

# MET ELKKAAR



**ANNUAL REPORT 2019**



**DURAVERMEER**

Waarmaken van ambities

# **ANNUAL REPORT 2019**

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## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

In 2019, the economic growth of the construction sector was the largest of all industries in the Netherlands. We too reaped the benefits from this. And yet, it was not a very easy year for Dura Vermeer. In addition to shortages in the Dutch market of available building land and sufficiently suitable personnel, the problems surrounding nitrogen and PFAS too, started to play an unexpected role from mid-2019 onward. In 2019, this has in some cases already led to delays or stagnation of projects, either in their preparation or in their progress. The Infra Division in particular is expected to be affected by this problem, with the consequences particularly noticeable in 2020 and possibly even in the years thereafter.

Nevertheless, I can look back on a very positive year. We have started working safer, which has led to a fall in the accident index. This in its turn has been awarded the Step 5 of the Safety Ladder by the rail company of the Infra Division and the achievement of Step 3 by the Construction and Property Division. We do also have more satisfied employees, which is reflected in higher MTO scores and a top-two ranking of best employer in the construction sector. In addition, we have implemented and delivered a variety of projects that are characteristic of our craftsmanship. And last but not least, we have again improved on our results.

I am also extremely satisfied and proud of the development that Dura Vermeer is undergoing and of our strong figures, which contribute to the solidity and robustness and as such, the continuity of Dura Vermeer. But I am at least as satisfied with the way in which the organisation, and therefore our people, gives substance to the strategy of ambition and innovation, with safety first and with projects in which we apply an increasingly professional and innovative approach.

Sustainability, digitisation and innovation are certainly not new topics for Dura Vermeer but by accelerating on these themes, we can better anticipate social and technological developments that follow each other in rapid succession, as well as changing customer needs.

Looking at how things stand, the nitrogen and PFAS issue is overshadowed by the COVID-19 virus. Governments and other organisations around the world are taking measures in order to prevent the coronavirus from spreading and, as such, prevent more casualties. The virus already affects everyone's daily life. According to current estimates, the consequences of this pandemic will also affect our business operations in 2020. Naturally, we're preparing ourselves for this to the best of our abilities and we take measures, if needed, in order to safeguard the continuity of our projects and with that, our business.

Despite the nitrogen and PFAS problems that are expected to affect our turnover and result for 2020, I look ahead with confidence. We can see that, although our projects and the environment in which we operate are becoming more complex and confront us with major challenges, Dura Vermeer continues to be able to come up with solutions that match these challenges. These ambitions are underpinned by our core values of safety, quality and reliability.

I greatly appreciate the dedication, knowledge and craftsmanship of our people and their contribution to the realisation of our projects and our strategic objectives. I am also grateful for the trust that our clients and partners place in us and the collaboration with them.

In 2020, Dura Vermeer will see its 165th anniversary and we will once again emphasise our appreciation with the celebration of these 165 years with more than 2,800 colleagues and their partners.

Rotterdam, 18 March 2020

Job Dura  
Chairman of the Management Board  
Dura Vermeer Groep NV

## KEY FIGURES

amounts in millions of euros	2019	2018	2017	2016	2015
<b>Operating income and work in progress</b>					
Operating income	1,504	1,337	1,183	1,145	1,052
Scheduled work *	2,686	2,205	1,846	1,631	1,466
<b>Earnings and assets</b>					
Earnings including profit from equity interests before depreciation, interest and taxes (EBITDA)	59.3	44.6	33.7	25.1	16.8
Earnings including profit from equity interests before interest and taxes (EBIT)	47.7	35.1	23.1	14.7	7.2
Net profit (loss)	36.1	26.1	17.1	9.1	3.6
Depreciation	11.2	9.2	10.4	10.1	9.6
Amortisation	0.4	0.3	0.2	0.2	-
Net investments	12.2	4.8	9.0	12.6	6.0
Net financing position **	108.4	80.9	45.9	40.1	49.6
Equity	177.9	149.9	128.9	114.5	105.3
Total assets	513.8	481.2	409.9	406.3	388.1
<b>Ratios</b>					
Net return***	2.4%	2.0%	1.4%	1.0%	0.5%
Net profit (loss) as a percentage of average equity	22.0%	18.7%	14.1%	8.3%	3.5%
Current ratio	1.26	1.23	1.16	1.10	1.07
Solvency on the basis of equity	34.6%	31.1%	31.4%	28.2%	27.1%
<b>Number of employees</b>					
Average number of employees expressed in FTEs	2,642	2,573	2,515	2,423	2,398

\* Scheduled work concerns the unfinished part of the engagement values of the projects, which, as at the balance sheet date are still in progress, plus new projects of which the implementation is certain to a large extent.

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

\*\*\* Net result as a percentage of operating income.

## DURA VERMEER AT A GLANCE

Dura Vermeer, founded in 1855, is an independent family business that focuses on the Dutch market with activities in the fields of residential construction, non-residential construction and infrastructure. With € 1.5 billion in turnover and more than 2,800 employees, Dura Vermeer ranks in the top ten of companies in the Dutch construction industry. With more than twenty independent operating companies, we combine a strong regional presence with the knowledge, strength and resources of a company that operates nationwide. Our core activities concern the development and realisation of construction and infrastructure projects, maintenance and renovation. These are often complex assignments, in which quality and safety are vital. Our activities are built on a solid financial basis and an open and reliable style of doing business. That is our standard and what our customers identify with.

# DURA VERMEER GROEP NV

## DURA VERMEER DIVISIE BOUW EN VASTGOED BV

### 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 Zuid BV

Dura Vermeer Onderhoud en  
Renovatie Midden West BV

## DURA VERMEER DIVISIE INFRA BV

Dura Vermeer Infra Regionale Projecten BV  
Dura Vermeer Infra Asset Management BV  
Dura Vermeer Haven & Industrie BV  
Dura Vermeer Infra Regio Noord Oost  
Dura Vermeer Infra Regio Noord West  
Dura Vermeer Infra Regio Zuid Oost  
Dura Vermeer Infra Regio Zuid West

### Dura Vermeer Infra Landelijke Projecten BV

Dura Vermeer Railinfra BV  
ASSET Rail BV  
Saferail BV

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

## DURA VERMEER TECHNIEK & INNOVATIE

Showroom BV

Minderheidsdeelnemingen

## DURA VERMEER FACILITAIRE BEDRIJVEN

Dura Vermeer Autobehaar BV

Dura Vermeer Materieel BV

Dura Vermeer Onroerend Goed BV

# MANAGEMENT AND SUPERVISORY BOARD OF DURA VERMEER GROEP NV

## Supervisory Board

B. Vree, Chairman  
ing. D. van Well, Vice-Chairman  
Ir. M.E. van Lier Lels  
J.M.A. van der Lof MBA  
drs. P.S. Overmars

## Management Board

drs. J. Dura MRE, Chairman  
L.H. Barg RA, CFO  
ir. R.P.C. Dielwart  
ir. T. Winter

## Group Staff Directors

J.T. Aalbers, ICT  
drs. A.A. Boot, Human Resources  
G.B. Metselaar, Corporate Communication  
mr. T. Wilmink, Legal Affairs  
drs. H.G. Wisman RA, Finance

## Construction and Property Division Directors

ir. R.P.C. Dielwart BSc, Chairman  
M.A. ter Hark RA  
ing. R.B. Steijn  
drs. P.C.M. Krop MRE MRICS

## Infra Division Directors

ir. T. Winter, Chairman  
mr. drs. R.B. Kalma RC  
ir. J.W. Ligterink

## Technology & Innovation Division Director

drs. H.G. Wisman RA

## Facility Companies Director

L.H. Barg RA

(situation as at 18 March 2020)

# REPORT OF THE MANAGEMENT BOARD

We are pleased to present the annual report of Dura Vermeer Groep NV for the financial year ending 31 December 2019, which includes the financial statements for the year then ended.

## General

Production in the construction sector has risen for the fifth consecutive year, with growth reaching 4% in 2019. Production increased by € 3 billion to a level of € 74 billion and employment increased by 3.5%. This made construction another strikingly strong growth sector in the Dutch economy. Non-residential construction in particular is contributing to this growth, with total production increasing by 7.5%. Growth in residential construction and the infrastructure sector showed a more moderate picture, with growth of around 2% in both sectors. At Dura Vermeer, these developments are reflected by growth in operating income of 12.5%, a significant increase in net profit (+38%) and a big increase in scheduled work (+21%).

## Construction and Property

The growth of our own development activities, combined with good control of the construction process and a number of favourable sales transactions, further boosted the result of the Construction and Property Division in 2019. The continued demand for new houses and increasing investments in commercial property further contributed to a successful year of the Construction and Property Division. Operating income from both new construction and from the maintenance and renovation showed growth, with the result of maintenance and renovation lagging somewhat behind.

## Residential construction

The demand for (affordable) homes continues to be high in 2019. The increase in construction costs often led to an almost impossible task to build within the available budget. Investments in virtual construction, contract management and standardisation, leading to a reduction in failure costs, helped to cope with rising construction costs. Investments were also made in Showroom Thuis, our showroom where buyers of new houses from own development can select their bathroom, sanitary facilities, kitchen and furnishings using virtual reality. Finally in 2019, despite continued fierce competition, a number of new development locations were acquired in Rotterdam, Haarlem, Almere,

Bergen op Zoom, Zwolle and Diemen, among other places.

The growing economy, continued consumer confidence and low (mortgage) interest rates remain positive for residential construction.

Dura Vermeer completed 4,254 homes in 2019, compared to 3,737 in 2018. The number of homes sold from own development at Dura Vermeer increased by 15%, to 1,268 homes in 2019. Dura Vermeer also saw the average price of homes sold to private individuals and for which the purchasing costs are payable by the vendor rise again sharply, from € 360,000 to € 467,000.

## Non-residential construction

The non-residential construction market too has developed positively. Projects that were contracted a few years ago were completed this year, such as the TechMed Centre for the University of Twente in Enschede and the office for the European Medicines Agency (EMA) in Amsterdam on the instruction of the Central Government Real Estate Agency. In a construction period of just eighteen months, Dura Vermeer, in collaboration with Heijmans, succeeded in realising an office just shy of 40,000 m<sup>2</sup>, 19 floors and 80 metres in height. An unprecedented achievement in the Dutch building industry.

Projects in progress in 2019 included the 45,000 m<sup>2</sup> Unilever Global Foods Innovation Centre in Wageningen, the AFAS Experience Centre in Leusden, the office for Dupont, a chemical company at the Bio Science Park in Leiden and the Saxenburgh Medical Centre in Hardenberg. Last year, Dura Vermeer also started with the construction of its own new office (Dura Vermeer Innovation Centre) with a new adjoining showroom, in Utrecht.

Dura Vermeer sees continued confidence in the market to invest in new, high-quality accommodation such as offices, laboratories, schools and hospitals. The chosen course to serve customers with a Design & Build concept in which design and execution are offered at an agreed price, with or without a lease proposal, appears to be a good strategic choice. Dura Vermeer can see customer demand increase thanks to the predictability that this concept entails.

## Maintenance and renovation

Housing associations have not yet found a (permanent) profitable solution for making their housing stock more sustainable and, more importantly, financing it. The search blocks the majority of projects, although supply and urgency are high, partly from an

energy and residents' perspective. Projects that do go ahead are characterised by long delivery times needed to arrange resident participation, among other things. This makes projects high-risk and the planning technically complex. A possible solution is to enter into sustainability projects in co-making. Instead of a project-based approach with a separate selection process each time, a stream of renovation projects is initiated with pre-selected construction parties. The stream ensures improved collaboration, improved performance, improved predictability and fewer surprises.

The aspect of sustainability also plays a role in non-residential construction. Based on the notion to create offices more suited to the needs of today's employees, it is mainly professional building owners who invest in the renovation and sustainability of office buildings. A contemporary, sustainable and healthy working environment is becoming increasingly important for the image of the company and the attractiveness surrounding the battle for talent. Projects Dura Vermeer worked on in 2019 included the renovation of De Walvis office in Amsterdam, the renovation of one of the Erasmus MC buildings in Rotterdam and the renovation of ING Financial Plaza in Amsterdam.

#### Property transformation

There are numerous vacant offices, shops and public buildings in the Netherlands. These property vacancies, combined with the strong demand for additional homes, have boosted the property transformation market. In 2019, Dura Vermeer not only won a number of contracts for property transformations, but we also acquired property development positions of our own to carry out transformations ourselves.

#### Infrastructure

In the year under review, the Infra Division achieved its objectives on almost all fronts. The accident index (IF rate) is one of the lowest ever and employee and customer satisfaction has further increased. In addition, operating income and results again improved compared to the previous year. Activities that performed best financially were the large nationwide projects, the rail activities and the range of activities under the umbrella of participations (including environmental and asphalt development activities). Activities in the regional infrastructure market performed less well, with certain regions falling short of expectations.

#### Nationwide projects

In 2019, the Infra Division started with the execution of a number of large projects, such as the extension

of the A16 motorway, the Vechtdal connection, the railway improvement between Naarden and Bussum, the dyke protection at Stadsdijken Zwolle and the dyke reinforcement at Wolferen-Sprok. These projects are the result of a targeted strategy to execute only those projects that fit the nature and size of Dura Vermeer in the mobility, water and energy segments. The integration of the design expertise within the organisation of Nationwide Projects has been completed and is operating to full satisfaction. This allows for an improved response to multidisciplinary invitations from clients in which the contractor is responsible for both design and realisation, as well as management and maintenance. At the end of 2019, Nationwide Projects achieved great success with the final award of ViA15, the extension of the A12 and A15 motorways between Ressen and Oudbroeken.

#### Regional projects

In 2019, the regional operating companies of the Infra Division had to carry out their work in very competitive conditions, with tendering still very much price-driven. We could also see a slight shift among clients from traditional RAW specifications to integrated UAV-GC contract forms involving higher risks for contractors. A positive development is the emergence of construction teams, in which the client and contractor start working together as early as the design/preparation phase of a project.

The volume of projects remained stable in 2019, but this is likely to decrease due to the issues surrounding nitrogen and PFAS. The infrastructure sector is struggling with the uncertainty whether projects in the planning phase will continue. In addition, tenders are being withdrawn or postponed. Inadequate budgets at clients will also have an inhibiting effect. The undesirable development to offer below cost price is therefore lurking, especially in the case of projects that are beyond the sphere of influence of nitrogen and PFAS.

Growth in demand for maintenance and replacement at mainly Rijkswaterstaat and in larger provincial projects has prompted the Infra Division to set up a separate entity, Dura Vermeer Infra Asset Management BV, starting this year. More emphasis has also been placed on port and industrial activities that should contribute to Dura Vermeer continuing to grow in this area and becoming less dependent on public clients. The regions benefited from the boom in the residential construction market with activities aimed at preparing for construction and living. Since the Infra Division considers regional activities as the backbone of its entrepreneurship, a great deal of last year's attention was devoted to the identity, structure and

management of the organisation on the one hand and standardisation and changes on the customer-demand side on the other.

#### Rail Infra

In 2019, the rail activities of the Infra Division showed growth on all fronts, combined with many highlights for the rail company itself during the year. For example, employees and relations celebrated the 25th anniversary of the company. In addition, the rail company was the only one in the rail industry to reach step 5 of the Safety Ladder, while "Observing Acting Learning", the safety programme developed in-house, was transferred into a separate foundation aimed at further increasing safety awareness in the construction industry.

The further improvement in the financial performance was accompanied by an increase in the number of projects and employees. In the heavy rail infrastructure market segment, track, overhead wire/support structures and E-technology, our rail company carried out large-scale new construction and modification projects in Naarden-Bussum and Venlo, among others, with complex decommissioning services on the instruction of ProRail, the railway manager. These projects were executed right the first time, which is the result of a focus on standardisation and operational excellence. Dura Vermeer Rail Infra B.V. ranks first in ProRail's performance measurement.

In the light rail infrastructure market (tram and metro), our rail company was mainly active in the three major cities and mostly in conjunction with sister companies of the Infra Division. Saferail, a workplace security company, will be transformed into Safeconsult by offering high-quality services in the field of safety. Asset Rail, a railway maintenance contractor of which Dura Vermeer is the majority shareholder, was also successful in the market and further expanded the number of Performance-based Maintenance Contracts to a total of six catchment areas. Asset Rail invested heavily in digitisation and smart technology to increase the predictability of failures.

#### Participations

Participations of the Infra Division can look back on a positive year with peak performances in the fields of the environment and asphalt. Thanks to favourable market conditions, demand for construction and raw materials was also high, resulting in an excellence performance. The same applies to the production of asphalt, which showed an increase in both the utilisation of asphalt sets and the sale of asphalt, despite a shrinking market. Falcker and Spotten are start-ups in which Dura Vermeer participates.

They are young companies which use data and smart technology in maintenance activities and parking solutions and as such, they are paving the way for new revenue models, part of the strategy of the Infra Division. In 2019, as in previous years, a lot of attention was devoted to Next, the breeding ground for ideas within the Division's organisation.

In 2019, considerable efforts were made to widening the circular and reuse product portfolios, not only in the field of raw materials, but also 'as a service' with the Circular Way as a concept. For example, an agreement was concluded with the provincial authorities of Overijssel, in which Dura Vermeer became the economic owner of part of the N739 road. This means that the province pays for its use (and, therefore, no longer for its possession). The provincial authorities at the same time allow Dura Vermeer to experiment with closing the cycle of the road. Several provinces have already expressed an interest in this concept. Roof2Road was also founded, a company that extracts bitumen from roof coverings for use as a reusable raw material in asphalt. The highlight was the acquisition of a 40% interest in Leeuwenstein Groep, which strongly enhances the position of both companies in the growing market for infrastructure management and maintenance.

#### Personnel and organisation

Throughout the construction sector, demand for personnel is high and supply is under pressure. This applies to both young talented people and experienced professionals. With the labour market under continued pressure, attracting new people proves to be a major challenge. The positive image of Dura Vermeer as an employer creates appeal in the market. Our "ask-a-friend" scheme, in which we ask our employees to personally approach people from their private networks with the aim of motivating them to apply for a job at Dura Vermeer, has led to a new influx.

#### Diversity

The role of Dura Vermeer continues to change, from a company that offers capacity to a supplier of added value. As our challenges are becoming more complex, there is an increasing need for a multidisciplinary network structure.

Stimulating diversity in terms of academic background, competencies and skills is the new key to success. There is a stronger need for critical thinkers, creative problem-solvers and people with a high level of emotional intelligence than ever before. By having mixed teams, we can deliver better services and better align ourselves to what a modern society expects from us.

Dura Vermeer strives for diversity at all levels in its organisation. Within this context, Dura Vermeer is looking for a healthy mixture of people of different views and different backgrounds. We make no distinction based on race, religion or gender. Our diversity policy is based on three pillars:

- More women, both at the base and at the top;
- More employees with poor job prospects;
- More cultural diversity.

An important step in the development of a more diverse company is to increase the share of female (top) professionals and as such, train more women for management positions in the company. In 2019, the gender diversity strategy was formalised and quantitative targets aimed at more women in the (sub)top were defined. This has led to us welcoming more women in 2019. Dura Vermeer's women's network, EVA, plays an important role in (permanently) connecting these women. Under the leadership of the EVA board, various meetings were organised to connect, inspire and coach EVA women. Dura Vermeer strives for a complementary composition of both the Management Board and the Supervisory Board with a sufficient degree of diversity. In this context, diversity refers to aspects such as gender, knowledge, experience, skills and personality. In the Management and Supervision (Public and Private Companies) Act, a balanced distribution is defined as 'at least 30 percent of the seats on management boards and supervisory boards are occupied by women'. We did not achieve this target percentage in 2019. Dura Vermeer's policy for (future) appointments of members of the Management Board and Supervisory Board is to specifically also look for female candidates, and to base the ultimate selection of candidates on the added value of persons in relation to each other.

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

We had an average of 2,642 employees (FTEs) in 2019, compared to 2,573 in 2018.

### Corporate social responsibility

Corporate social responsibility is an integral part of our activities. We are aware that any construction activity we carry out has an impact on people, the environment and the local area. Our CSR policy includes objectives that focus on quality, working conditions

(with safety being the main precondition) and the environment.

### Quality

Dura Vermeer aims to deliver high-quality and sustainable products as efficiently as possible in order to optimally implement customer requirements, resulting in a high customer satisfaction rating that boosts our unique brand proposition. Our expertise and certifications ensure that we meet the process and quality standards that apply in the building sector. The main certifications applicable to the entire Dura Vermeer organisation are ISO 9001, ISO 14001 and SCC. We have also made the necessary preparations to obtain accreditation for ISO 27001 (Information security) in 2020. In addition, numerous sector-specific and materials-specific certifications apply.

### Safety

In 2019, as in previous years, Dura Vermeer again made considerable efforts to further promote a pro-active safety culture within the organisation and to encourage chain partners to work safely. The Safety Ladder, which is recognised throughout the Netherlands, is used as an instrument to measure and promote safety awareness and working safely and consciously within the organisation. The aim is to reduce the number of unsafe situations, resulting in fewer incidents (lost time, damage). In the past year, Dura Vermeer's rail company leapt to Step 5 on the Safety Ladder, the highest level, making it the only company in the rail industry to have achieved this to date. The Infra Division maintained its excellent position on Step 4. After an extensive self-assessment, the Construction and Property Division received a recommendation for certification on Step 3, with four out of the six aspects already achieved at level 4. Last year, a lot of energy was also invested in Safety Day and the roll-out of the Generic Gate Instruction (GGI) among all Dura Vermeer employees. The GGI is one of the initiatives of the Governance Code of Safety in Construction, which is endorsed by Dura Vermeer.

Dura Vermeer does not consider safety as something exclusively for Dura Vermeer, but rather as something that everyone involved in the construction process must commit to. Encouraging chain partners to work safely prompted Dura Vermeer to transfer "Observing Acting Learning", its safety programme developed in-house, to a separate foundation last year. Everyone, from subcontractor to client, can now take advantage of this progressive safety programme, not only in the construction sector, but also beyond. The broad availability of such a safety programme is not a luxury, as is evidenced by the fact that there are still too many accidents in the construction industry.

In order to improve the safety culture on projects, Dura Vermeer has also started to inspire and motivate permanent partners and annual contractors, totalling over 120. The focus is explicitly on our subcontractors.

### Environment

Dura Vermeer is a large and leading construction and infrastructure company that operates throughout the Netherlands. As a family business with a history stretching back nearly 165 years, continuity is our main drive. To ensure continuity, it is critical that we listen to our stakeholders, remain flexible and timely anticipate social developments, such as in the area of sustainability. As a family business, building a world in which future generations will have a place to live and work and a good life is in our DNA. The building and property development sector has a huge impact on that future. In the Netherlands, the sector accounts for 50% of the consumption of raw materials, 40% of the energy consumption and 35% of CO<sub>2</sub> emissions. That means there are major opportunities for improvement.

In the past year, Dura Vermeer has worked on making the role and positioning of sustainability within and outside the organisation more explicit. All this under the motto "Connecting by acting. Progressing in green", we aim for every Dura Vermeer solution to contribute to a healthier and greener country by 2030. In 2019, in order to realise this ambition, we worked on initiatives such as the Circular Way, lighting as a service, the Bio-based Test Bed, the development of sustainable materials and smart and intelligent accommodation. The objective: further reduction of CO<sub>2</sub> and closing the cycle, by promoting the reuse of materials. By taking our responsibility, we can continue to add value to a sustainable living environment for all. Now, and for future generations.

We expect that in the coming years, breakthroughs will be feasible in the area of sustainable, low-carbon and circular construction. In connection with this, Dura Vermeer endorses the Sustainable Development Goals (SDGs) adopted by the United Nations as part of the new global sustainable development agenda for 2030. As a construction and infrastructure company, we focus in particular on the development goals where we can generate the biggest impact. In the area of sustainability, those are:

- SDG 7 Affordable and clean energy
- SDG 9 Industry, innovation, and Infrastructure
- SDG 11 Sustainable cities and communities
- SDG 12 Responsible consumption and production
- SDG 15 Life on land

These goals have been incorporated in Dura Vermeer's strategy and are the foundation of Dura Vermeer's sustainability policy. In concrete terms, this means that:

1. In the Netherlands, we help to build a country where people, homes and traffic generate as little emissions as possible (or use clean energy). In this way, we contribute to the climate goals.
2. We as much as possible use raw materials that are renewable or already available in the materials life cycle. This way, we help to prevent scarcity of raw materials.
3. We design, build and recycle with a view to the future use of materials. This way, we contribute to a circular waste-free economy.
4. We build with respect for our local environment. We strive to make a positive contribution to the natural environment and to a healthy living environment that is prepared for the challenges of the future.

In recent years, Dura Vermeer has already achieved a lot in terms of monitoring and reducing its own energy consumption and waste streams. The measures we have taken include changing our energy contracts (to 100% green electricity), the use of solar panels, no longer offering employees the opportunity to drive diesel cars, and stimulating electric driving.

In 2019, we raised our level of ambition. We believe that in the coming years, breakthroughs will be feasible in the fields of sustainable and circular construction. As part of an international commitment, governments have undertaken to make their economies more sustainable. That is why in the coming period, we will accelerate the development of a sustainable mentality within the organisation, the build-up of expertise and the development of new solutions.

### Leading role in sustainability

Our ambition is to play a leading role in sustainability within the construction sector. This means that we will be taking the initiative in this area, with the desire to gain experience quickly and be highly competitive. We specifically focus on two conditions for a future-proof world: Limiting global warming by reducing CO<sub>2</sub> emissions and limiting the depletion of raw materials by building circularly.

### CO<sub>2</sub> reduction

CO<sub>2</sub> reduction mainly concerns less use of fossil energy. As part of our efforts, we will review our own (construction) processes, our offices, the fleet, etc., but we will also focus on developing and building energy-neutral structures.



### Circular construction

Circularity is about working with renewable (raw) materials in all processes and products as much as possible and reusing them with maximum effect. Ultimately, we strive for a way of working in which materials can remain within the cycle without loss of value. That is the only way to prevent raw materials from becoming exhausted.

For more information about how we implement the abovementioned goals, both in our projects and in our operations, please see our activities report.

### Risk management

Risk management is successful when it makes an integral contribution to achieving our strategic ambitions and objectives. In addition to the regular risks in the building sector, external developments are giving rise to new and different risks for Dura Vermeer.

- Changes in the risk landscape: Risks are becoming increasingly complex (e.g. cyber risks), interrelated (e.g. availability of personnel) and fluid (e.g. prices of raw materials and consumables) and have an increasingly bigger impact when materialising.
- The role of the sector in the construction ecosystem and the objective from the Construction Agenda.
- Transition of the sector with an increasing focus on technology and digitisation.
- Zero tolerance attitude in society to operational errors and personal liability of directors.
- Introduction of ever more (and also conflicting) legislation, such as the Dutch Sequential Liability Act (WKA) and data privacy legislation (General Data Protection Regulation).

There are also internal developments that affect Dura Vermeer's risk profile and risk appetite. Important developments are: (1) the development into a learning organisation, which is leading to more transparency and increased involvement of the directors of the various divisions and the Management Board and Supervisory Board, (2) our ambition and need to catch up with the dynamism and fast pace of change in the building sector through new initiatives and investments and (3) the increased need for more data-driven management information. Therefore, Dura Vermeer frequently evaluates its risks, risk profile and risk appetite.

Project control is the common thread in our risk approach. From the selection of a contract through to the aftercare, our control and monitoring systems are aimed at maintaining the right balance between entrepreneurship and Dura Vermeer's envisaged risk profile. Since the market for residential and non-residential construction, property development and

infrastructure is versatile and challenging and because we execute projects from basic and small-scale to extensive and complex, we continue to make new choices; which projects suit us, with a good balance between risk and return as a general departure point. In our view, a good balance between risk and return means that:

- The characteristics and size of the project should match the company's objectives and the required experience, capacity and expertise that are available;
- The client finances the project to be acquired. If Dura Vermeer has to finance independently (which mainly applies in the event of property development), the finance ability is assessed, the way in which this can be realised, the expected term and the result to be achieved, taking into account this higher risk profile.
- There should be no unlimited liability at project level, and risks should be insured where possible and appropriate;
- The project is profitable with an appropriate surcharge for profit and risk in accordance with the associated risks and contract form;
- Projects with sales risk should generate an above-average profit margin, taking into account the contribution of equity;
- In the case of projects carried out at Dura Vermeer's own risk and for its own account, the company needs to be able to sell the project within six months of its completion, except if a decision was made beforehand to remain involved with the project, such as with PPP contracts or projects for the company's own use;
- If a project is carried out through a building consortium, the resources contributed by each consortium partner should be proportionate to its financial contribution, and each partner should be proportionally exposed to risk.

### Strategic and market risks

Another factor in the decision-making is how Dura Vermeer can stand out from its competitors. This is about aspects like innovativeness, complexity, an integral approach and the required financial contribution. The way in which projects are obtained, such as through tendering, a construction team, own development or a Public-Private Partnership, also plays a role in this. The presence and relative importance of each of these aspects in the individual projects determine the risk profiles and selection of projects. To control the risks arising from the decisions we have made, Dura Vermeer applies a mix of measures, based on which the impact of these decisions is monitored and adjustments can be made where necessary:

- In consultation with the Supervisory Board and the

shareholders, the Management Board regularly evaluates the long-term strategy to determine if adjustments are needed. Based on this evaluation, a strategic plan is drawn up that sets the direction for the divisions and operating companies and sets the criteria the selection of projects.

- Each year, the operating companies and divisions each draw up their own operational plan, which 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).
- Based on the principles formulated by the Management Board, the divisions and operating companies draw up an annual budget according to uniform measurement bases that adequately reflect the uncertainties and risks incurred.

### Operational risks or execution risks

The activities carried out by Dura Vermeer can also create risks for staff members, subcontractors, suppliers and local areas adjacent to construction sites. Dura Vermeer is strongly committed to ensuing safety. We apply the principle that there may be no safety risks whatsoever and that everyone must follow the safety instructions, even if that is detrimental to the progress and/or profit margin of the project. The primary responsibility for controlling those risks lies with the management of the operating companies. The following measures and procedures apply to the acceptance of projects:

- The use of a tender form or investment application that includes a clear description of the project in terms of its nature and size, profitability, required financing and specific risks. Depending on the nature, size and risk profile of the project, these documents must be submitted to the directors of the division or the Management Board or Supervisory Board for prior approval. Based on this, we determine whether the project fits in with Dura Vermeer's risk profile and whether we should continue to pursue the project;
- Standard procedures apply to the selection and assessment of partners involved in the execution of the project, risk-bearing partners and other parties involved with the project;
- A detailed assessment is made of the identified risks (organisational, contractual, technical execution, financial, legal and/or underwriting risks) and the measures that are (or can be) taken to control these risks or reflect them in the bid price;
- Using detailed calculations 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 mix of measures applied to control the execution risk is incorporated in the Management Control System, which is part of Dura Vermeer's quality system. The Management Control System includes the guidelines, work instructions, procedures and checklists with respect to contract management, local area management, purchasing, safety, health and the environment, liability and insurance and the security of IT systems. The enforcement of procedures and instructions is monitored through regular toolbox meetings, progress/evaluation meetings and internal and external audits.

### Compliance risks

Dura Vermeer complies with the statutory provisions and the sector-related codes of conduct of the Foundation for the Assessment of Integrity in the Building Sector (SBIB), the Association of Dutch Project Development Companies (NEPROM) and the sector organisation for construction and infrastructure companies (Bouwend Nederland). In addition, Dura Vermeer has its own up-to-date code of conduct that applies to all its employees. Each year, the directors of each of the operating companies issue a signed declaration certifying that their operating company has carried out its works in accordance with the statutory frameworks and Dura Vermeer's Group Guidelines. In addition, Dura Vermeer has a Whistleblowing Scheme. In view of the rapid pace of change in the laws and regulations that are relevant to us, Dura Vermeer actively engages external experts for advice and training. Dura Vermeer has concluded a Horizontal Supervision Covenant with the Dutch Tax and Customs Administration. This Covenant was evaluated in 2019 and will be continued.

### 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 and thus the liquidity position. Long-term financial risks relate to the capital required for projects and with that the solvency, i.e. the impact on the covenants with the banks, the remaining options for obtaining new projects and financing them if necessary, and having the ability to furnish sufficient surety through bank guarantees or in some other form. In order to control the financial risks, the following periodical reports are drawn up:

- Every four weeks, an updated, brief forecast of the profit for the year is drawn up, which includes an

explanation of the changes compared to the budget and/or previous forecast;

- Every four weeks, a report is drawn up on the changes in the own cash flow and changes in cash flows at building consortiums, the aging of receivables and the actual turnover;
- Periodically, a forecast is drawn up of the expected end result for each project;
- Each quarter, a comprehensive report is drawn up. In addition to the profit forecast, this report provides a description of current developments, insight into the status of the projects in progress, and an update on the uncertainties (formal and informal elements) included in the budget;
- Periodically, a forecast is drawn up of the balance sheet and financing requirement for the current year and the coming three years in order to assess whether there is sufficient financial scope to start with new projects. In addition, we apply the principle that we must first secure financing for the entire project through to its delivery before we can make investments in a project. Therefore, the acceptance of projects with a financing requirement that differs from the customary instalment arrangements is subject to the prior approval of the Management Board;
- Dura Vermeer also bears the risks arising from the development of residential and non-residential construction projects. We start with construction only if at 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 set of procedures, measures and checks and balances to identify and control all potential risks at an early stage is critical to the success of our company.

## FINANCIAL RESULTS

Dura Vermeer's net profit increased from € 26.1 million to € 36.1 million. The operating income for 2019 amounted to € 1.5 million, an increase of over 12% compared to 2018. In addition to the increase in our operating income and net profit, our financial performance can be summarised as follows:

- Scheduled work at the end of the financial year rose to nearly € 2.7 billion (2018: € 2.2 billion);
- Solvency rose to approximately 34.6% (2018: 31.1%);

- The net financing position rose to € 108.4 million (2018: € 80.9 million).

### Operating income

Operating income increased in 2019 compared to 2018 and can be presented by activity as follows:

Operating income		
In millions of euros	2019	2018
Residential construction	608	540
Non-residential construction	320	284
Infrastructure	574	507
Other	2	6
	<b>1,504</b>	<b>1,337</b>

The operating income was generated entirely in the Netherlands.

### EBIT

The operating result (including profit from equity interest) before interest and taxes increased from € 35.1 million in 2018 to € 47.7 million in 2019. At both the Construction and Property Division and the Infra Division, projects result improved, mainly thanks to a better price level and improved control of project risks.

### Profit (loss) after taxes

The profit after taxes for 2019 came to € 36.1 million and breaks down as follows:

Profit (loss) after taxes		
In millions of euros	2019	2018
EBITDA*	59.3	44.6
Depreciation/amortisation	-11.6	-9.5
EBIT	47.7	35.1
Net interest income	-0.2	-0.7
Taxes	-11.4	-8.3
Profit (loss) after taxes	<b>36.1</b>	<b>26.1</b>

\* including from equity interests

Current tax is calculated on taxable earnings, taking into account the change in the provision for deferred tax liabilities, tax-free or deductible amounts and other tax facilities. The applicable tax rate is 25%.

### Balance sheet, investments, net cash flow and equity

The balance sheet total increased from € 481.2 million at year-end 2018 to € 513.8 million at year-end 2019. This increase can mainly be attributed to the high (or higher) production level in 2019. Cash at bank and in hand increased by € 29.0 million to € 119.5 million, while the total interest-bearing debt rose slightly from

€ 9.6 million to € 11.1 million, which led to an improvement of the net financing position from € 27.5 million to € 108.4 million.

The cash flow from operating activities came to € 63.9 million positive in 2019, compared to € 46.3 million negative in 2018. The cash flow from investing activities amounted to € 28.5 million negative (2018: € 5.3 million negative). This can be explained by the fact that, in addition to the usual investments in equipment and automation, Dura Vermeer has also invested in an office location and has obtained a 40% interest in Leeuwenstein Groep. The cash flow from financing activities amounts to € 6.6 million negative compared to € 12.5 million negative in 2018, as a result of obtaining project financing. The net cash flow for 2020 will largely depend on the degree to which temporary use is made of the available funds to develop and sell property projects; it is currently expected that no use will be made of the overdraft facility.

The balance of equity at year-end 2019 increased to € 177.9 million, which means the solvency ratio for 2019 came to 34.6%. Dura Vermeer has agreed to comply with solvency, leverage and interest coverage ratios as part of covenants concluded with banks. Dura Vermeer complied with all these ratios in and at year-end 2019.

## FINANCIAL INSTRUMENTS

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

### Credit risk

The company is exposed to credit risks on loans and other receivables recognised under financial fixed assets, trade and other receivables and cash at bank and in hand. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In addition, we consider the demographics of the company's customer base, including

the default risk of the industry in which customers operate, as this factor may affect the credit risk. The Management Board has formulated a credit policy under which the creditworthiness of each new customer is analysed individually before the group's standard payment and delivery terms and conditions are offered. This analysis includes looking at external credit ratings, when available, and in some cases also bank references.

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

Credit risk		
In thousands of euros	31-12-2019	31-12-2018
Loans and receivables under financial fixed assets	6,763	6,762
Receivables and pre-payments and accrued income, exclusive of work in progress	173,582	231,525
Cash at bank and in hand	119,469	90,498
	<b>299,814</b>	<b>328,785</b>

### Interest rate risk and cash flow risk

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

### Liquidity risk

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

### Market risk

Market risk is the risk that the company's revenue or the value of its financial instruments is adversely affected by fluctuations in market prices. It concerns the change in the market price of raw materials and consumables and outsourced work in the period between the quotation process and the execution phase.

This risk is mostly mitigated by: (1) incorporating an indexation arrangement into the agreement for long-term projects and/or, where this is not possible, (2) agreeing to prices and conditions with suppliers and subcontractors at an early stage.

### Outlook

In 2020, growth in the construction sector is likely to stagnate. The decline in the issuance of permits for the construction of new homes could already be clearly felt in the first months of 2019 and this tendency intensified in the second half of the year due to the nitrogen crisis. Some of the infrastructure projects were also delayed due to the nitrogen and PFAS issues, whereas government measures are aimed at preventing production from falling even further. Production in non-residential construction is developing relatively favourably, but this is only stabilising. New construction of homes is under pressure, while renovation and maintenance remain stable. On the positive side, there are likely to be more work force available on the market compared to the previous shortage and the prices of materials will rise less rapidly due to the decline in demand.

Despite the nitrogen and PFAS problems, we started 2020 with a relatively well-filled order book.

In addition to our strategic ambitions, our focus also remains on operational excellence: project control and cost optimisation to improve the project results and we will invest in sustainable, digital and innovative solutions, not only in our processes, but also in our products, services and concepts.

Dura Vermeer's ambitions are high. We want to be (and remain) at the forefront of quality, safety, sustainability, digitisation and modern working relationships. We want to have and maintain an advantage in the market through effective innovation and by continuously adding value for employees, customers and society. To achieve this, Dura Vermeer is continuously looking for improvements and innovations. As an important player in the Dutch construction industry, we want to contribute to a healthy, sustainable living environment by developing circular concepts and applying bio-based materials (wood, lignin and bamboo) to replace concrete, bitumen and steel. We also want to preserve our leading position in virtual construction with BIM. In addition, we will use drones more often in 2020 to conduct inspections.

Finally, we will continue our rapid pace in the development of digital solutions to further improve communication with tenants (making corporate housing more sustainable), to be able to predict future maintenance costs and to make internal processes run smoother and more efficiently, among other things.

### Corona

Since a number of weeks, the PFAS issue is being overshadowed by the potential consequences of the COVID-19 virus. The impact of this pandemic on our business activities in 2020 and with that our turnover and result is difficult to gauge right now. We are closely following the recommendations issued by the RIVM (the National Institute for Public Health and Environmental Protection) and we take all prescribed and/or necessary measures in order to prevent the virus from spreading and safeguard the continuity of our projects. Dura Vermeer is a financially healthy company with a robust cash flow and well-filled order portfolio. Therefore, we are convinced we will be able to deal with this crisis as a company.

Investments in tangible fixed assets, outside of property development positions, are expected to be limited to replacement investments in the coming year.

Our liquidity position is expected to remain good. Where necessary and appropriate, we will draw from the overdraft facility with the banks totalling € 60 million to finance (or co-finance) our own property development projects.

We expect that the number of employees will increase slightly.

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, 18 March 2020

### Management Board

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

## REPORT OF THE SUPERVISORY BOARD

**We have discussed the financial statements and the annual report for the 2019 financial year with the external auditor in the presence of the Management Board and the CFO. The financial statements were audited by KPMG Accountants NV, who issued an unqualified audit opinion on 18 March 2020, which can be found on page 55 up to and including 56 of this report.**

We advise the General Meeting of Shareholders to adopt the financial statements for 2019 and to grant discharge from liability to the members of the Management Board.

### Role and authorities of the Supervisory Board

The Supervisory Board oversees the Management Board's policymaking and the general state of affairs at Dura Vermeer Groep and its affiliated companies and advises the Management Board. In doing so, the Supervisory Board also focused on the effectiveness of risk management and control systems of Dura Vermeer Groep and the integrity and quality of its financial reporting. In the performance of its duties, the Supervisory Board focuses on the interests of Dura Vermeer Groep and its affiliated companies. As part of its efforts, the Supervisory Board also considers the social aspects of entrepreneurship that are relevant to the company. The Articles of Association of Dura Vermeer Groep N.V. contain rules with regard to conducting meetings and the decision-making process.

The supervision of management by the Supervisory Board includes:

- the way in which the Management Board executes the strategy aimed at continuity and value creation;
- the realisation of objectives;
- the risks associated with business activities;
- the design and operation of internal risk management and control systems;
- the financial reporting process;
- compliance with laws and regulations;
- the relationship with shareholders;
- the activities of the Management Board with regard to the culture within the company, the operation of the reporting procedure for malpractices and irregularities; and the social aspects of entrepreneurship relevant to the company.

### Meeting frequency

In 2019, the Supervisory Board had six regular meetings with the Management Board. In addition, the Supervisory Board also conducted separate consultations. The matters discussed during the meetings with the Supervisory Board included the operational and financial control of the operating activities, the tenders for and progress of large and/or complex projects and own property development projects. During the meeting in June 2019, the Supervisory Board visited the A6 motorway project. Project management has given an extensive presentation about this project which led to a positive discussion about the risk/return ratio on the project and the project management in general. The Supervisory Board was represented several times a year during the consultative meetings of the Works Council. Depending on the specific areas of responsibility of supervisory directors, regular consultations are held with members of the Management Board. This applies in particular to the Chairman and the Vice-Chairman of the Supervisory Board, who, in addition to the formal meetings, also had regular interim consultations with the Chairman of the Management Board and the CFO on both strategic and operational matters.

### Decision-making

In 2019, important decisions made by the Supervisory Board included the approval of the financial statements for 2018 and the approval of the dividend proposal with regard to 2018. The impact of the nitrogen and PFAS problems on the order book and the operating income and the result of Dura Vermeer Groep was also discussed extensively. Finally, the budget for the 2020 financial year was discussed with and approved by the Supervisory Board.

### Composition of the Supervisory Board

The Supervisory Board currently has five members. In 2019, Mr Ben Vree assumed the role of Chairman, as agreed.

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

Rotterdam, 18 March 2020

B. Vree, Chairman  
D. van Well, Vice-Chairman  
M.E. van Lier Lels  
J.M.A. van der Lof  
P.S. Overmars

# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

(before profit appropriation / x € 1,000)	Note	31-12-2019	31-12-2018*
<b>Fixed assets</b>			
Intangible fixed assets	[1]	5,761	1,559
Property, plant and equipment	[2]	90,345	81,566
Financial fixed assets	[3]	26,919	19,312
		<b>123,025</b>	<b>102,437</b>
<b>Current assets</b>			
Inventories	[4]	78,671	59,147
Receivables, prepayments and accrued income	[5]	192,661	229,153
Cash at bank and in hand	[6]	119,469	90,498
		390,801	378,798
<b>Current liabilities</b>	[7]	311,393	307,722
Balance of current assets less current liabilities		<b>79,408</b>	<b>71,076</b>
Balance of assets less current liabilities		<b>202,433</b>	<b>173,513</b>
<b>Long-term liabilities</b>	[9]	<b>5,378</b>	<b>6,576</b>
<b>Provisions</b>	[10]	<b>19,196</b>	<b>17,041</b>
<b>Equity</b>	[11]	<b>177,859</b>	<b>149,896</b>
		<b>202,433</b>	<b>173,513</b>

\* adjusted for comparative purposes

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(x € 1,000)	Note	2019	2018
<b>Net turnover</b>		1,261,391	1,246,596
Change in inventory of finished goods and work in progress		242,854	90,882
<b>Total operating income</b>	[14]	<b>1,504,245</b>	<b>1,337,478</b>
Cost of raw materials and consumables, outsourced work and other external costs		1,233,808	1,099,779
Wages and salaries		170,280	154,952
Social insurance and pension costs	[15]	42,357	39,320
Amortisation		428	312
Depreciation		11,227	9,217
Other operating expenses	[16]	1,159	818
<b>Total operating expenses</b>		<b>1,459,259</b>	<b>1,304,398</b>
<b>Operating profit (loss)</b>		<b>44,986</b>	<b>33,080</b>
<b>Financial income and expenses</b>			
Interest receivable and similar income		450	255
Interest payable and similar expenses		-606	-985
		<b>-156</b>	<b>-730</b>
<b>Profit (loss) from ordinary activities before taxes</b>		<b>44,830</b>	<b>32,350</b>
Taxes	[17]	-11,438	-8,284
		<b>33,392</b>	<b>24,066</b>
<b>Profit (loss) from equity interests</b>		2,706	2,021
<b>Profit (loss) after taxes</b>		<b>36,098</b>	<b>26,087</b>

## CONSOLIDATED CASHFLOW STATEMENT

(according to the indirect method / x € 1,000)	Note	2019	2018
<b>Operating profit (loss)</b>		<b>44,986</b>	<b>33,080</b>
<i>Adjustments for:</i>			
Depreciation and amortisation of property, plant and equipment and intangible fixed assets	[1,2]	11,655	9,819
Gain (loss) on sale of property, plant and equipment		-1,359	-353
Change in provisions		3,652	3,665
Change in working capital			
- Change in receivables		57,918	-35,772
- Change in inventories		-19,524	-18,895
- Change in work in progress		-67,878	34,812
- Change in current liabilities		42,944	24,441
		<u>27,180</u>	<u>17,717</u>
<b>Cash flow from operating activities</b>		<b>72,166</b>	<b>50,797</b>
Interest received		448	255
Interest paid		-615	-982
Dividend received	[3]	1,419	3,863
Income tax paid/received		-9,447	-7,669
<b>Cash flow from operating activities</b>		<b>63,971</b>	<b>46,264</b>
Repayments received on other financial fixed assets	[3]	1,428	1,361
Investments in non-consolidated equity interests		-10,643	-2,143
Investments in fixed assets	[1,2]	-23,412	-15,032
Disposals of consolidated equity interests		50	960
Disposals of property, plant and equipment		4,765	10,579
Disposal of non-consolidated equity interests	[3]	-	-256
Loans issued recognised under financial fixed assets	[3]	-700	-782
<b>Cash flow from investing activities</b>		<b>-28,512</b>	<b>-5,313</b>
Change in overdraft facility with credit institutions		2,495	-5,603
Repayment of long-term liabilities (including current portion)		-1,064	-1,745
Dividend paid		-8,000	-5,100
<b>Cash flow from financing activities</b>		<b>-6,569</b>	<b>-12,448</b>
<b>Net cash flow</b>		<b>28,890</b>	<b>28,503</b>
Net cash at 1 January		90,498	62,876
Net cash of disposed equity interests		-156	-881
Net cash of acquired equity interests		237	-
<b>Net cash at 31 December</b>		<b>119,469</b>	<b>90,498</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(x € 1,000)	2019	2018
<b>Consolidated profit (loss) after taxes attributable to the legal entity</b>	<b>36,098</b>	<b>26,087</b>
<b>Comprehensive income of the legal entity</b>	<b>36,098</b>	<b>26,087</b>

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## GENERAL

### General

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

### Reporting period

These financial statements relate to the financial year 2019, which 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 402, Book 2, 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

The figures for 2018 (receivables and prepayments and accrued income, current liabilities and provisions)

have been reclassified in order to allow comparability with 2019.

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

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

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

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

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

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

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

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

- Valuation of work in progress.

### Financial instruments

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

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

Financial instruments are initially recognised at fair value, which includes the share premium or discount and directly attributable transaction costs.

If financial instruments are subsequently measured at fair value with changes in fair value recognised through profit or loss, then any directly attributable

transaction costs are recognised immediately in the profit and loss account.

Embedded derivatives which are not separated from the host contract are recognised in accordance with the host contract. Subsequent to initial recognition, financial instruments are measured in the manner described below.

### Loans and other receivables

Loans and other receivables are stated at amortised cost, being the fair value plus cumulative interest on that amount, calculated on the basis of the effective interest method less repayments and, if applicable, impairment losses.

### Financial liabilities

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

### Impairment of financial assets

Financial assets that are not measured 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 measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account. If in a subsequent period the impairment loss of an asset no longer exists or has decreased and this recovery can be objectively related to an event occurring after the impairment loss was recognised, the increase of the asset's carrying amount is recognised in the profit and loss account.

#### Offsetting in the balance sheet

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

## ACCOUNTING POLICIES FOR THE CONSOLIDATED BALANCE SHEET

#### Consolidation

The consolidated financial statements include the financial information of the company and its group companies and other legal entities over which the company can exercise control or which are under its centralised management. Group companies are entities in which the company holds a majority interest or can exercise significant influence on policy matters in some

other way. In assessing whether it has such significant influence, the company takes into consideration financial instruments with potential voting rights that are currently exercisable. Entities in which the company holds a 50% interest and other joint ventures are consolidated proportionately. The financial information of companies in which Dura Vermeer Groep NV has a direct or indirect interest is accounted for as 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

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

The recognition of depreciation charges starts when an asset is available for its intended use and ends upon its decommissioning or disposal.

The company buildings, including the buildings presented under 'Not used in the production process', are depreciated based in their estimated useful life (20 to 30 years). Land, including land presented under 'Not used in the production process', is not depreciated.

Plant and equipment are depreciated on the basis of the useful life (8 to 10 years) of the relevant assets, excluding the assets that are used for rental purposes. For this, the annual depreciation charge is calculated as a percentage of the asset's carrying amount, based on an estimated useful life of 8 years. Other fixed operating assets are depreciated based on an estimated useful life of 3 to 10 years.

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

#### Financial fixed assets

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

Equity interests with a negative net asset value are stated at nil. A share of the profit of an equity interest is only recognised in later years if and insofar as the cumulative portion of the non-recognised share of the

loss has been made good. However, when the company furnishes full or partial surety for the debts of an entity in which it has an equity interest, or has the constructive obligation to enable the equity interest (in respect of its share) to enable the entity to repay its debts, a provision is recognised equal to the repayments expected to be made by the company on behalf of the entity. This provision is recognised primarily to the debit of the non-current receivables from the entity which should effectively be deemed part of the company's net investment, with the remaining amount being presented under provisions.

Equity interests in entities where no significant influence is exercised are measured at cost of acquisition or permanently lower value in use.

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

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

#### Joint ventures

Equity interests in which the company has joint control with other participants (joint ventures) are measured according to the equity method based on their net asset value. In the case of joint ventures that involve jointly performing activities but where each participant retains exclusive control of its assets, the company recognises the assets it controls, as well as the obligations it enters into, the costs it incurs and its share of the profit (loss) on the sales and/or services rendered by the joint venture. In the case of joint ventures where the activities are performed jointly using assets over which the participants have joint control, the company recognises the joint assets, liabilities, costs and revenues proportionally.

#### Impairment of property, plant and equipment

Items of property, plant and equipment are assessed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of its value in use and its 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. In the event of an impairment loss of a cash-generating unit, the loss is first allocated to the goodwill that is allocated to the cash-generating unit. Any remaining loss is attributed to the unit's other assets pro rata to their carrying amounts.

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

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

#### **Disposal of fixed assets**

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

#### **Inventories**

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

#### **Work in progress**

Work in progress comprises the balance of realised project costs, attributed profit, recognised losses and

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

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

The result of a fixed price contract can be reliably estimated if the total project revenues, the project costs required to complete the project and the percentage of the completion of the project in progress can be reliably determined, it is probable that the economic benefits will flow to the company and the project costs attributable to the work in progress can be clearly identified and reliably determined. The result of a cost-plus contract can be reliably estimated if it is probable that the economic benefits will flow to the company and the project costs attributable to the project in progress can be clearly identified and reliably determined. If the result of a project in progress cannot be estimated reliably, project revenues are only recognised in profit and loss up to the amount of the project costs incurred that is likely to be recovered. Project costs are recognised in profit and loss in the period in which they are incurred.

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

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

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

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

#### **Receivables**

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

#### **Cash at bank and in hand**

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

#### **Current and long-term liabilities**

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

#### **Provisions**

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

A provision is recognised if:

- as a result of a past event, the company has a

- present legal or constructive obligation;
- that can be estimated reliably;
- and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **Provision for deferred tax liabilities**

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

#### **Warranty provision**

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

#### **Employee-related provisions**

##### *Provision for long-service awards*

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

##### *Restructuring provision*

If at the balance sheet date there a detailed formal restructuring plan, and no later than at the date of preparation of the financial statements a valid expectation has been raised among those affected by the restructuring that the plan will be implemented, a restructuring provision is recognised. A valid expectation is deemed to have been raised if a start has been made with the implementation of the restructuring, or if the main features of the restructuring have been announced to those affected by it. The restructuring provision includes the necessary expenditures arising from the restructuring that are not associated with the ongoing activities of the company.

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

## Equity

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

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

# PRINCIPLES FOR THE DETERMINATION OF PROFIT OR LOSS

## General

Income and expenditure are accounted for in the period to which they relate.

## 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 the balance sheet date can be reliably determined, and the costs that have been incurred already and those that will (potentially) have to be incurred to complete the services can be reliably determined.

## Cost of outsourced work and other external costs

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

## Employee benefits

Employee benefits are charged to the profit and loss account in the period in which the employees render the related services and, insofar as they have not yet been paid out, recognised as a liability in the balance sheet. If the amounts already paid exceed the benefits due, the surplus will be recognised as an accrued asset insofar as repayments will be made by the workforce or set-off is effected against future payments by the company. Any expected bonus payments are recognised if the obligation to make such payments originated on or before the balance sheet date and a reliable estimate of the obligation can be made.

## Pensions

Most of the employees have a pension under a scheme administered by the industry-wide pension fund for the construction sector (BPF Bouw). This is a career average pension scheme that qualifies as a defined contribution scheme. In the event that the above-mentioned industry-wide pension fund has a deficit, the company has no obligation to make additional payments other than future pension contribution increases. As at the 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 114.1% (2018: 113.6%).

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 the balance sheet date exceed the pension contributions payable, an asset is recognised under prepayments and accrued income if the fund will refund this amount or offset it against future payable pension contributions.

## Leasing

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

## Operating lease

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

## Interest receivable and similar income and interest payable and similar expenses

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

## Taxes

Taxes comprise the current income tax payable and/or recoverable and deferred taxes. Current and deferred taxes are recognised in the profit and loss account, except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Corporation tax is calculated on the operating result, taking into account tax facilities and non-deductible costs. Current tax is the expected tax payable (recoverable) in respect of the taxable income (tax loss) for the year, calculated on the basis of tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable for prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets

and liabilities for financial reporting purposes and the amounts used for tax purposes. The provision for deferred tax liabilities is measured at nominal value.

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

## Profit (loss) from equity interests

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

## Cash flow statement

The cash flow statement is prepared using the indirect method.

## Fair value measurement

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

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

# NOTES TO THE CONSOLIDATED BALANCE SHEET

(X € 1,000)

## (1) Intangible fixed assets

	Goodwill
<b>Balance at 1 January 2019</b>	2,229
Cost of acquisition	2,229
Cumulative depreciation/amortisation	-670
Carrying amount	<u>1,559</u>
<b>Changes:</b>	
Additions	4,630
Depreciation/amortisation	-428
Total changes	<u>4,202</u>
<b>Balance at 31 December 2019</b>	
Cost of acquisition	6,859
Cumulative depreciation/amortisation	-1,098
Carrying amount	<u>5,761</u>

The goodwill relates to the acquisition of additional shares in Asset Rail BV (2016) and the acquisition of a minority interest in Road Maintenance Support B.V. (2018) and the acquisition of a minority interest in Leeuwenstein Groep in 2019.

The goodwill in respect of Asset Rail BV is amortised over a period of 5 years. The goodwill relating to Road Maintenance Support BV and Leeuwenstein Groep is amortised over a period of 10 years, given the long-term nature of the (maintenance) contracts of these entities.

## (2) Property, plant and equipment

	Buildings and land	Plant and equipment	Other fixed operating assets	Not used in the production process	Total
<b>Balance at 1 January 2019</b>					
Cost of acquisition	33,036	61,000	48,817	40,267	183,120
Cumulative depreciation/amortisation	-14,313	-48,613	-33,898	-4,730	-101,554
Carrying amount	<u>18,723</u>	<u>12,387</u>	<u>14,919</u>	<u>35,537</u>	<u>81,566</u>
<b>Changes:</b>					
Additions	507	6,272	8,848	-	15,627
Disposals	-379	-1,262	-1,765	-	-3,406
Acquisition	7,785	-	-	-	7,785
Depreciation/amortisation	-1,125	-3,166	-5,740	-1,196	-11,227
Total changes	<u>6,788</u>	<u>1,844</u>	<u>1,343</u>	<u>-1,196</u>	<u>8,779</u>
<b>Balance at 31 December 2019</b>					
Cost of acquisition	42,618	64,580	53,109	40,267	200,574
Cumulative depreciation/amortisation	-17,107	-50,349	-36,847	-5,926	-110,229
Carrying amount	<u>25,511</u>	<u>14,231</u>	<u>16,262</u>	<u>34,341</u>	<u>90,345</u>

The property, plant and equipment presented under 'Not used in the production process' concerns three sites that are in long-term operation. The company intends to use these sites in the production process in the future or to dispose of them.

## (3) Financial fixed assets

	31-12-2019	31-12-2018
Non-consolidated equity interests	19,828	12,222
Deferred tax asset	328	328
PPP receivables	1,960	2,119
Other receivables	4,803	4,643
	<u>26,919</u>	<u>19,312</u>

Changes in financial fixed assets were as follows:

	Equity interests	Deferred tax asset	PPP receivables	Other receivables	Total
<b>Balance at 1 January</b>	12,222	328	2,119	4,643	19,312
Share of profit (loss)	2,706	-	-	-	2,706
Dividend received	-1,419	-	-	-	-1,419
Additions	6,013	-	-	-	6,013
Disposals	-	-	-	-	-
Repayments	-	-	-873	-555	-1,428
New loans	-	-	-	700	700
Other changes	306	-	714	15	1,035
<b>Balance at 31 December</b>	<b>19,828</b>	<b>328</b>	<b>1,960</b>	<b>4,803</b>	<b>26,919</b>

The increase in the equity interests item is largely accounted for by the 40% equity interest acquired by Dura Vermeer Groep in Leeuwenstein Groep in 2019.

The deferred tax asset concerns the recognised available tax loss carry forward.

The item 'PPS receivables' concerns availability fees receivable from Rijkswaterstaat for the N31 Public-Private Partnership project. The effective interest rate used in the calculation of amortised cost is 5.64%. In the year under review, a revenue of € 1.8 million (2018: € 0.9 million) is recognised under net turnover, as well as profit (loss) after tax of € 0.2 million (2018: € 0.2 million).

The other receivables concern loans granted to non-consolidated equity interests. Fixed repayment terms have been agreed for these loans. As at year-end 2019, the other receivables largely consisted of non-current receivables.

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

	31-12-2019	31-12-2018
<b>(4) Inventories</b>		
Land	69,930	51,093
Raw materials and consumables	5,132	4,600
Finished goods	3,609	3,454
	<b>78,671</b>	<b>59,147</b>

The value of the land positions was analysed at year-end 2019 based on the current expectations about the development potential, development periods and price level. The cumulative impairment loss on land positions at year-end 2019 totalled € 4.9 million (2018: € 4.9 million).

	31-12-2019	31-12-2018
<b>(5) Receivables, prepayments and accrued income</b>		
Trade receivables	87,342	141,777
Receivables from non-consolidated equity interests	1,566	538
Work in progress (8)	21,579	-
Taxes and social insurance contributions	2,033	2,031
Work yet to be invoiced	35,413	39,170
Receivables from building consortiums	20,541	15,375
Prepaid expenses	11,699	16,282
Other receivables, prepayments and accrued income	12,488	13,980
	<b>192,661</b>	<b>229,153</b>

The receivables under the item 'receivables from non-consolidated equity interests' relate to € 1.6 million in trade receivables (2018: € 0.6 million) on equity interests over which significant influence can be exercised. No interest is charged on these receivables.

All items under receivables, prepayments and accrued income fall due within one year. The provision for potential bad debts at year-end 2019 amounts € 2.5 million (2018: € 2.4 million).

#### (6) Cash at bank and in hand

Cash at bank and in hand are included at € 62.4 million (2018: € 49.6 million) in deposits, which are at the full disposal of the company. Deposits not at the full disposal are included at € 50.7 million (2018: € 35.9 million) in consortium works. G funds amount to € 6.3 million (2018: € 5.0 million).

As at the balance sheet date, Dura Vermeer Groep NV had a syndicated bank facility with three banks. This facility is a committed overdraft facility of in total € 60 million and a guarantee facility of € 200 million, of which € 111.9 million was drawn at year-end 2019 (2018: € 102.9 million). The banking syndicate has been furnished with surety in the form of a first mortgage on buildings and land for € 29.1 million and various items of collateral, principally consisting of trade receivables.

This overdraft facility was not used in 2019.

The bank facilities are subject to solvency, leverage and interest coverage ratios. As at year-end 2019, Dura Vermeer Groep NV complied with these ratios.

In addition, two guarantee companies have furnished a total of € 95 million in guarantee facilities (2018: € 95 million). € 44.3 million was drawn from this at year-end 2019 (2018: € 44.6 million).

<b>(7) Current liabilities</b>	31-12-2019	31-12-2018
Current portion of long-term liabilities	1,457	1,323
Credit institutions	4,180	1,685
Work in progress (8)	-	46,253
Suppliers and trade payables	100,175	119,576
Payables to non-consolidated equity interests	3,140	1,980
Taxes and social insurance contributions	36,244	25,268
Invoices received in respect of work	106,956	76,935
Employee-related debt	16,347	13,064
Current portion of provisions	4,361	2,295
Advance billings	8,222	112
Payables to building consortiums	15,509	7,817
Other payables, accruals and deferred income	14,802	11,414
	<b>311,393</b>	<b>307,722</b>

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 related to the 3-month Euribor, plus a surcharge.

<b>(8) Work in progress</b>	31-12-2019	31-12-2018
Direct costs plus a margin to cover general costs and a pro-rata share of the expected profit based on the stage of completion, less expected losses	1,305,350	1,061,151
Less: Progress billings to clients	-1,283,771	-1,107,404
<b>Balance</b>	<b>21,579</b>	<b>-46,253</b>
Recognised under Receivables and prepayments and accrued income	<b>21,579</b>	<b>-</b>
Recognised under Current liabilities	<b>-</b>	<b>-46,253</b>
The balance of costs less progress billings can be presented as follows:		
- Projects for third parties, including PPP contracts	-31,918	-57,633
- Own development projects	53,497	11,380
	<b>21,579</b>	<b>-46,253</b>

The balance of work in progress at year-end 2019 breaks down into € 104,7 million (2018: € 94.9 million) from works with a positive balance and € 83.1 million (2018: € 141.1 million) from work with a negative balance.

A positive balance arises if the amount of 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 of 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 2018, scheduled work totalled € 2,205 million (2017: € 1,846 million).

<b>(9) Long-term liabilities</b>	31-12-2019	31-12-2018
Long-term liabilities	<b>5,378</b>	<b>6,576</b>

The long-term liabilities concern two loans.

PPP financing, € 1.2 million on the balance sheet date. This loan is the share of Dura Vermeer Groep NV in the construction of the N31 road (Wâldwei.com BV). The loan has a remaining term of 3 years. The annual principal payment is € 0.8 million and has been recognised under current liabilities. Interest is payable based on 3-month Euribor plus a margin of 0.85%.

Non-recourse project financing, € 4.2 million on the balance sheet date. This loan is the share of Dura Vermeer Groep NV in the non-recourse financing of a site which is recognised under property, plant and equipment as 'Not used in the production process'.

A first mortgage has been furnished on the site. The loan has a maximum term that runs until the end of 2020. The annual principal payment is € 0.5 million and has been recognised under current liabilities. Interest is payable based on 3-month Euribor plus a margin of 2.80%.

<b>(10) Provisions</b>	1-1-2019	Addition	Withdrawal	Release	31-12-2019
Deferred tax liabilities	1,095	-	-219	-	876
Warranties	9,027	7,150	-5,543	-199	10,435
Employee-related provisions	5,761	978	-274	-55	6,410
Other provisions	1,158	958	-641	-	1,475
	<b>17,041</b>	<b>9,086</b>	<b>-6,677</b>	<b>-254</b>	<b>19,196</b>

#### Provision for deferred tax liabilities

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

#### Warranty provision

The warranty provision is recognised for the estimated costs that may be incurred due to warranty claims in respect of delivered work. It is a long-term provision. The current portion of the provision amounts to € 3.3 million (2018: € 1.5 million) and has been included under current liabilities.

#### Employee-related provisions

The provision is for long-service awards. In computing the provision for long-service awards, account is taken of a 1.0 % increase in future salaries (2018: 1.0%). The discount rate is 1.8% (2018: 1.8%). It is a long-term provision.

#### (11) Equity

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

#### (12) Financial instruments

##### General

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

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

##### Credit risk

Credit risk is the risk that the company incurs losses due to the fact that customers fail to meet their contractual obligations. The company is exposed to credit risks on loans and other receivables recognised under financial fixed assets, trade and other receivables and cash at bank and in hand. These receivables total € 299.8 million and are due from approximately 1,250 customers. As the receivables are not concentrated among a limited number of customers, the company's exposure to credit risk is mainly determined by the individual characteristics of each of the customers. In addition, management also takes into consideration the demographics of the company's customer base, including the default risk of the industry in which customers operate, as this factor may affect the credit risk.

The Management Board has formulated a credit policy under which the creditworthiness of each new customer is analysed individually before Dura Vermeer's standard payment and delivery terms and conditions are offered. This analysis includes looking at external credit ratings, when available, and in some cases also bank references.

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

The company's cash is held in bank accounts with a number of different banks. As the company only does business with reputable banks, the credit risk is limited. The nominal values of the financial assets on which the company is exposed to credit risk are as follows:

	31-12-2019	31-12-2018
Loans and receivables under financial fixed assets	6,763	6,762
Receivables and prepayments and accrued income, exclusive of work in progress	173,582	231,525
Cash at bank and in hand	119,469	90,498
	<u>299,814</u>	<u>328,785</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 2019 break down by cash outflow per year as follows:

	2020	2021-2024	2025 and beyond	Total
Long-term liabilities, including current portion	1,457	5,378	-	6,835
Current liabilities excluding credit institutions and current portion of long-term liabilities	305,756	-	-	305,756
Credit institutions	4,180	-	-	4,180
Rental obligations	5,243	19,694	16,281	41,218
Lease obligations	9,929	16,498	-	26,427
	<u>326,565</u>	<u>41,570</u>	<u>16,281</u>	<u>384,416</u>

# NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The undiscounted financial assets as at 31 December 2019 break down by year as follows:

	2020	2021-2024	2025 and beyond	Totaal
Loans under financial fixed assets	790	4,013	-	4,803
Receivables under financial fixed assets	811	1,149	-	1,960
Receivables and prepayments and accrued income, exclusive of work in progress	173,582	-	-	173,582
Cash at bank and in hand	119,469	-	-	119,469
	<b>294,652</b>	<b>5,162</b>	<b>-</b>	<b>299,814</b>

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 by Dura Vermeer Groep NV on 10 November 2018 for a period of three years, with an option to extend it twice by one year (maximum period runs until the end of 2023). In 2019, Dura Vermeer Group used the option to extend its credit agreement for 1 year until December 2022.

#### Fair value

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

#### Market risk

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

#### (13) Off-balance sheet assets and liabilities

As at year-end 2019, the group had provided clients with guarantees for a maximum amount of € 154.9 million through credit institutions and mutual insurance associations (year-end 2018: € 147.5 million). Dura Vermeer is jointly and severally liable for all liabilities of the commercial partnerships (building consortiums) in which it participates. At year-end 2019, these liabilities, exclusive of bank guarantees, total € 195 million (2018: € 253.0 million). Dura Vermeer's share in this is € 84.0 million (2018: € 107 million), which has been included in the consolidated balance sheet.

Dura Vermeer rents land and buildings. The terms of the rental obligations vary from 1 to 15 years. In addition, instalments are payable by Dura Vermeer under operating leases (for motor vehicles and rolling stock). The leases have an average term of 2.5 years.

The dates on which these instalments are payable by Dura Vermeer Groep NV are shown in the overview of undiscounted payment obligations (note 12). As at year-end 2019, Dura Vermeer Groep NV had obligations to purchase land up to an amount of € 0.7 million (2018: 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.

#### (14) Operating income

The operating income is generated entirely in the Netherlands. It can be presented by activity as follows (x € 1 million):

	2019	2018
Residential construction	608	540
Non-residential construction	320	284
Infrastructure	574	507
Other	2	6
	<b>1,504</b>	<b>1,337</b>

#### (15) Social insurance and pension costs

This item breaks down as follows:

	2019	2018
Social insurance costs	25,452	24,149
Pension costs	16,905	15,171
	<b>42,357</b>	<b>39,320</b>

The average number of employees in 2019 amounted to 2,642 FTE (2018: 2,573 FTE), all employed in the Netherlands, which can be presented as follows:

	2019	2018
- Construction site workers	573	618
- Supervisors, technical and administrative staff	2,069	1,955
	<b>2,642</b>	<b>2,573</b>

#### (16) Other operating expenses

On 24 May 2019, Dura Vermeer sold the shares of Dura Vermeer Vastgoed Services BV to O&R Groep BV in Breda. This sale represented a net loss of € 0.2 million, which is recognised under other operating expenses. The remainder of the other operating costs is allocated to other provisions.



### (17) Taxes

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

	2019	2018
The tax expense breaks down as follows:		
Tax expense for the year of tax group	-10,849	-7,870
Tax expense for the year of entities not included in tax group	-589	-414
	<u>-11,438</u>	<u>-8,284</u>

The tax group of Dura Vermeer Groep NV recorded a profit for 2019.

	2019		2018	
The tax expense breaks down as follows:				
<b>Profit (loss) before taxes</b>	<b>44,830</b>		<b>32,350</b>	
Tax expense based on applicable tax rate	-11,208	(25%)	-8,088	(25%)
Deviating tax effect:				
Tax expense on non-deductible costs	-230	(1%)	-196	(1%)
	<u>-11,438</u>	<b>(26%)</b>	<u>-8,284</u>	<b>(26%)</b>

### (18) Related party transactions

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

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

### (19) Auditor's fees

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

(x € 1,000)

	KPMG Accountants N.V. 2019	Other KPMG firms 2019	Total KPMG 2019
Audit of the financial statements	650	-	650
Other audit engagements	42	-	42
Tax consulting services	-	245	245
Other non-audit services	283	-	283
	<u>975</u>	<u>245</u>	<u>1,220</u>
	2018	2018	2018
Audit of the financial statements	660	-	660
Other audit engagements	136	-	136
Tax consulting services	-	203	203
Other non-audit services	194	-	194
	<u>990</u>	<u>203</u>	<u>1,193</u>

### (20) Subsequent events

Since the start of 2020, the world has been confronted with the COVID-19 virus. Governments and other organisations around the world are taking measures in order to prevent the coronavirus from spreading and, as such, prevent more casualties. This pandemic will also affect our business operations but its impact on our business activities in 2020 and with that our turnover and result is difficult to gauge right now. Dura Vermeer is preparing itself for this to the best of its abilities and will take measures, if needed, in order to safeguard the continuity of its projects and with that, its business.

## COMPANY BALANCE SHEET

(before profit appropriation / x € 1,000)	Note	31-12-2019	31-12-2018
<b>Fixed assets</b>			
Property, plant and equipment	[21]	7,520	7,291
Financial fixed assets	[22]	162,766	140,474
		<b>170,286</b>	<b>147,765</b>
<b>Current assets</b>			
Receivables, prepayments and accrued income	[23]	50,870	39,766
Cash at bank and in hand		30,829	21,041
		81,699	60,807
<b>Current liabilities</b>			
Balance of current assets less current liabilities	[24]	73,091	57,457
		<b>8,608</b>	<b>3,350</b>
Assets less current liabilities		<b>178,894</b>	<b>151,115</b>
<b>Provisions</b>			
	[25]	1,035	1,219
<b>Equity</b>			
Issued share capital	[26]	1,923	1,923
Share premium reserve		32,178	32,178
Statutory reserve		11,024	10,299
Other reserves		96,636	79,409
Unappropriated profit (loss)		36,098	26,087
		<b>177,859</b>	<b>149,896</b>
		<b>178,894</b>	<b>151,115</b>

## COMPANY PROFIT AND LOSS ACCOUNT

(x € 1,000)	2019	2018
Company profit (loss) for the year under review excluding the profit from equity interests	-2,191	-2,522
Profit (loss) from equity interests	38,289	28,609
Profit (loss) after taxes	<b>36,098</b>	<b>26,087</b>

# NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

## ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

### General

The company financial statements are part of the group's consolidated financial statements for 2019. With respect to the company profit and loss account, the company availed itself of the exemption provided under Section 2:402 of the Netherlands Civil Code.

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

### Financial instruments

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

### Profit (loss) from equity interests

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

### Financial fixed assets

In the company balance sheet, equity interests in group companies are measured according to the equity method based on their net asset value. For further details, see the accounting policies for financial fixed assets in the notes to the consolidated financial statements.

(x € 1,000)

### (21) Property, plant and equipment

#### Balance at 1 January 2019

	Other fixed operating assets	Total
Cost of acquisition	25,874	25,874
Cumulative depreciation/amortisation	-18,583	-18,583
Carrying amount	<b>7,291</b>	<b>7,291</b>

#### Changes:

Additions	3,884	3,884
Disposals	-367	-367
Depreciation/amortisation	-3,288	-3,288
Total changes	<b>229</b>	<b>229</b>

#### Balance at 31 December 2019

Cost of acquisition	28,645	28,645
Cumulative depreciation/amortisation	-21,125	-21,125
Carrying amount	<b>7,520</b>	<b>7,520</b>

### (22) Financial fixed assets

Changes in financial fixed assets were as follows:

	Equity interests	Total
<b>Balance at 1 January 2019</b>	<b>140,474</b>	<b>140,474</b>
Share of profit (loss)	38,289	38,289
Dividend received	-16,300	-16,300
Addition	201	201
Other changes	102	102
<b>Balance at 31 December 2019</b>	<b>162,766</b>	<b>162,766</b>

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

	31-12-2019	31-12-2018
<b>(23) Receivables, prepayments and accrued income</b>		
Receivables from group companies	41,543	31,270
Other receivables, prepayments and accrued income	9,327	8,496
	<u>50,870</u>	<u>39,766</u>

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

	31-12-2019	31-12-2018
<b>(24) Current liabilities</b>		
Suppliers and trade payables	1,787	2,028
Taxes and social insurance contributions	13,970	4,426
Payables to group companies	44,105	40,675
Other payables, accruals and deferred income	13,229	10,328
	<u>73,091</u>	<u>57,457</u>

All current liabilities fall due within one year.

<b>(25) Provisions</b>	1-1-2019	Addition	Withdrawal	Release	31-12-2019
Deferred tax liabilities	1,022	-	-219	-	803
Employee-related provisions	197	39	-4	-	232
	<u>1,219</u>	<u>39</u>	<u>-223</u>	<u>-</u>	<u>1,035</u>

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

#### (26) Equity

The company's authorised capital amounts to € 9.0 million, divided into 1,800,000 ordinary shares with a par value of € 5 each. As at 31 December 2019, 384,517 ordinary shares had been issued. As at year-end 2019, a total of 64,599 shares had been repurchased (2018: 64,599).

<b>2019</b>	Balance at 1 January	Profit appropriation	Changes	Balance at 31 December
Issued share capital	1,923	-	-	1,923
Share premium reserve	32,178	-	-	32,178
Statutory reserve	10,299	-	725	11,024
Other reserves	79,409	18,087	-860	96,636
Unappropriated profit (loss)	26,087	-26,087	36,098	36,098
<b>Total 2019</b>	<b>149,896</b>	<b>-8,000</b>	<b>35,963</b>	<b>177,859</b>

<b>2018</b>	Balance at 1 January	Profit appropriation	Changes	Balance at 31 December
Issued share capital	1,923	-	-	1,923
Share premium reserve	32,178	-	-	32,178
Statutory reserve	10,600	-	-301	10,299
Other reserves	67,085	12,023	301	79,409
Unappropriated profit (loss)	17,123	-17,123	26,087	26,087
<b>Total 2018</b>	<b>128,909</b>	<b>-5,100</b>	<b>26,087</b>	<b>149,896</b>

The share premium reserve includes the proceeds from the issue of shares insofar as these exceed the nominal amount of the shares. The full balance of the share premium reserve qualifies as paid-up capital for tax purposes.

The statutory reserve concerns the retained earnings from equity interests which the company cannot pay out in dividends without the cooperation of third parties. The change in the past year amounted to € 0.7 million, which was charged to the other reserves.

Of the unappropriated profit (loss) of € 26.1 million in 2018, € 8.0 million was distributed as dividend. The remaining balance, amounting to € 18.1 million, was added to the other reserves.

The profit for 2019 of € 36.1 million has been recognised under the item 'Unappropriated profit (loss)'. It will be proposed to pay out € 16.0 million of the profit for the past year in dividends and to add the remaining amount of € 10.1 million to the other reserves.

## 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 2019 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 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2019;
- the consolidated and company profit and loss account for 2019; 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics). We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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;
- Key figures;
- Dura Vermeer at a glance;
- Management and Supervisory Board of Dura Vermeer Groep NV;

- Report of the Management Board;
- Report of the Supervisory Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

### Description of the responsibilities for the financial statements

#### Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board 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 Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board 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.

### Remuneration of the 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 € 5,106,187 (2018: € 3,809,908).

The remuneration of the members of the Supervisory Board totalled € 176,500 (2018: € 176,500).

### Off-balance sheet assets and liabilities

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

Rotterdam, 18 March 2020

### Supervisory Board

B. Vree, Chairman  
D. van Well, Vice-Chairman  
M.E. van Lier Lels  
J.M.A. van der Lof  
P.S. Overmars

### Management Board

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

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 engagement 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 Management Board;
- 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 represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities or operations 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, 18 March 2020  
KPMG Accountants N.V.  
J. van Delden RA

## **PROFIT APPROPRIATION**

### **Provisions in the Articles of Association**

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

## **DURA VERMEER GROEP NV**

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[info@duravermeer.nl](mailto:info@duravermeer.nl)

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