

**Press Release**

Amersfoort, 6 March 2012

**Solid profit in difficult market conditions**

**Highlights:**

- **Operating revenues: € 4,713 billion (2010<sup>1</sup>: € 4,185 billion)**
- **Operating profit (EBITDA): € 180 million (2010<sup>1</sup>: € 193 million)**
- **Net profit: € 81 million (2010: € 87 million)**
- **Order book at year end 2011: € 5,484 billion (2010: € 5,128 billion)**

(in millions of euros)	2011	2010 <sup>1</sup>
Operating revenues	4,713	4,185
EBITDA	180	193
EBITDA margin	3.8%	4.6%
Net profit	81	87
Order book	5,484	5,128
Solvency	26%	27%

2011 was another eventful year in the construction sector. The year began relatively well, partly because of the favourable weather conditions. But the initial optimism had to be tempered considerably after the summer holidays. The credit crunch and euro crisis slowed things down considerably. VolkerWessels was also affected by these developments but was able to hold its own.

Turnover grew by nearly 13% to € 4.7 billion. Operating profit (EBITDA, € 180 million) and net profit (€ 81 million) were slightly down on 2010 due to write-downs in Building & Property Development and setbacks at Energy & Telecom. The order book has grown by 7% to € 5.5 billion. We have also worked on developing our long-term maintenance and service contracts further. Our turnover in service and maintenance grew to around € 500 million in 2011. These long-term contracts provide additional stability and healthy margins.

Gerard van de Aast, Chairman of the Management Board, says:

*“Once again, by focusing on the company’s growth VolkerWessels has achieved solid profits despite difficult market conditions and a number of setbacks. The positive developments in turnover, the order book and margins in most of our businesses resulted in a healthy, expanding market position.”*

## Outlook

The markets were expected to rally slightly in 2011 but that recovery did not materialise and uncertainty about the future increased rather than decreased. The residential and office markets remain as difficult as ever. Local authorities are increasingly feeling the effects of the economic situation and will be making further cuts. The infrastructure market has remained reasonably resilient thanks to the large-scale projects that national authorities are placing in the market. There are opportunities for growth in the Energy & Telecom market and in Canada. Our investment capacity and policy, as well as our organisation, are sufficiently flexible to respond to this and exploit these opportunities. We are a diverse company with enthusiastic employees and a healthy, expanding position in the market.

We look forward to the future with confidence. However, we are not giving a profit forecast for 2012 in view of the unpredictability of the markets. It is too early in the year to do this given the prevailing uncertainty.

## Operating revenues, order book and profits

The VolkerWessels businesses operate in three markets - Building & Property Development, Infrastructure and Energy & Telecom - and in three geographical areas - the Netherlands<sup>2</sup>, the United Kingdom and Canada/US. Turnover grew by nearly 13% in 2011 to € 4.7 billion. Operating profit (EBITDA, €180 million) and net profit (€ 81 million) were slightly down on 2010 due to write-downs in Building & Property Development and setbacks at Energy & Telecom. The order book has grown by 7% to € 5.5 billion.

Operating revenues (in millions of euros)	The Netherlands		UK		Canada/US		Total (at year end)	
	2011	2010	2011	2010	2011	2010	2011	2010
Building & Property Development	1,709	1,420	168	137	-	4	1,877	1,561
Infrastructure	1,397	1,353	622	477	292	213	2,311	2,043
Energy & Telecom	914	890	-	-	-	-	914	890
Other/elimination							-389	-309
Total							4,713	4,185

Order book (in millions of euros)	The Netherlands		UK		Canada/US		Total (at year end)	
	2011	2010	2011	2010	2011	2010	2011	2010
Building & Property Development	2,559	2,535	126	113	61	75	2,746	2,723
Infrastructure	1,137	1,126	642	380	444	460	2,223	1,966
Energy & Telecom	781	727	-	-	-	-	781	727
Other/elimination							-266	-288
Total							5,484	5,128

EBITDA (in millions of euros)	The Netherlands		UK		Canada/US		Total (and as a percentage of turnover)			
	2011	2010	2011	2010	2011	2010	2011	%	2010	%
Building & Property Development	39	46	2	4	-	-	41	2.2	50	3.2
Infrastructure	83	71	22	-12	42	26	147	6.4	85	4.2
Energy & Telecom	9	54	-	-	-	-	9	1.0	54	6.1
Other/elimination							-17		4	
Total							180	3.8	193	4.6

After careful consideration the decision was taken to transfer the VolkerWessels Pension Fund to the BpfBouw industry pension fund. A consolidation is in the best interests of our employees, our pensioners and the company given the challenges the pension sector is facing.

### Acquisitions and disposals

We continue to pursue the healthy organic growth of the company. We are supplementing this with strategic acquisitions and holdings. Businesses outside our strategic areas in the Netherlands, the United Kingdom and Canada are being disposed of.

In 2011 we bought Wilchem (a Dutch company specialised in incident management), McNally in Canada and the operations of TGK in Belgium (telecommunications).

We also decided in 2011 to terminate our road-building operations in Germany. We ended projects, sold parts of the business and arranged a redundancy plan for the closure in the second quarter of 2012. The rail operations in Estonia, Poland and Germany were also sold.

### Further information concerning the sector and geographical information

The sector breakdown has been changed with effect from 2011 to reflect changes in the internal reporting structure at VolkerWessels. The businesses in Supplies & Marine Services have been split over the Building & Property Development, Infrastructure and Energy & Telecom sectors.

### *The Netherlands - Building & Property Development*

Conditions in the residential and office markets remain as difficult as ever. Housing consumers, corporate clients and investors are still very hesitant. There are also difficulties with obtaining mortgages and financing for projects. The risk profile of Building & Property Development therefore increases.

Our projects are going well, but there is pressure on the results due to write-downs of land positions and provisions as a result of clients with financial problems. Turnover in Building & Property Development Netherlands was € 1.7 billion in 2011.

	2011	2010
New homes delivered	3,535	3,629
Homes sold	825	1,550
Unsold homes under construction	320	459
Homes delivered but unsold	67	46

VolkerWessels can look back on a good year in industrial construction and the order book has been bolstered by new commissions at Schiphol and the completion of the North-South Line in Amsterdam.

At year end 2011, our order book stood at € 2.6 billion (2010: € 2.5 billion).

### *Highlights*

VolkerWessels has taken over nearly all of Midreth's projects. Boele & van Eesteren energetically took on the task of finishing the Stedelijk Museum in Amsterdam. The construction work on the Stedelijk Museum was delivered into service at the start of 2012. One of the largest buildings to be built in the Netherlands over the next few years is the municipal offices in Utrecht. Boele & van Eesteren, G&S Bouw and HOMIJ Technische Installaties are working on the building's construction. TNT's sustainable head-office building in Hoofddorp was also delivered. IBB Kondor delivered the new offices for Bosch Siemens Huisapparaten in Park 20/20 in Hoofddorp, which is entirely 'Cradle to Cradle' like all the other buildings in Park 20/20, and a start has been made on the construction of the Fifpro and FOX pavilions. Kondor Wessels Amsterdam started on the construction of 111 homes at the Riva site and on the renovation of the theatre 'De Nieuwe Liefde'.

In 2011 Visser & Smit Bouw started a five-year contract for the management and maintenance of the 650,000 m<sup>2</sup> terminal complex at Schiphol Airport. The contract to finish the North-South Line in Amsterdam was awarded to Visser & Smit Bouw in July. This commission includes the construction of the railway system and associated facilities along the entire line as well as the completion of all the metro stations. Furthermore, various extensions to power plants were delivered.

Building & Property Development Netherlands successfully developed a number of innovative concepts in 2011 such as 'Plus-home' (Pluswoning) and 'ClimateReady'. These concepts offer a sustainable approach to building at an attractive cost. 'ClimateReady' is the VolkerWessels sustainability initiative, with CO<sub>2</sub> emissions for homes substantially being reduced through the use of sustainable materials and facilities. The 'Plus-home' performs 10% better than the EPC (energy performance coefficient) standard, but an EPC of 0 is also possible. We put a great deal of effort into these concepts in 2011 because we think they have considerable potential for the future. These concepts are not only appealing to customers from a cost perspective, but also contribute to a better environment.

### ***The Netherlands - Infrastructure***

The infrastructure businesses in the Netherlands can look back on a good year. The combined infrastructure businesses of VolkerWessels are among the leading players in terms of their technical ability, size and results. Some good results were achieved on the large-scale projects but the municipal market was more problematic.

The Dutch infrastructure market is increasingly having to face the consequences of government cutbacks. The result of these cuts is a fall in the volume of work on offer - particularly in the regional market - and substantially lower prices. The drop in the volume of work being commissioned by the local authorities has largely been offset by the central government's incentive measures. Furthermore, private market volumes have also fallen sharply as a result of the postponement or cancellation of maintenance and new build projects.

Despite these adverse market developments, the Infrastructure Netherlands sector has seen profits rise compared with last year. This increase in profits is partly to the result of increased production on a few large infrastructure projects as well as a strong focus on cost control and sound project management.

More and more we are seeing integrated projects (where selection depends not just on price but also on quality) being put out to tender on the market. Over the past six months successful bids have been made for a number of integrated projects, with success largely due to high scores for quality ('EMVI' scores). Furthermore, the expertise at VolkerInfra has been a key factor in ensuring that our multidisciplinary projects are executed smoothly and in a controlled fashion.

The tender market for rail construction and maintenance is still characterised by pressure on prices due to structurally low levels of work on offer. Recently VolkerRail won the performance-based maintenance contract for the West Brabant/Zeeland region, which has enabled it to maintain its market share in the maintenance market.

At year end 2011, our order book stood at €1.1 billion (2010: € 1.1 billion).

### *Highlights*

As part of efforts to make asphalt production more sustainable, a new concept was developed for the high-grade recycling of asphalt that has become available for re-use: the 'HERA'-system (Highly Ecological Recycling Asphalt system). This new concept results in far fewer emissions, reduced energy consumption and more extensive recycling of old asphalt, while the quality of the end product is better as the bitumen does not age so much.

The market for traffic management, which enables better use of the available infrastructural capacity, is growing strongly. VolkerWessels increasingly incorporates these innovative solutions in its proposals. One such example is the introduction of ViPark by Vialis: parking equipment that is fully prepared for integration in an overall Dynamic Traffic Management system. Linking several systems together improves traffic flows and reduces the burden to the environment as there is less traffic looking for a parking space.

Commissions awarded in 2011 included the construction of the A4 Midden-Delfland, the Haak om Leeuwarden, the Noordwaard project (a project in the 'Ruimte voor Rivieren' programme) and the construction of a container terminal at the Maasvlakte 2 site.

### ***The Netherlands - Energy & Telecom***

Energy & Telecom recorded mixed results. The results in the telecom market are good thanks to the continuing work on upgrading existing telecom systems and laying fibre optic networks. We experienced a difficult year in the energy market, where we had to deal with start-up and execution problems. There was also a dip in the volume of work on offer in the market for laying gas pipelines

There was a big increase in our offshore energy operations in 2011, with turnover nearly doubling. The order book is also looking healthy for the years ahead. As a result, our cable-laying ships are assured of commissions for the next three years. Managing this sharp increase has been a challenge and there have been some start-up losses but the projects are now running increasingly smoothly.

There was less work on offer in onshore energy operations and we were also confronted by project losses. A reorganisation brought the operational capacity in line with the volume of work on offer. Furthermore, we have recently been successful in winning a number of large-scale projects such as Warmtebedrijf Rotterdam, Stoompipj Botlek West and the commission to lay a gas pipe from Germany to Denmark.

Our telecom operations grew over the past year due to positive underlying market developments such as the growth in mobile data traffic, greater demand for bandwidth and the increased demand among larger organisations for segregated networks. The Fibre to the Home market showed substantial growth.

At year end 2011, our order book stood at € 0.8 billion (2010: € 0.7 billion).

### *Highlights*

A notable event in 2011 was the transmitter mast fire in Smilde. VolkerWessels Telecom was involved in the construction of a temporary solution and is now rebuilding this prominent transmitter mast.

In 2011, we acquired the operations of the TGK which operates in the Belgian market. This acquisition allows us to further broaden the existing package of services in Belgium and consequently extend our position in Belgium.

In 2011 work was carried out on the offshore wind turbine park, London Array. This is a commission worth € 50 million. The work includes the installation of four export cables more than 50 kilometres in length and the completion of the installation of 187 cables that run between the wind turbines.

### ***The United Kingdom***

Market conditions remain difficult in the United Kingdom. The Construction Products Association expects it to be at least another three years before the British market shows any signs of improvement. There is also increasing competition within certain market segments.

Despite these challenging market conditions, we achieved strong growth in 2011 in both turnover and EBITDA when compared with 2010. The main factor explaining this is that the principal sectors in which we operate, such as civil engineering and rail, have been less severely affected by the malaise in the market. Other factors that helped us achieve a solid result were organisational improvements, closer collaboration between our businesses in the United Kingdom and tighter control of the working capital.

At the year end in 2011, our order book stood at nearly € 0.8 billion (2010: € 0.5 billion).

### *Highlights in 2011*

There were a great many highlights in 2011, with VolkerFitzpatrick's highlights include the completion of the flagship Crossrail Tunnelling Academy project, the construction of a number of distribution hubs for major supermarket chains, and the completion of Chorley Buckshaw and Latimer Road stations. The East Kent Access Road development including its challenging and innovative jacked box tunnel underneath the mainline railway which continued to operate throughout the construction period was another major project. Some highlights for VolkerRail UK worth mentioning are the delivery of the Docklands Light Railway Extension to Stratford International, the continuing work on the new light rail project in Manchester and new contracts with Network Rail.

VolkerHighways' and VolkerFitzpatrick's work on the Olympic Park is nearing completion, and new opportunities are emerging in East London. VolkerLaser remains a leading specialist in waterproofing, strengthening and repairs to bridges, highways, multi-storey car parks and other structures. Key milestones were the work on the historic National Museum in Edinburgh and the waterproofing of Blackfriars Bridge as well as the framework contract for highway construction support in Birmingham. VolkerStevin started a number of major contracts such as Upper Harbour Ammunitioning Facility, Colwyn Bay and the Tay Road Bridge.

Good progress was made in our sustainability agenda. Worthy of mention on this front is the regeneration of the Hoe Valley, including a flood defence system, remediation of 25,000 m<sup>2</sup> of land and the construction of facilities according to the ambitious sustainability standard of 'BREEAM Very Good'. In Chesterfield we are working on a land remediation project at the former coking works, a severely polluted site. Finally, we also worked on a major waste and recycling facility in Southwark.

## **Canada**

Volker Stevin Canada recorded an excellent year. Our operations in Canada are benefiting from the directly related investments in the oil and gas industry in the province of Alberta, where we have operations.

Canada is a growth market for VolkerWessels and that is why we extended our operations in Canada further in 2011 with the acquisition of McNally. This acquisition enables us to take advantage of the trend that the Canadian government is increasingly handing over infrastructure maintenance and management activities to private parties.

At the year end in 2011, our order book stood at €0.5 billion (2010: € 0.5 billion).

### *Highlights in 2011*

Volker Stevin was awarded a contract worth around €50 million by the Calgary Airport Authority. This involves constructing a second runway at the airport, including the associated facilities. The 10-year Lethbridge road maintenance contract started in 2011. This is in the southern part of Alberta province and the contract has an overall value of CAD 400 million.

## **Financing**

We extended our financing arrangement, which ends in May 2012, with a Forward Start Facility until the end of 2015. This has given us assurance about the availability, conditions and prices for the financing required in the years ahead. This is an important foundation for our future activities.

There is a continual focus within the company on reducing the working capital and net debt. The net debt fell by €57 million in 2011. This brings the cumulative reduction from the start of 2010 up until the end of 2011 to €474 million.

The covenant criteria for our bank facilities were satisfied comfortably as at 31 December 2011.

## **Capital position**

The balance-sheet total increased by €132 million to €3,579 million in the financial year. The solvency at year end 2011 was 26% before profit appropriation (2010: 27%).

The VolkerWessels 2011 Annual Report can be viewed online at our website ([www.volkerwessels.com](http://www.volkerwessels.com)).

### Footnotes:

1 Figures for turnover and EBITDA in 2010 have been adjusted to take account of the termination of operations in Germany in 2011; these operations are shown separately in the financial statements in accordance with IFRS. The 2010 figures have also been adjusted for Germany to ensure comparability.

2 In this report 'the Netherlands' refers to the Netherlands and Belgium.

*Note for the editor (not for publication)*

### **About VolkerWessels**

Our businesses operate in three markets - Building & Property Development, Infrastructure and Energy & Telecom - and in three geographical areas - the Netherlands, the United Kingdom and Canada. We aim to be the highest yielding company, a company that exploits opportunities and introduces sustainable innovations, where the best people enjoy working in a safe, reputable environment with good opportunities for personal development and room for enterprise. In short, a company that creates value for all its stakeholders. The cornerstones of our strategy are operational excellence, broadening the value chain and market leadership.

**VolkerWessels strategy model**



VolkerWessels ([www.volkerwessels.com](http://www.volkerwessels.com)) is a Dutch construction group with a decentralised organisational structure and 125 operating companies. VolkerWessels has around 16,000 employees who build for homes, work, mobility, energy and telecom infrastructure. We take on the development, design, construction, financing, management and operation, doing so for all our stakeholders: our customers, employees, shareholders, suppliers and society in the widest sense. Our businesses operate in three markets - Building & Property Development, Infrastructure and Energy & Telecom - and in three geographical areas - the Netherlands, the United Kingdom and Canada/US.

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