based on an estimated useful life of 8 years. The other assets are depreciated on the basis of a fixed percentage of their cost of acquisition, based on an estimated useful life of up to 33 years for buildings and 3 to 10 years for other fixed operating assets. The cost of major maintenance work is immediately charged to the profit and loss account in the financial year in which the maintenance takes place, except if the maintenance clearly extends the asset's useful life, in which case the costs are capitalised and written down pro rata to the asset's remaining useful life.

Financial fixed assets

Equity interests with a negative net asset value are stated at nil. If in later years the company is entitled to a share of the profit of such an entity, this may be recognised only if and insofar as any cumulative unrecognised share of the entity's 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

(in respect of its share) to enable the entity to repay its debts, a provision is recognised equal to the payments 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 in effect should be deemed part of the company's 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. Interest income is recognised in the period to which it relates, based on the effective interest rate for the relevant asset. Any gains or losses are accounted for under financial income and expenses.

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 in the profit 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 reporting 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 reporting date for any indications that the loss has decreased or no longer exists. If any such indication exists, the recoverable amount 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 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 reporting date. Inventories of finished goods are measured at cost, comprising direct costs plus a margin to cover general costs, 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 all or part of the expenses required to settle a provision will be reimbursed by a third party upon the settlement of the provision, 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.

Warranties

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.

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 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 110.3%. 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.

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.

Provision for claims, disputes and court actions

A provision for claims, disputes and legal actions is recognised if it is probable that judgment will be passed against the company in legal proceedings. The provision represents the best estimate of the amount required to settle the obligation, and also includes the legal costs. The provision is largely of a short-term nature; it is presented under current liabilities accordingly.

Other deferred remuneration

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.

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 work is performed and, insofar as they are yet paid out, recognised as a liability on 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.

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 the company'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 2016	
Cost of acquisition	-
Cumulative amortisation	-
Carrying amount	<u>-</u>
Changes:	
Additions	896
Disposals	-
Amortisation	-179
Total changes	<u>717</u>
Balance at 31 December 2016	
Cost of acquisition	896
Cumulative amortisation	-179
Carrying amount	<u>717</u>

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

(x € 1,000)

(2) Property, plant and equipment	Land and buildings	Plant and equipment	Other fixed operating assets	Not used in the production process	Total
Balance at 1 January 2016					
Cost of acquisition	35,371	60,042	42,682	38,029	176,124
Cumulative depreciation	-14,628	-48,198	-27,625	-1,145	-91,596
Carrying amount	20,743	11,844	15,057	36,884	84,528
Changes:					
Newly consolidated	-	436	781	-	1,217
Reclassification	-	-	-	6,018	6,018
Additions	-	2,935	5,324	157	8,416
Disposals	-302	-586	-1,743	-	-2,631
Depreciation	-740	-3,475	-4,463	-1,512	-10,190
Total changes	-1,042	-690	-101	4,663	2,830
Balance at 31 December 2016					
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

The item 'Not used in the production process' concerns four sites operated on a long-term basis which the company plans to take into production or sell in the future. The reclassification concerns the reclassification of a site that was completed in 2016. The site was transferred from work in progress at net realisable value.

(3) Financial fixed assets	31-12-2016	31-12-2015
Non-consolidated equity interests	13,345	12,828
Deferred tax asset	2,017	4,855
Public-private partnership receivables	3,237	3,729
Other receivables	5,852	6,317
	24,451	27,729

Changes in financial fixed assets were as follows:

	Equity interests	Deferred tax asset	Public-private partnership receivable	Other receivables	Total
Balance at 1 January	12,828	4,855	3,729	6,317	27,729
Newly consolidated	-708	-	-	-	-708
Share of profit (loss)	2,168	-	-	-	2,168
Dividend received	-1,624	-	-	-	-1,624
Additions	691	-	-	-	691
Disposals	-7	-	-	-	-7
Repayments	-	-	-492	-877	-1,369
New loans	-	-	-	412	412
Other changes	-3	-2,838	-	-	-2,841
Balance at 31 December	13,345	2,017	3,237	5,852	24,451

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The deferred tax asset concerns the recognised available tax loss carryforwards. Of the deferred tax asset item as at year-end 2016, an expected € 2.0 million is deductible within one year.

The item 'PPP receivable' concerns availability fees receivable from the Directorate-General for Public Works and Water Management 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 Wáldwei.com BV. This availability obligation runs until the end of 2022. In 2016, this generated revenue recognised under net turnover of € 1.2 million (2015: € 1.2 million) and a profit after taxes of € 0.1 (€ 0.3 million).

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	31-12-2016	31-12-2015
Land	32,281	40,382
Raw materials and consumables	3,165	3,365
Finished goods	3,146	3,852
	38,592	47,599

The value of the land positions was analysed in 2016 based on the current expectations about the development potential, development periods and price level.

The cumulative impairment loss on land positions totalled € 7.4 million at year-end 2016 (2015: € 8.6 million).

(5) Receivables, prepayments and accrued income	<u>31-12-2016</u>	<u>31-12-2015</u>
Trade receivables	115,850	95,504
Receivables from non-consolidated equity interests	505	821
Taxes and social insurance contributions	2,662	949
Work yet to be invoiced	37,006	26,209
Receivables from building consortiums	13,853	13,938
Prepaid expenses	4,465	3,828
Other receivables, prepayments and accrued income	19,237	16,225
	<u>193,578</u>	<u>157,474</u>

Of the receivables under 'receivables from non-consolidated entities' € 0.5 million relate to trade receivables (2015: € 0.8 million) from equity interests over which the company can exercise influence 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 € 1.2 million at year-end 2016 (2015: € 1.2 million).

(6) Cash at bank and in hand

Of the cash at bank and in hand, € 23.2 million (2015: € 30.0 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 € 35.7 million (2015: € 38.1 million) and on blocked accounts totalling € 2.7 million (2015: € 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 (€ 124.2 million of which was drawn at year-end 2016).

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 2016.

The bank facilities are subject to solvency, leverage and interest coverage ratio. As at year-end 2016, Dura Vermeer Groep NV complied with these ratios.

In addition, two mutual insurance associations provided a total of € 87 million in guarantee facilities (2015: € 83 million), of which € 28 million had been drawn at year-end 2016.

(7) Current liabilities	<u>31-12-2016</u>	<u>31-12-2015</u>
Current portion of long-term debts	1,057	5,553
Credit institutions	10,685	5,353
Work in progress (8)	16,104	44,107
Suppliers and trade payables	121,497	106,194
Payables to non-consolidated equity interests	3,820	441
Taxes and social insurance contributions	20,353	17,223
Invoices received in respect of work	52,181	46,338
Holiday pay and unused holiday entitlement	9,461	10,280
Current portion of provisions	3,347	3,656
Advance billings	3,283	150
Other payables, accruals and deferred income	26,357	18,959
	<u>268,145</u>	<u>258,254</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 3.0% and 3.3%.

(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	-865,644	-919,154
Balance	<u>881,748</u>	<u>963,261</u>
	<u>16,104</u>	<u>44,107</u>

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

- Projects for third parties, including PPP contracts	39,000	59,569
- Projects originating from own development	-22,896	-15,462
	<u>16,104</u>	<u>44,107</u>

The net balance of work in progress at year-end 2016 consisted of a positive balance of € 105.1 million (2015: € 55.6 million) less a negative balance of € 121.2 million (2015: € 99.7 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 2016, scheduled work totalled € 1.631 million (2015: € 1.466 million).

(9) Long-term liabilities	31-12-2016	31-12-2015
Long-term liabilities	9,767	10,275

The long-term liabilities concern two loans.

The first loan, which amounted to € 3.0 million 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 five 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 € 6.8 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 term of five years with an option to extend. 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	1-1-2016	Addition	Withdrawal	Release	31-12-2016
Deferred tax liabilities	2,141	-	-322	-	1,819
Warranties	6,854	5,438	-5,271	-264	6,757
Employee-related provisions	5,264	441	-174	-198	5,333
	14,259	5,879	-5,767	-462	13,909



Due to their nature, a substantial part of the provisions qualify as long-term.

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 taxation purposes, to the extent that these differences will be taken into account in future taxation.

Warranty provision

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

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% (2015: 2.0%) and by applying a discount rate of 1.3% (1 January 2016: 1.8%).

Of the provisions, €0.5 million (2015: €0.9 million) qualifies as current and € 13.4 million (2015: € 13.3 million) as long-term.

(11) Equity

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

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. Should a counterparty default 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, management also 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.

Management 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 debtors show no significant concentration of receivables in particular market sectors.

The carrying amounts of the financial assets which pose a credit risk are as follows:

	31-12-2016	31-12-2015
Loans and receivables under financial fixed assets	9,089	10,046
Receivables, prepayments and accrued income	194,754	158,688
Cash at bank and in hand	61,611	70,800
	<u>265,454</u>	<u>239,534</u>

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 2016 break down by cash outflow per year as follows:

	2017	2018	2019- 2021	2022 and beyond	Total
Long-term debts, including current portion	1,057	1,302	2,604	5,861	10,824
Current liabilities, excluding debts to credit institutions, current portion of long-term debts and work in progress	240,907	-	-	-	240,907
Credit institutions	10,077	304	304	-	10,685
Rental obligations	6,300	6,000	14,400	9,800	36,500
Lease obligations	8,467	7,048	8,549	-	24,064
	<u>266,808</u>	<u>14,654</u>	<u>25,857</u>	<u>15,661</u>	<u>322,980</u>

The undiscounted financial assets as at 31 December 2016 break down by year as follows:

	2017	2018	2019- 2021	2022 and beyond	Total
Loans under financial fixed assets	232	232	696	4,692	5,852
Receivables under financial fixed assets	612	612	2,013	-	3,237
Receivables, prepayments and accrued income	194,754	-	-	-	194,754
Cash at bank and in hand	61,611	-	-	-	61,611
	257,209	844	2,709	4,692	265,454

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 on 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.

At balance sheet date, the fair value of the group's bitumen hedges was virtually nil. These hedges have been concluded to hedge part of the purchase cost of the bitumen in the order portfolio. The hedges mature at the end of 2016 and January 2017 and had a volume of 100 tonnes as at balance sheet date.

Off-balance sheet assets and liabilities

As at year-end 2016, the group had provided clients with guarantees for a maximum amount of € 152.3 million (year-end 2015: € 139.2 million) through credit institutions and mutual insurance associations. The group is jointly and severally liable for all liabilities of the commercial partnerships (building consortiums) in which it participates. At year-end 2016, these liabilities, excluding bank guarantees, totalled € 229 million (2015: € 199 million). The group's share of these liabilities, which amounted to € 98 million (2015: € 78 million), has been recognised in the consolidated balance sheet.

The group rents land and buildings. The rent payable for 2017 is € 6.3 million. The terms of the rental obligations vary from one to ten years. The instalments payable in 2017 on operating leases (for motor vehicles and rolling stock) total approximately € 8.4 million (2016: approximately € 8.2 million). The leases have an average remaining term of 2.5 years. As at year-end 2016, the group had obligations to purchase land for a maximum amount of € 10.0 million (2015: nil).

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

(12) Operating income

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

	2016	2015
Residential construction	376	358
Non-residential construction	295	258
Infrastructure	448	410
Consultancy and other	26	26
	<u>1,145</u>	<u>1,052</u>

(13) Social insurance and pension costs

This item breaks down as follows:

Social insurance costs	22,138	23,668
Pension costs	14,477	13,443
	<u>36,615</u>	<u>37,111</u>

The average number of employees amounted to 2,423 FTEs in 2016 (2015: 2,398 FTEs), all working in the Netherlands, and can be specified as follows:

- Construction site workers	719	711
- Supervisors, technical and administrative staff	1,704	1,687
	<u>2,423</u>	<u>2,398</u>

(14) Other operating expenses

On 15 April 2016, Dura Vermeer Divisie Infra B.V. sold the shares in Dura Vermeer Ondergrondse Infra B.V. to M.N.O. Vervat Rotterdam B.V. This means that Dura Vermeer no longer installs cables and pipes for third parties. In 2016, Dura Vermeer Ondergrondse Infra B.V. generated approximately € 4.9 million in operating income in prior to the disposal date (2015: € 23.8 million) and incurred an operating loss. The disposal led to a net loss of approximately € 2.5 million, which is presented under other operating income.

(15) 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%.

	2016	2015
The tax expense (income) breaks down as follows:		
Tax expense (income) for the year of tax group	-2,588	111
Tax expense for the year of entities not included in tax group	-451	-365
	<u>-3,039</u>	<u>-254</u>

The tax group Dura Vermeer Groep NV recorded a profit for 2016. The resulting expense has been deducted from the deferred tax asset (see note (2) financial fixed assets). In addition, the tax group recorded a tax gain from an adjustment in respect of prior years.

The tax expense (income) breaks down as follows:	2016		2015	
Profit (loss) before taxes	10,015		1,175	
Tax expense (income) based on applicable tax rate	-2,504	(25%)	-294	(25%)
Deviating tax effect:				
Income from prior years	250	(-3%)	144	(-12%)
Tax expense on non-deductible costs	-785	(8%)	-104	(9%)
	<u>-3,039</u>	(30%)	<u>-254</u>	(22%)

Related party transactions

Related party transactions are defined as transactions where there is a relationship between the companies, its equity interests and their directors and key management personnel.

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.

Auditor's fees

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

(x € 1,000)	2016	2015
Audit of the financial statements	585	630
Other audit engagements	15	70
Tax consulting services	117	147
	<u>717</u>	<u>847</u>

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	31-12-2016	31-12-2015
Fixed assets			
Property, plant and equipment	[16]	7,329	7,714
Financial fixed assets	[17]	118,720	114,243
		126,049	121,957
Current assets			
Receivables, prepayments and accrued income	[18]	43,934	64,328
Cash at bank and in hand		17,068	25,517
		61,002	89,845
Current liabilities	[19]	70,596	104,194
Balance of current assets less current liabilities		-9,594	-14,349
Assets less current liabilities		116,455	107,608
Provisions	[20]	1,969	2,266
Equity	[21]		
Issued share capital		1,923	1,923
Share premium reserve		32,178	32,178
Statutory reserve		10,950	11,200
Other reserves		60,291	56,440
Unappropriated profit (loss)		9,144	3,601
		114,486	105,342
		116,455	107,608

COMPANY PROFIT AND LOSS ACCOUNT

(x € 1,000)	2016	2015
Company profit (loss) for the year under, excluding profit (loss) from equity interests	-608	-624
Profit (loss) from equity interests	9,752	4,225
Profit (loss) after taxes	9,144	3,601

ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

General

The company financial statements are part of the Group's 2016 financial statements. 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 are the same as those applied for the consolidated profit and loss account, with the exception of the following:

Financial instruments

Financial instruments are presented in the company financial statements on the basis of their legal form.

Profit (loss) from equity interests

The profit (loss) from equity interests comprises the company'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.

Financial fixed assets

The following 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)

(16) Property, plant and equipment	Other fixed operating assets	Total
Balance at 1 January 2016		
Cost of acquisition	19,137	19,137
Cumulative depreciation	-11,423	-11,423
Carrying amount	<u>7,714</u>	<u>7,714</u>
Changes:		
Additions	2,101	2,101
Disposals	-3	-3
Depreciation	-2,483	-2,483
Total changes	<u>-385</u>	<u>-385</u>
Balance at 31 December 2016		
Cost of acquisition	21,215	21,215
Cumulative depreciation	-13,886	-13,886
Carrying amount	<u>7,329</u>	<u>7,329</u>

(17) Financial fixed assets

	Equity interests	Deferred tax asset	Total
Balance at 1 January 2016	109,821	4,422	114,243
Share of profit (loss)	9,752	-	9,752
Dividend received	-2,730	-	-2,730
Other changes	288	-2,833	-2,545
Balance at 31 December 2016	117,131	1,589	118,720

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

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. 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.

	31-12-2016	31-12-2015
(18) Receivables, prepayments and accrued income		
Receivables from group companies	37,935	59,159
Other receivables, prepayments and accrued income	5,999	5,169
	43,934	64,328

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

31-12-2016	31-12-2015

(19) Current liabilities

Current portion of long-term debts	-	4,500
Suppliers and trade payables	541	788
Taxes and social security contributions	4,448	1,168
Payables to group companies	56,904	92,496
Other payables, accruals and deferred income	8,703	5,242
	104,194	104,194

All current liabilities fall due within one year.

(20) Provisions

	1-1-2016	Addition	Withdrawal	Release	31-12-2016
Deferred tax liabilities	2,121	-	-318	-	1,803
Employee-related provisions	145	40	-19	-	166
	2,266	40	-337	-	1,969

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 balances sheet.

(21) Equity

The authorised capital of the company amounts to € 9.0 million, divided into 1,800,000 ordinary shares with a par value of EUR 5 each. As at 31 December 2016, 384,517 ordinary shares had been issued.

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

2015	Balance at 1 January	Profit appropriation	Changes	Balance at 31 December
Subscribed share capital	1,923	-	-	1,923
Share premium reserve	32,178	-	-	32,178
Statutory reserve	12,980	-	-1,780	11,200
Other reserves	62,153	-7,493	1,780	56,440
Unappropriated profit (loss)	-7,493	7,493	3,601	3,601
Total for 2015	101,741	-	3,601	105,342

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The full balance of the share premium reserve qualifies 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 financial year was € 0.3 million, which was added to the other reserves.

The unappropriated profit for the financial year 2015 of € 3.6 million was added to the other reserves.

The profit for 2016 of € 9.1 million has been recognised under unappropriated profit (loss).

It will be proposed to pay out € 2.7 million of the profit for the past year in dividends and to add the remaining amount of € 6.4 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 € 1,995,261 (2015: € 1,800,177).

The remuneration of the members of the Supervisory Board totalled € 148,000 (2015: € 140,000).

Off-balance sheet assets and liabilities

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

Rotterdam, 21 March 2017

Supervisory board

P.C. Klaver, Chairman

M.W. van Sluis, Vice-Chairman

J.M.A. van der Lof

P.S. Overmars

D. van Well

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 financial statements

Our opinion

We have audited the financial statements 2016 of Dura Vermeer Groep NV, based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Dura Vermeer Groep NV as at 31 December 2016 and of its result 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company profit and loss account 2016; 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 financial statements' section of our report. We are independent of Dura Vermeer Groep NV in accordance with 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 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 Dura Vermeer Groep NV;
- Management Board Report;
- Risk management;

- Report of the Supervisory Board;
- other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands 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 financial statements. The Board of Directors is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands 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 financial statements that are free from material misstatement, whether due to errors or fraud. As part of the preparation of the 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 frameworks mentioned, the Board of Directors should prepare the 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 financial statements. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud 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 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 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 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 financial statements, including the disclosures; and
- evaluating whether the 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 the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 21 March 2017
KPMG Accountants N.V.
J. van Delden RA

PROFIT APPROPRIATION

Provisions in the Articles of Association

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

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