Strukton Groep nv

Annual Report 2019

Strukton

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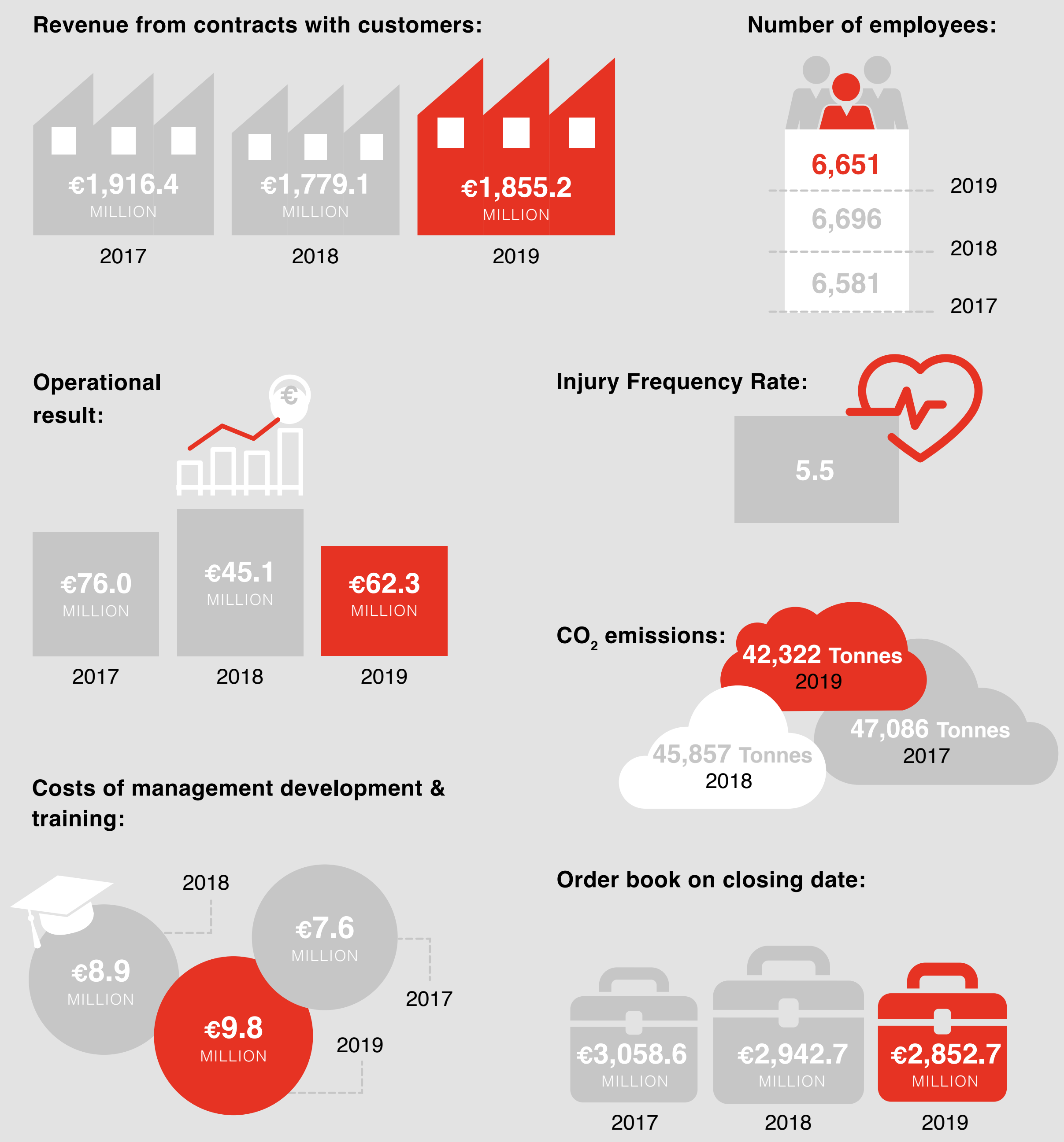
Annual Report Strukton 2019

We **develop technologies** and **integrate solutions** to contribute to the **safety, quality** and **sustainability** of rail transport, road infrastructure and technical systems and buildings.

Strukton

01 Key figures



Amounts stated in millions of euros (unless indicated otherwise)	2019**	2018*	2017	2016	2015
Revenue from contracts with customers	1,855.2	1,779.1	1,916.4	1,883.4	1,907.2
Operational result (EBITDA)	62.3	45.1	76.0	66.7	70.7
Operating result (EBIT)	6.0	16.8	44.0	35.4	35.0
Net operating profit/loss	(19.7)	(0.2)	25.1	13.3	16.8
Cash flow					
- Operational	60.2	(20.2)	27.1	64.3	22.1
- Investments	(42.7)	91.4	(27.2)	(30.2)	(17.6)
- Financing	(28.6)	8.3	(13.8)	4.9	45.0
Total cash flow	**(11.1)**	**79.5**	**(13.9)**	**39.0**	**49.6**
Investments in Property, plant and equipment	21.5	22.8	22.7	21.0	15.2
Depreciation / impairment on fixed assets	56.3	28.3	32.1	31.3	35.6
Excluding consolidation (non-recourse) PPP projects					
Balance sheet total	1,139.1	1,140.7	1,145.4	1,346.0	1,361.5
Invested equity	366.7	312.2	363.0	347.9	345.9
Net debt	27.7	38.2	53.4	69.5	159.2
Solvency rate (%) based on group equity and subordinated loans***	17.3	21.2	24.3	18.8	14.3
Including consolidation (non-recourse) PPP projects					
Balance sheet total	1,308.4	1,313.9	1,148.4	1,349.8	1,365.6
Total equity	184.6	189.6	231.0	207.9	179.1
Total Group equity	185.6	230.6	267.7	242.6	179.1
Invested equity	537.6	484.6	365.1	350.5	348.8
Net debt	193.5	210.5	54.8	71.2	160.9
Solvency rate (%) based on group equity and subordinated loans***	15.0	18.4	24.3	18.8	14.2
Net result as a % of average equity	(10.6)	(0.1)	11.4	6.4	10.5
Net result as a % of revenue from contracts with customers	(1.1)	0.0	1.3	0.7	0.9
Order book on closing date	2,852.7	2,942.7	3,058.6	2,842.8	3,215.0
Non-financial indicators					
Average number of employees	6,651	6,696	6,581	6,500	6,561
Sick leave rate (%)	3.4	3.2	3.4	3.2	3.0
Costs of management development and training	9.8	8.9	7.6	7.1	8.7
Employees assessed (%)	89.8	98.7	95.9	96.8	98.0
CO_2 emissions in tonnes	42,322	45,857	47,086	47,426	49,087

* After amendments to the accounting policies regarding Financial instruments (IFRS 9) and Revenue from contracts with customers (IFRS 15).
** After amendments to the accounting policies regarding Leasing (IFRS 16).

Also refer to paragraph 'Newly applied and revised standards and interpretations' in the accounting policies for financial reporting.

02 Report of the Supervisory Board

Members of the Supervisory Board

In 2017, a Supervisory Board was appointed at Strukton Groep nv level in consultation with Strukton's funders. The Supervisory Board members in the reporting year 2019 were Mr H.G.B. Spenkelink (Chairman) and Mr W.G.B. te Kamp. Both are familiar with Strukton due to their role in the Supervisory Board of Oranjewoud nv. Both Supervisory Board members attended the Supervisory Board meetings convened. In the Supervisory Board's opinion, the Board members are able to operate independently and critically, both mutually and towards the Group Executive Board of Strukton and in any specific interest.

Tasks of the Supervisory Board

The Supervisory Board serves to supervise the Group Executive Board's policy and the Company's and Group companies' general operations. We also support the Group Executive Board with advice. In this respect, the Supervisory Board focuses on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of financial reporting. In the performance of our tasks, we focus on the interests of the Company and its affiliated companies. This is based on considering the relevant interests of the Company's stakeholders. Without the presence of Group Directors, we annually evaluate both our own performance and the performance of the Group Executive Board and we discuss the conclusion with the Directors.

Progress in 2019

Strukton Groep's 2019 results are disappointing and were strongly affected by the bad performance of a number of rail maintenance contracts in the Netherlands and a major project in Denmark, both within Strukton Rail.

The Supervisory Board convened with Strukton's Group Executive Board several times in 2019 to discuss the strategy. We also used these meetings to provide each other with an insight into the strategic, operational and financial objectives of the Company. The quality and members of the Boards of the separate group companies and operating companies were frequently discussed. Where necessary, we implemented improvements. Furthermore, during the meetings, other topics included further reinforcement of internal procedures regarding anti-corruption and integrity. The Supervisory Board is aware of the new reporting procedure and the compliance e-learning programme for employees introduced in 2019.
In addition to meeting with the Group Executive Board, we also maintain frequent contact with the management of the operating companies. We are committed to building personal relations in order to gain a better insight into their competencies and skills.

Continuity of financing

A share premium was paid by Oranjewoud nv in May 2020 amounting to EUR 20 million. Strukton Groep extended the current financing in June 2020 with 6 months till 13 October 2021. The financing arrangement was set on EUR 80 million as of June 2020. The Supervisory Board confirms the confidence that the shareholder and banks have in Strukton.

FIOD tax raid

The Dutch Fiscal Intelligence and Investigation Service (FIOD) raided Strukton in February 2019. The raid was based on a suspicion that specific companies of Strukton Groep and some of its (former) employees were involved in corruption and forgery in being awarded an order for the Riyadh metro project. After the FIOD raid in February 2019, which was a complete and unpleasant surprise for both Strukton and ourselves, Strukton immediately started an internal investigation. This investigation was conducted by the Compliance Officer of Strukton Groep, led by the Group Executive Board. We requested advice on the process and quality


Photo: Chantal van den Berg, Bouwfotografie

of the internal investigation. An independent expert concluded that the internal investigation was conducted adequately and with due care. He also concluded that we have correctly fulfilled our supervisory role. We intensified our supervision during the Public Prosecutor's (OM's) investigation. Not a single concrete indication of irregularities was found. In our opinion this is also apparent from the documents that were provided by the OM to date which were discussed with the Group Executive Board. To our knowledge, no circumstances were present or business was done within Strukton that justify the FIOD raid.

Strukton strategy

Maintenance and management using high-end technology, domain knowledge and professionalism are Strukton's foundation. By focusing on these elements, Strukton ensures operational stability. This course is also a competitive edge by specifically applied use of data in management and maintenance.

Although the 2019 results are very disappointing, we see no reason to adapt the strategy and the resulting policy. However, the results show the importance of adequate project and contract management. Not only on Dutch soil – also in other countries. The onerous F-Bane contract in Denmark highlights that with gravitas. Decreasing the risk profile is aimed at reducing vulnerability; however, the risk of volatility remains.

Decreasing risks

Strukton concentrates on activities that match its strengths. In addition, in recent years, the company has aimed to decrease its risk profile (risk vs reward) in its order portfolio and upon selection and acceptance of new contracts. Strukton increasingly manages on ensuring a healthy risk/reward ratio, for example based on formalised tender board procedures.

In conclusion

We live and work in unparalleled times. The COVID-19 outbreak has rapidly developed in 2020, resulting in a high number of infections. Strukton is currently able to carry out the works in most sites. The government in the Netherlands designated the public transport, healthcare and transport sectors as essential service sectors. Strukton works on vital technical infrastructure such as railroads, road infrastructure, hospitals and other healthcare institutions. In order to help minimise the impact of COVID-19 on society, it is important to both principals and Strukton to ensure the continuation of the necessary works as much as possible.

The Supervisory Board has full confidence in the strategic proposition of the Company as a whole. In 2020, the Company will require everyone in the organisation to continue dedicating a lot of energy to achieving the strategic objectives and a leading edge. We express our thanks to Strukton's employees and management for the efforts they contributed in 2019.

The Supervisory Board
H.G.B. Spenkelink
W.G.B. te Kamp
14 July 2020

In two years time from business plan to fully operational workshop: LWR in Rotterdam (NLD).

Photo: René van der Waal. Beeld 14

Message from the Executive Board

Result and operating income

Our 2019 net result amounted to EUR 19.7 million negative. This is highly disappointing. This was mainly due to Strukton Rail's disappointing result. In particular the ProRail contracts for performance-driven maintenance in the Netherlands had a heavy impact, as did Strukton Rolling Stock's results and the contract for the F-Bane in Denmark. For this project, we had to take a EUR 15.5 million loss in the provision for onerous contracts. Furthermore, the interest costs have increased (in particular due to the PPP financing). Recognised offsettable losses were impaired.

In the third quarter of 2019, we started restructuring Strukton Rail in the Netherlands in order to improve results.

The operating income has slightly increased in 2019. This was mainly due to an increase of operating income in the Technology and Buildings segment. The operational result amounts to EUR 62.3 million (including a EUR 29 million IFRS-16 'lease accounting' correction.

Operational result

€62.3

MILLION

COVID-19

The COVID-19 outbreak has rapidly developed in 2020, resulting in a high number of infections. The measures taken by governments to control the pandemic are having an impact on economic activity. Strukton has taken various measures to mitigate the impact of COVID-19 and has also implemented health and safety measures (social distancing and working from home) for its employees. Steps have also been taken to secure the supply of materials required for our production processes.

We are currently able to carry out our work at most sites. The government in the Netherlands designated the public transport, healthcare and transport sectors as essential service sectors.

Strukton works on vital technical infrastructure such as railroads, road infrastructure, hospitals and other healthcare institutions. In order to limit the impact of the COVID-19 outbreak on society, it is important for both principals and Strukton to continue the essential work as much as possible.

Though the situation is uncertain, we do not expect that the effects of the COVID-19 outbreak will have a material negative impact on our financial condition or liquidity.

FIOD

As we wrote in the previous annual report, the Dutch Fiscal Intelligence and Investigation Service (FIOD) raided Strukton in February 2019. The raid wrongly put Strukton and Gerard Sanderink in a bad light and resulted in a significant amount of extra work. What's more, it distracts us from what we actually want to do: achieve good results with Strukton. As far as we know, there are no circumstances or business operations at Strukton that justify a FIOD raid. We therefore hope that the investigation, in which we provide our full cooperation, will be completed as soon as possible and that the findings will then be shared with us in order to close this file. Once this has been completed, we will continue to work on our good reputation.

Predictability. quality and trust

We are putting more and more focus on what we do and don't do. We combine our rich in-house domain knowledge and specialist expertise with high-quality technology. This trinity gives us a strong position in maintenance and management. Our specific applied use of data in management and maintenance is our leading edge. The maintenance and management contracts provide a stable basis for the company. When it comes to projects, we focus on areas where we have sufficient know-how with a manageable risk profile. Unrealistically low tenders to acquire projects are prohibited. We opt for predictability, quality and trust.

We focus on projects and growth in Europe, the Middle East, the United States, Canada and Australia. We selectively align with worldwide developments on a project basis, including urbanisation and the related growing need for metros and light rail.

Segments and operating companies

▶ Rail Systems

We have booked good results in Italy and found the upward trend in both Sweden and Belgium. Strukton Rail's Dutch project division is also performing well. We are delivering great projects and the ambiance in the business unit is very positive. In America and Australia, our new markets, we are still making good progress with services based on data and smart maintenance.

The performance-driven maintenance contracts in the Netherlands give us cause for concern. Despite the fact that ProRail had been working on these contracts for a number of years, we can state that both ProRail and the contractors were not well prepared for this new form of contract. Over the next two years, the misunderstandings surrounding such contracts will need to be addressed and parties will have to prepare more carefully for the next series of tenders. Strukton is now improving the maintenance activities on a number of fronts by using modern tools, better working methods and in-depth dialogue with the principal.

An additional concern is the F-Bane contract in Denmark for the construction of the European Rail Traffic Management System (ERTMS) in approximately half of Denmark. For Strukton, this is a key project for the future as all European countries will be switching to this system. This project was not well managed. We have taken strong measures regarding the management and can safely assume that this project has changed to a better path forward from 2020. With the experience we have gained, we expect to carry out more ERTMS projects in Europe in the future.

▶ Civil Infrastructure

After years of disappointing results, Strukton Civiel has found its way back up in Dutch infrastructure. The emphatic cooperation with Strukton Rail has proven a good move. Work on the construction of the metro in Riyadh is on schedule. The metros on main parts of lines 4, 5 and 6 are in the test phase and it is expected that all metro carriages will run in the course of 2021. The parts of the project that were commissioned later, such as the two stations near the airport and the science park, will probably be completed by the end of 2021. Due to the expected risks upon the completion of the project, the contribution to the results was limited in 2019.

▶ Technology and Buildings

Strukton Worksphere successfully continued to build a stable and solid organisation in 2019. We succeeded thanks to our critical eye: only bringing in work that matches our ambitions and expertise. We want to be the best, most sustainable management and maintenance company and developing construction company, using our strong technology component. We have won many new maintenance contracts from leading principals. Strukton Worksphere also showed good results in projects during 2019. For example, we won an order for the sustainable and circular renovation of the Amsterdam head office of a major financial institution.

▶ Strukton Integrale Projecten

In 2019, Strukton Integrale Projecten reached a very important milestone: the refinancing of the A15 project. The capacity expansion of the A15 motorway between Maasvlakte and Vaanplein was completed in 2015, followed by the maintenance phase for a period of twenty years. This refinancing was required in order to take advantage of the more favourable financing conditions compared to the financing originally concluded in 2010, and with the prospect of a stable remaining maintenance period of fifteen years. The financial result of the refinancing, from which Rijkswaterstaat, the principal, was also able to benefit, also improved the management and maintenance business case to such an extent that we now have a prospect of sustainable positive returns.

Employee wellbeing

Employee wellbeing in our industry is first and foremost about health and safety. Safety is a top priority within our company. It is always the first and foremost consideration, and an essential prerequisite for success for us. Nevertheless, a fatal accident occurred at Strukton Civiel in 2019. This is exceedingly tragic for the family in the first place. It also has great impact on the immediate colleagues and the company as a whole. It makes it all the more clear what risks our work entails.

To improve safety, we started the transition from a corrective to a preventive approach in 2019. Rather than learning from what went wrong, we are aiming to prevent unsafe situations using instruments like trend analyses.

Developing and learning opportunities are also important for the well-being of employees. We have numerous possibilities for learning and developing, ranging from e-learning to classroom training, for all types of work, training and experience levels. We have seen that our extensive training programme also arouses interest among applicants. This is a welcome side-effect in these times of labour shortages.

Outlook

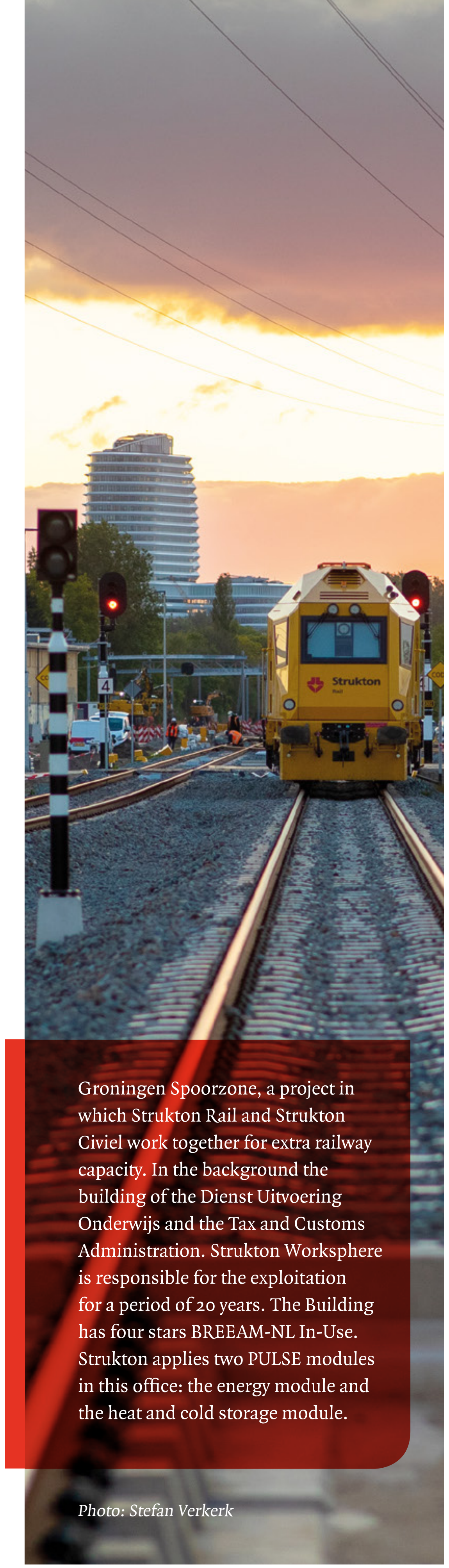
Our order book is reasonably full. In the Netherlands, Strukton Civiel has noticed the consequences of the Nitrogen Decree and the Pfas standard, as well as the COVID-19 outbreak. These circumstances have affected us very little in the execution of projects, but tenders are being suspended or postponed. This will lead to significant production losses in 2020, particularly in the regions. The expectation is that this will not be back to normal until 2021 or 2022. Strukton Rail will benefit from the positive consequences of the centralised and contract-based management of the Dutch maintenance contracts. Furthermore, we are seeing strong growth in revenue in the energy market in the Netherlands and an increase in international sales of asset management-related products. This underscores once again that our strategy is a good one: emphasising maintenance, management and products as a stable basis for the company.

We want to thank our other stable base, our employees, for their loyalty and commitment in 2019. The coronavirus will continue to have an impact on our way of living and working in the coming months, but we rely on the professional commitment of our employees. In 2020, we would like to call upon their drive and expertise again. Take care of yourself and others.

Gerard Sanderink
Erik Hermsen

14 July 2020

04



Groningen Spoorzone, a project in which Strukton Rail and Strukton Civiel work together for extra railway capacity. In the background the building of the Dienst Uitvoering Onderwijs and the Tax and Customs Administration. Strukton Worksphere is responsible for the exploitation for a period of 20 years. The Building has four stars BREEAM-NL In-Use. Strukton applies two PULSE modules in this office: the energy module and the heat and cold storage module.

Photo: Stefan Verkerk

Profile

Strukton is passionate about technology, skills and expertise, focusing on railway and civil engineering works and technology-driven specialist fields. Maintenance and management using high-end technology, domain knowledge and professionalism are the foundation of our company.

On this basis, we contribute to the safety, quality and sustainability of rail transport, road infrastructure and technical systems and buildings. After all, everyone has the right to a comfortable, safe and accessible world, both now and in the future.

In our more than 95 years in business, we have developed a strong basis in our home countries: Italy, Sweden, the Netherlands, Denmark and Belgium. With our projects and products, we also focus on the Middle East, the United States, Canada and Australia. Our customers are located in other countries as well, within and outside Europe.

Markets
We operate in three markets:
Rail systems: design, construction, renewal, management and maintenance of both light and heavy rail infrastructure, electric train systems and mobility systems
Civil infrastructure: Civil infrastructure: design, realisation, management and maintenance of infrastructure projects in the Netherlands. Abroad, Strukton International realises integrated rail and civil engineering solutions, in particular in the construction of transport systems in densely populated areas, ports and connections between ports and their hinterland.
Technology and buildings: Technology and buildings: design, development, realisation, maintenance, management and the operation of technical systems and buildings (in the Netherlands)

Attitude
Our employees are highly skilled and knowledgeable professionals. They are fair, straight-forward and down-to-earth with integrity, and have extensive knowledge and experience. Their words are substantiated with a sound technical basis. They take the initiative in contributing innovative, reliable solutions. They always review requests from the principal's perspective and then propose innovative and sustainable concepts and solutions. Strukton employees are driven and engaged with their principals, customers and the environment. They are committed to safety.

Safety
Our work comes with the necessary safety risks, both to the employees, the chain partners and the environment. Health and safety at work therefore is an integral part of the professional skills or our employees and the people they work with. Safety is in our genes, and is a key success factor. Strukton applies the 24Safe safety behaviour policy. Its mission is: Focusing on safety together. In our opinion, every employee is entitled to a safe work environment in order to ensure that everyone can return home safe and sound after work. The 24Safe programme applies to all of Strukton's projects and activities. Additionally, supplementary measures and programmes apply in some projects and countries and for some operating companies.

Sustainable operations
We are committed to corporate social responsibility and take up a leading role within the sector. To optimise operational life, we are fully committed to quality by providing safe designs and safe products. Additionally, we actively contribute to reducing CO_2 emissions, for example by using domestically generated renewable energy and applying a sustainable mobility policy. We apply proven methods in helping our customers realise energy savings. This way, we reduce both our own CO_2 emissions and the emissions produced by third parties. Furthermore, we focus on reusing and recycling materials, raw materials and commodities, such as asphalt, concrete and rail ballast.

We are *a service provider innovating based on insight into and knowledge of technology.*

We are committed *to honesty, sincerity and integrity in doing business both at home and abroad, at every single level in the company.*

We aim *to contribute to the safety and quality of rail transport, road infrastructure and technology and buildings.*

Vision

Railway and road infrastructure require excellent safety and availability. The public sector, passengers, operators and carriers, and the industry should be able to rely on reliable, efficient and sustainable transport. This will require smart management and maintenance. The market for technology and buildings requires high-end knowledge of technical systems. In particular where technology plays a crucial role in sustainability and continuity, such as in the markets segments healthcare, industry, education, data centres / ICT, commercial real estate and all facilities relating to mobility hubs and transport.
In view of the worldwide trend of urbanisation, cities can increasingly develop only if their urban infrastructure is improved with sustainable mobility systems, such as light rail and metro. Access to mining and port areas by means of a reliable infrastructure can also provide a major impulse to the economic development of such countries. Several heavy-rail connections are forecast to be constructed in the coming years, and must be managed and maintained subsequently.

Mission

Strukton aims to contribute to the safety, quality and sustainability of rail transport, road infrastructure, and technical systems and buildings. That is why we develop technologies and integrate solutions. It also means encouraging principals to choose contract types that leave space for innovation. We are synonymous with due care, integrity and sustainability in doing business, and committed to encouraging the sector to follow its lead. Our business principles are combined with focus on functionality, quality, operational life and the right price-quality ratio.

Strategy

Maintenance and management are Strukton's foundation. We concentrate on using high-end technology, domain knowledge and professionalism. This guiding principle provides stability and enables us to discern ourselves from our competitors, based on applied use of data in management and maintenance. We focus on projects with a technology component that match our specialist fields, proven knowledge and expertise. Knowledge of integrated technologies is what makes us unique. This is the extra mile that truly helps our customers. Our focus and growth are mainly geared toward technology-oriented specialist fields, in Europe, the Middle East, the United States, Canada and Australia.

- We are a service provider innovating based on insight into and knowledge of technology
- We aim to contribute to the safety and quality of rail transport, road infrastructure and technical systems and buildings
- We are committed to honesty, sincerity and integrity in doing business both at home and abroad, at every single level in our company

Executives and Management

Chairman of the Group Board of Directors

Gerard Sanderink

Group Board of Directors

Gerard Sanderink
Erik Hermsen

Group Supervisory Board

Gerard Sanderink
Erik Hermsen
Jacob Zeeman
Frank Bekooij
Evert Lemmen

Management

Strukton Rail
Jacob Zeeman

Strukton Civiel
Frank Bekooij

Strukton Worksphere
Evert Lemmen
Mark Ooijen

Strukton Integrale Projecten
Stephan Lutters

Central Works Council (COR)

Henk van der Meijden
Roland Stoekenbroek
Jeroen Pas
Jeroen Schrader
Michiel Hack
Leo Oussoren
Roelof Zijlstra
Marco van Meurs

06 Financial results

- Revenue stable at EUR 1.9 billion
- Operational result: EUR 62.3 million; adjusted for IFRS 16: EUR 33.0 million (2018: EUR 45.1 million)
- Lower results due to disappointing performance of Strukton Rail in Denmark and on maintenance contracts in the Netherlands
- Negative impact on the net result due to higher interest costs and higher tax rate
- 2019 net result: EUR 19.7 million negative (2018: EUR 0.2 million negative)
- Solvency rate decreased to 17.3% (2018: 21.2%), mainly due to lower equity caused by purchasing the remaining minority share CLF

General

The 2019 results are disappointing. The Rail Systems segment was confronted with disappointing performance on maintenance contracts in the Netherlands, disappointing results on a major project in Denmark and negative results in the Rolling Stock division. The results of the Rail Systems segment came under pressure, but still provide a key contribution to Strukton's operational result. The segments Civil Infrastructure and Technology and Buildings have realised a good performance in the reporting year 2019.

Operating income

The 2019 revenue increased by EUR 76.1 million compared with 2018. The increase was contributed by Strukton Rail (EUR 62.4 million) and Strukton Worksphere (EUR 39.8 million) and was partially offset by a decrease in Strukton Civiel (EUR 26.1 million). The increase in revenue at Strukton Rail was generated by the operations in Italy and Sweden.

€1.9 BILLION

Operating income increased

The operating income for each segment can be represented in a chart as follows:

Operating income (in millions of Euros)	**2019**	2018
Rail Systems	890.1	827.7
Civil Infrastructure	557.0	583.1
Technology and Buildings	408.1	368.4
Total	**1,855.2**	**1,779.1**

Operational result

The operational result for each segment can be represented in a chart as follows:

Operational result **(EBITDA)** in millions of Euros	*) **2019**	**) **2019**	**) 2018
Rail Systems	30.0	13.1	31.6
Civil Infrastructure	15.0	8.5	7.3
Technology and Buildings	17.3	10.9	6.2
Total	**62.3**	**32.5**	**45.1**

*) This column contains figures including IFRS 16

**) This column contains figures excluding IFRS 16

The operational result for the financial year 2019 amounts to EUR 62.3 million; adjusted for IFRS 16, it amounts to EUR 32.5 million.

Operational result 2019

€62.3 MILLION

An office building, hospital or school. Behind the scenes: technical rooms and installations. The heart of each building. Our domain. Not visible for users or visitors, but essential. This is where Strukton Worksphere provides for heating and cooling, user comfort, sustainable energy supply and more.

Photo: Thomas Fasting

The Noorderbrug bridge in Maastricht.
Photo: Fred Berghmans

The poor performance on a number of maintenance contracts in the Netherlands and a loss on the ERTMS contract on the F-Bane in Denmark (EUR 15.5 million) have led to a disappointing operational result of the Rail Systems segment. On the other hand, Strukton Rail realised excellent results in Italy and Sweden. Projects in the Netherlands also made a great contribution to the result. Strukton Rolling Stock operated at a loss.

The Civil Infrastructure segment has realised a better result than in 2018. The results of the regional companies and specialisms are generally stable. Additionally, a release of provision for onerous contracts of EUR 4.5 million on a project in the Netherlands increased the result. Due to the expected risks upon completion of the Riyadh metro project, the contribution to the results is limited in 2019.

The operational result of the Technology and Buildings segment is slightly above the previous reporting year. Management and maintenance work have made an excellent contribution to the result. Furthermore, the work on the public transport terminal (OVT) in The Hague was finalised, which has made a positive contribution to the result. Progress of new construction for the RIVM and CBG is good and the insight into the project result was improved.

Taxes

In 2019, the tax amounts to EUR 16.2 million (2018: EUR 9.6 million). The increase is mainly due to a EUR 5 million write-down of recognised offsettable losses.

Order book

The order book is well-filled, although it shows a slight decrease compared with 2018.

Order book (in EUR million)	**Netherlands**	**Abroad**	**Total**
Rail Systems	542	958	1,500
Civil Infrastructure	425	161	586
Technology and Buildings	767	-	767
Total	**1,734**	**1,119**	**2,853**

In the Rail Systems segment, the order books in the Netherlands, Sweden and Italy decreased compared to the previous financial year. The order book of the Civil Infrastructure segment increased compared to 2018 due to additional work for the Riyadh metro project. The order book of the Technology and Buildings segment is well-filled and increased during 2019.

Cash flow and financing

The cash flow of disposable cash and cash equivalents amounted to EUR 11.1 million negative in 2019. The cash flow in 2019 was significantly and negatively affected by the acquisition of the minority interest in the Italian rail company CLF (EUR 22.6 million) and the increase of the PPP receivable related to MEET RIVM CBG (EUR 19.9 million). These negative cash flows were partially offset by a share premium payment in May 2019 (EUR 10 million) and increased bank loans (EUR 15.0 million).

Well-filled order book

€2,853
MILLION

In May 2020, an additional share premium was paid by Oranjewoud nv amounting to EUR 20 million. In June 2020, Strukton Groep extended the current financing by 6 months until October 13, 2021. The facility was set on EUR 80 million as per June. Long-term refinancing is planned for 2021.

Equity position

In 2019, the equity was decreased by EUR 5.0 million. This is mainly caused by the negative result of EUR 20.0 million and the negative impact of the increase in the actuarial reserve (EUR 10.2 million). This is partially offset by the book gain on the acquisition of the remaining minority interest in CLF (EUR 15.7 million) and by the EUR 10.0 million share premium payment. The solvency rate (based on group equity and subordinated loans), excluding the consolidation of PPP projects, amounts to 17.3 at the end of 2019 (2018: 21.2). This decrease is mainly due to the purchase of the minority interest in CLF.

Acquisitions

During the financial year 2019, the minority interest in CLF was transferred. Strukton now owns all shares in the Italian railroad construction company. The realised book profit (EUR 17.5 million) was stated directly in equity. No other material acquisitions were completed.

07 Safety

Our work comes with safety risks, both to us and the environment. Some of our work is potentially life-threatening. That is why safety is a top priority within Strukton. Safety comes first, anytime, anywhere, day or night.

Our vision is that none of what we do is worth getting hurt. Working safely is an integral part of the expertise of our people and the people we work with. Safety is embedded in our organisation's DNA and is a key success factor to us.

24Safe

We are committed to continue to emphasise that safety is a permanent value and not a temporary priority. It is with good reason that we structurally bring the subject to the attention of our employees through our safety behaviour programme 24Safe. 24Safe helps us to emphasise to our employees that safety starts with yourself. It's all about 'us', not 'them'. It's all about taking our own responsibility and discussing safe and unsafe situations together. We are responsible for securing safety for everyone involved by making and keeping each other alert to high-risk situations.

Apart from the fact that it is important for employees to talk to each other about safety, we also want them to report unsafe situations, for example via an app. In 2020, we are going to stimulate this even more. Only then will we and others be able to learn from our safety experiences: we want to manage risks and prevent incidents from recurring. To encourage reporting, our attitude towards health and safety is positive, constructive and focused on everything that is done right. But we are strict when safety rules and regulations that we have agreed with each other are violated.

Safety behaviour programme 24Safe

Our ambition:
nobody gets hurt

Our mission:
focusing on safety together

Accidents

A fatal accident occurred at Strukton Civiel in 2019. A tragic event that had a huge impact on our immediate colleagues and on our company as a whole. After such an incident, it is impossible to express safety performance in statistics. Still, we have to do so, since recording statistics helps to prevent accidents. The IF-rate of all Dutch Strukton companies combined in 2019 is 5.2.

From corrective to preventive

In the past, we mainly focused on learning from incidents that had already occurred. In 2019, we took the first steps in the field of prevention. By actively analysing trends, gathering information from employees and checking a project for safety as early as the design phase, we can increasingly focus on preventing unsafe situations. We are exploring company-wide opportunities to expand this plan in 2020.

Cooperating on safety

Strukton is a group of different operating companies that increasingly cooperate in operational terms in recent years. A good example is doubling the railroad track between Rijswijk and Delft, a combined project of Strukton Rail and Strukton Civiel. Relating to safety, we are also increasingly and more actively seeking cooperation. For example, we work together as we are climbing the safety ladder together. Principals are increasingly asking for this certification and principals within the

"We maintain and build high-voltage installations, from 1,000 Volt to 380,000 Volt. Safety is the most important aspect in our work."

Edwin van de Linde, commissioning engineer at Strukton Systems

Photo: Chantal van den Berg, Bouwfotografe

Dutch Safety in Construction Governance Code (GCVB) will be requiring minimum certification on step 2 from 2021. As a company, we also see the importance of the safety ladder, although it differs per type of work. The risks involved in railway work are for example different from the risks in the maintenance of an air-conditioning system. Our starting point is learning from each other and each other's experiences, so that all operating companies can climb the safety ladder. We are applying this in practice in the Rijswijk-Delft rail project, in which Strukton Rail is taking the lead in terms of safety risks and control measures. Strukton Civiel is then applying the knowledge gained to a tender that was started up together with Strukton Worksphere.

Cooperation in the industry

We are not only looking for cooperation within our company, but also within our industry as a whole. We are one of the initiators of the GCVB to improve safety in construction together with principals and chain partners. During a safety breakfast organised in May at our head office for all GCVB subscribers, the current developments in the sector were discussed. The Dutch Safety Board's appeal to the Governance Code as one of the 'Agents of Change' was also discussed. The conclusion: we must all get down to work. In smaller groups, the participants then discussed issues such as Safety in Procurement, a Uniform Reporting APP and the Generic Gate Instruction.

Another meeting we organised at Strukton was about fatigue, the phenomenon that people tend to work less safely when they get tired. The topic of discussion was how we can ensure that employees are sufficiently equipped to do their work safely.


Strukton Civiel and Strukton Rail are working for the High-Frequent Rail Transport programme Rijswijk-Rotterdam (NLD) on behalf of ProRail. Apart from doubling the tracks, adjusting the safety system and constructing a safe rail underpass, we also convert the Delft Campus Railway Station to the first energy-neutral railway station in the Netherlands.

Photo: René van der Waal, Beeld14

Corporate Social Responsibility

08

The motto in all of Strukton's activities is 'thinking together in terms of service life'. That is the core of our CSR policy. People, planet and profit are the three pillars of that policy, with future-proofing as the guiding principle.

We can't and don't carry out corporate social responsibility in isolation. That's why the word 'together' is in our CSR motto. That means that we seek the connection in every situation: within our company, of course, but also with principals, subcontractors, suppliers, chain partners and other stakeholders. We focus on the health, safety and vitality of employees and stakeholders, the operational life of materials and equipment, the quality of our products and services, attention for nature and sustainability of relations. Our corporate culture enables us to take a pragmatic approach: concrete and feasible, with a direct connection to the core of our activities, in all layers of our company.

People
This pillar is about well-being. The welfare of our own employees and employees of chain partners, naturally, but also that of local residents, for example.

We believe that welfare starts with safety. After all, our work is not without risk. Our natural ambition is: nobody gets hurt. We apply this in our safety behaviour programme, 24Safe. This programme includes both fixed components and one-off campaigns. That way, we keep everyone on their toes when it comes to working safely, both our own employees and our sub-contractors and suppliers. Our safety policy is discussed in detail in the Safety section.

Well-being also entails vitality and health. We pay a lot of attention to vitality and health, e.g. offering a company-wide range of training courses on resilience and energy balance. Strukton Rail staff receive training at their own request on how to deal with stress and tension at work.

During our annual health month, we challenge all employees in our home countries to get moving and engage in healthy activities. There is a great deal of interest both for organising and taking part in these activities. In 2019, cycling tours were organised in many regions, as well as an obstacle course, a mountain bike clinic and a walk on the mud flats. The annual steps competition also attracted many fanatical participants again.
Strukton Worksphere has a collaboration with the PSV Foundation, allowing employees to train in the PSV football stadium. The focus is on fitness, strength, stamina, coordination, speed and agility in addition to fun. Strukton Rail offers its employees online support for six months via the Fitmo coaching programme. A personal health coach helps participants achieve their personalised lifestyle and health goals.

In addition to vitality and safety, the training and development of our staff also fits well in the people pillar. After all, you will get positive energy when you get the opportunity to develop yourself, which will also contribute to your health. Learning and development is high on our agenda and we want experienced professionals and talents from outside the company to be aware of that. Which in turn helps us to become an attractive employer.

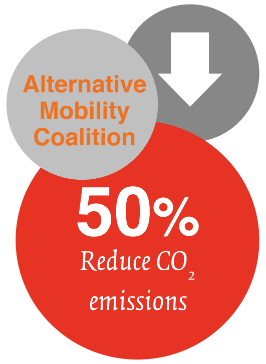
In 2019, we invested a great deal of time and effort in further improving our training programme. We have e-learning as well as classroom training, one-day training sessions and a one-year training programme - and everything in between. Some courses are specific to employees of individual operating companies; others are for everyone, such as Good Habitz, All Right and 24Safe.

We are also continuing our FIT training programme (for starters) and the Strukton Young Professionals programme, which is aimed at people with management potential and top technical talent. We have set up theme-related training for managers in 2019. These are training days on themes such as leadership and sustainable employability. The programme has been set up company-wide, in line with the questions that arise throughout the company.

We love updating our skills, and are committed to transferring our knowledge to others. At Strukton and on behalf of the sector, we implement this commitment in the form of guest lectures at schools. We also benefit from this in turn: by enthusing young people about technology and infrastructure, we create the employees, principals and other chain partners of the future. We also transfer our knowledge in-house, for example to students, through internships and sample placements. This approach illustrates our social involvement and is a good fit for our company.

Planet

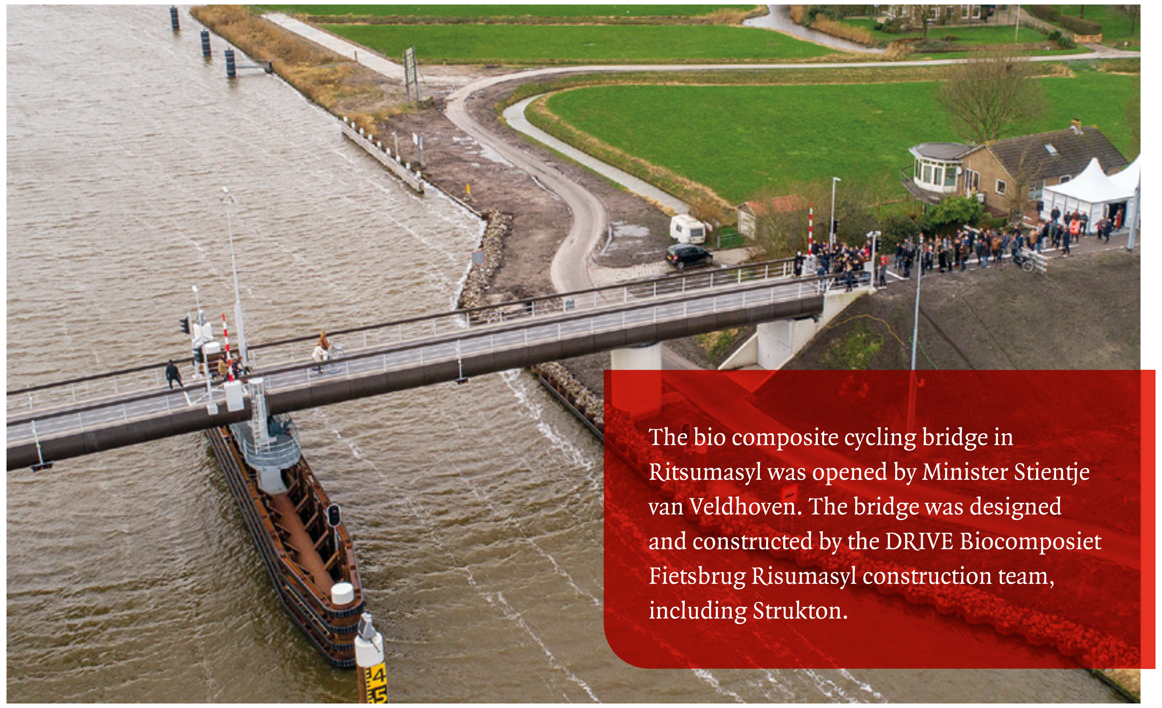
In this pillar, the main objective is to reduce CO_2 emissions. In doing so, we take our responsibility and contribute to national ambitions, for example in the context of climate change. In 2011, we set ourselves the target of reducing emissions by 15 percent in 2020 compared to 2009 relative to revenue. With the 2019 results, we more than achieved that. We will update our target in 2020.
For mobility, we endorse the ambition of the Dutch Alternative Mobility Coalition (Coalitie Anders Reizen): a 50 percent reduction of our CO_2 emissions as a result of (business) passenger transport per FTE in 2030 compared to 2016. Our fleet produces the most emissions within our CO_2 footprint. That is why we have worked hard on a new lease policy in the Netherlands, allowing employees more opportunities to choose an electric car. The three drivers are employee satisfaction (including the vehicles' driving range), employee charges and CO_2 emissions. The new policy came into effect in July 2019 and we immediately saw its effects. We had ten electric cars in the fleet under the old policy. After July 2019 that number shot up to over 135. That means that about 4 percent of our fleet now emits no CO_2 while driving. It is expected that this number will double in 2020, not only because electric driving has become more accessible, but also because we have a large group of ambassadors for electric driving who enthuse their colleagues.



In addition to encouraging electric driving, we also - and above all - encourage employees to reduce their mileage. In the first place by coming to work more often by public transport or bicycle. And by making better use of the opportunities to work and collaborate remotely. We expanded, improved and promoted the technical possibilities to enable this in 2019. For example, we placed Strukton e-bikes at a number of railway stations that are available for the last stretch of commuting from the station to the office. Employees make frequent use of the e-bikes, for example, to travel from Utrecht Central Station to our head office near Maarssen, We have also provided e-bikes on various large projects to reduce the use of cars for short journeys.

And we try to increase awareness. Is it really necessary to drive from all corners of the country to a central location to see each other, or is a video conference just as effective? Most employees can find their way to Skype and Microsoft Teams effortlessly. Reducing car mileage not only has a positive effect on the environment, but also on the health of employees. After all, spending a lot of time in the car, whether or not in traffic jams, does not contribute to a good condition. Regarding long-distance travel, we actively encourage travel by train for distances under 700 kilometres. When it comes to company assets, we opt for an electric variant where possible, for example for work buses. Unfortunately, Strukton Rail's cranes are not yet electric because of the limited battery capacity. However, they run 100 on GoodFuels, a synthetic diesel that is not extracted from crude oil but from certified waste and residual flows. The use of GoodFuels reduces CO_2 emissions by up to 90 .

The second theme within the planet pillar is circularity: the reuse of materials. Strukton subsidiary GBN has developed special expertise over the years in areas such as waste, reuse of materials and alternative building materials, and plays a prominent role in this issue. One of GBN's milestones in 2019 is the circular processing of artificial turf pitches. We have started the development of GBN Artificial Grass Recycling (AGR), a factory in Amsterdam that will agglomerate the various types of plastic from old artificial grass pitches. The resulting granular product can be used to make garden furniture, fences, sheet piling and driving plates, among other things. Circular demolition, also known as harvesting, is one of the pillars of GBN. For example, GBN is working on the demolition of the RotoSmeets printing plant building in Utrecht. The aim is to reuse as many raw materials as possible that are released from this process, either by our own operating companies or by other parties.



The bio composite cycling bridge in Ritsumasyl was opened by Minister Stientje van Veldhoven. The bridge was designed and constructed by the DRIVE Biocomposiet Fietsbrug Risumasyl construction team, including Strukton.

We are also working on circularity in other parts of our organisation. Strukton Worksphere, for example, developed De Sphere in 2019. It builds on our experience with The Greenhouse, DUO2, Rijksgebouw De Knoop and High Tech Campus Eindhoven: a fully circular, modular and intelligent concept for a sustainable and healthy working environment that is tailored to the needs of users.

Another way to reduce waste is working with Building Information Management (BIM). We use this method in an increasing number of company divisions. BIM is helpful with the complex and integral nature of projects and we can share it with our customers. It creates insight because it links available data from different sources. This enables us to detect possible errors even during the design phase, prevents wastage of materials and reduces failure costs. That in turn increases our profit.

Profit

Sustainable applications and measures can only be successful if they are based on a profitable business case. Without that profitability, sustainability would mainly be an expensive business case that would be destroyed as soon as the business results of our organisation or of our supply chain partners fall. We are therefore aiming for innovations that make our own business operations more sustainable and that we can use as a service to our customers.

A good example is Hæppey, developed by Strukton Worksphere in collaboration with Antea Group. A sensor in the workspace measures temperature, humidity, CO_2, light and noise levels, linked to health-based limit values. The measurement results, which can be viewed in a dashboard, enable the building manager to improve the interior climate in a building. This is not just suitable for offices. In 2019, Strukton Worksphere teamed up with Hæppey to improve the indoor climate in the Amsterdam train workshop of Dutch Railways, where engineers carry out train maintenance.

Strukton Civiel worked on a civil engineering reconstruction in Terheijden in 2019. A special feature of this contract is the combination of regular work, such as sewer replacement and road renewal, with the construction of a heat network as an alternative to the gas connection. For this contract we are working closely with a contractor who has a great deal of experience in the construction of heat networks. This enables us to learn on the job and that was exactly the reason why we were very interested in taking on this contract. This type of work fits in perfectly with one of our spearheads, because of the energy transition.

Further north in the Netherlands, in the province of Overijssel, we are involved in the Innovation Route N737, between Enschede and Deurningen. Strukton Civiel has used Greenfalt for this maintenance and innovation project. 97 percent of this asphalt consists of recycled materials. Any more is currently technically impossible. We also used concrete in which cement has been replaced by geopolymer for road widening. This has resulted in considerable CO_2 reduction.

We use an electric scooter for inspections and maintenance of the tram line in Utrecht. Flexible and sustainable.

Photo: Adrie Steenbrugge

Corporate governance

Good business practices, integrity, respect, supervision, transparent reporting and accountability: these are the leading aspects Strukton's corporate governance policy is based on.

A pipe is lifted in the Tubex structure. The pipe is then screwed into the screwed into the ground.

Photo: Herman Bodenstaff

Our corporate governance policy is determined by legislation, jurisprudence and best practice codes (codes of conduct) of the countries where we operate. We monitor best practice aspects relevant to our operations, mainly seeking alignment with the Dutch Corporate Governance Code. In view of the increasingly international character of Strukton's activities, international compliance has claimed a key role in the organisation. Strukton Groep nv is a public limited liability company governed by Dutch law. The company is managed by the Group Executive Board, led by the Chairman of the Group Executive Board. Oranjewoud nv holds 100 of the shares in Strukton Groep nv.

Management

The Group Executive Board manages the company and determines the vision and the ensuing mission, strategy and objectives of the company. The Group Executive Board consists of two members, one of which serves as the Chairman. The Chairman of the Group Executive Board has final responsibility for the entire company. The Group Executive Board is responsible for transparent governance within the company. The Executive Rules were prepared and approved by the shareholder for this purpose. In fulfilling its tasks, the Group Board of Directors focuses on the Company's interests. The Chairman of the Group Board of Directors frequently provides information and tools to the shareholder and the Supervisory Board as required for adequate fulfilment of their tasks. The Chairman of the Group Board of Directors annually reports to the General Meeting of Shareholders on the results of the past reporting year.
The Executive Boards of the operating companies are responsible for defining and executing the strategies of their respective operating companies. The responsibility for the management of and the operational decisions in the operating companies are also allocated to the statutory board members of the operating companies.

Appointment and remuneration of the Chairman of the Group Executive Board

At Strukton the shareholder appoints the members of the Executive Board. The current Chairman of the company's Executive Board is Mr. G.P. Sanderink. He was appointed as the Chairman as per 29 October 2010. He is also the Chief Executive Officer of Oranjewoud nv. The shareholder determines the remuneration of the Board of Directors members based on an advice issued by the Supervisory Board.

Supervisory Board

In consultation with Strukton's financiers, a Supervisory Board was appointed at Strukton Groep nv level in 2017. The Supervisory Board members in this reporting year were Mr H.G.B. Spenkelink (Chairman) and Mr W.G.B. te Kamp. The Supervisory Board and the director/shareholder are in consultation about the future composition of the Supervisory Board.

Diversity

We aim for a balanced workforce in different positions in terms of age, gender and background, training, education and professional experience. The regulation in Book 2 of the Dutch Civil Code (BW) sets out a best-effort obligation imposed on large companies for the seats of the Executive Board to be occupied by women for at least thirty percent, and by men for at least thirty percent, insofar as such seats are divided among natural persons. In the selection and appointment of a potential third member of Strukton Groep's Supervisory Board, a woman will be preferred. The gender balance would then approach the statutory aim of 30 .

The statutory target percentage at Group Executive Board level has not been achieved yet. No new appointments in the Group Executive Board occurred in the financial year 2019. If a new member is appointed to the Group Executive Board, such statutory requirements will be taken into account in addition to qualifications for the relevant position.

Conflict of interest and transactions between related parties

The Supervisory Board of Strukton Groep nv is responsible for resolving any conflicts of interest between the company on the one hand and the Executive Board of Oranjewoud nv, the Supervisory Board, the Board of Directors of Strukton Groep and the external auditor on the other. All decisions pertaining to entering into transactions that may involve a possible conflict of interest with the Chairman of the Group Executive Board or a member of the Supervisory Board of Strukton Groep nv, that has significant importance to the company and/or the Chairman of the Group Executive Board, is subject to the approval of Strukton Groep nv's Supervisory Board. The Chairman of the Group Executive Board should report any actual or potential conflict of interest significant to the company and/or himself immediately to the shareholder and the Chairman of the Supervisory Board of Strukton Groep nv (and to the other members of the Executive Board if it concerns a member of the Executive Board), and must provide all relevant information. Transactions with the shareholder are limited and are conducted in line with market practice.

Auditor

The shareholders of Oranjewoud nv, Strukton's parent company, select the external auditor for the group as a whole.

Internal stakeholders

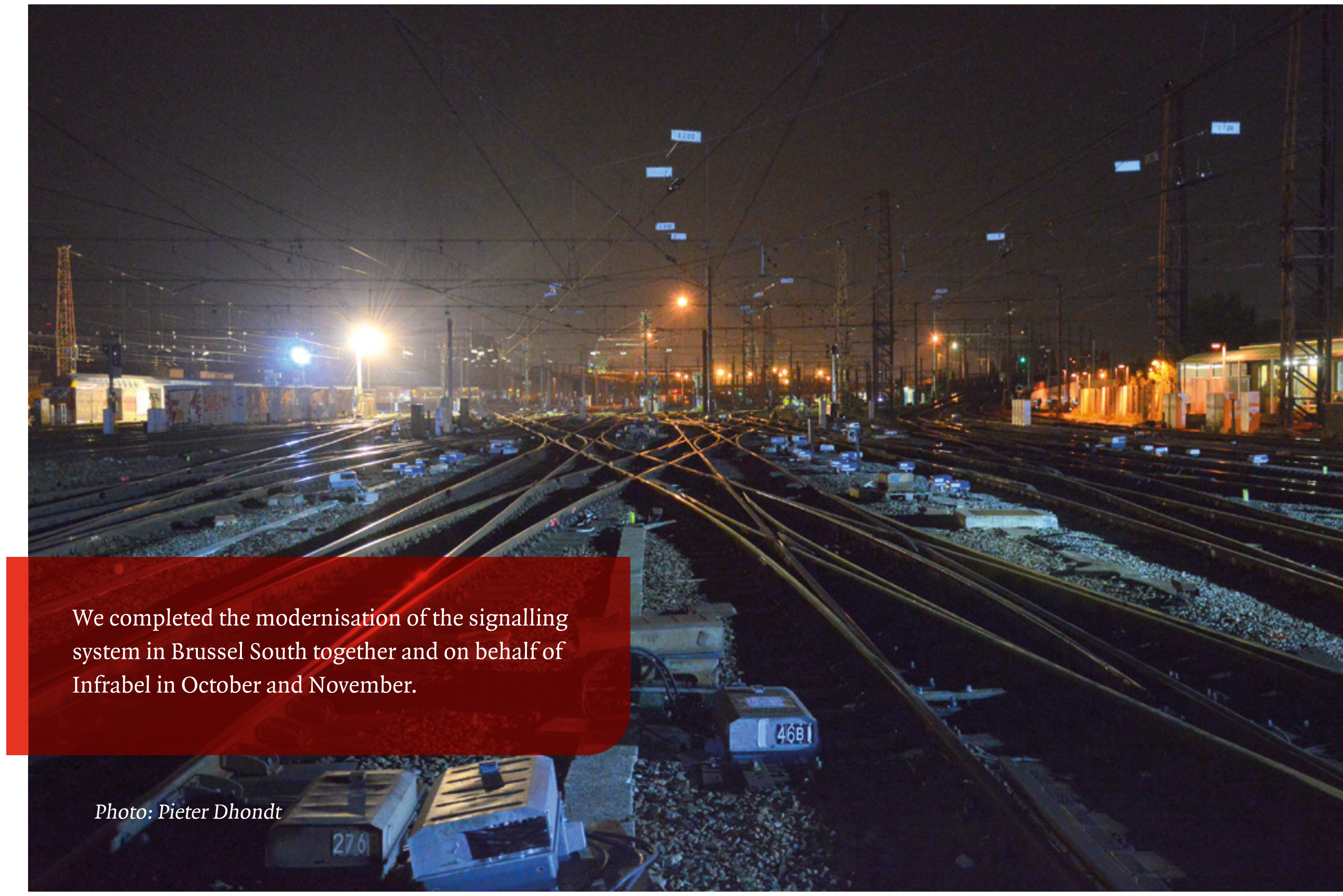
Our employees are a key stakeholder group. The employees are represented in Strukton's employee participation body. Each operating company has its own Works Council. For issues concerning all operating companies, a central Works Council has been appointed.

External stakeholders

In view of the Company's importance and position, we frequently publish our results and key events in press releases and on the website.

Compliance

We owe our success to our core competencies in the implementation of projects at world level, and to always acting ethically correct and with integrity. In all operating companies worldwide, Strukton insists on integrity in doing business. In 2017, Strukton All Right was launched, the title of our policy for acting with integrity. Under this title, this programme uses training courses, presentations, internal communication, and since 2019, extensive e-learning to focus intensive attention to our



We completed the modernisation of the signalling system in Brussel South together and on behalf of Infrabel in October and November.

Photo: Pieter Dhondt

company culture to make employees more aware of ethical rules, authorisations, compliance with legislation and regulations both at home and abroad, and risk management when collaborating with domestic and foreign parties. We have various rules and by-laws indicating the framework for the performance and operations of the Company. The Code of Conduct Honest Business Practice sets out the key rules that Strukton imposes for fair and just business. In 2017 and 2018, the Code of Conduct was assessed for current developments. It was fully revised and the update was released.

The Code of Conduct Honest Business Practice is applicable to all persons working for and with Strukton. The Code of Conduct helps determine what is fair and just at work, in addition to the existing local legislation. The Code has an integral structure, clearly connecting into various existing policy documents and rules, including the policy for dealing with gifts and invitations, the policy for countering bribes and corruption, the human rights policy and the regulations regarding undesirable behaviour. The regulations regarding undesirable behaviour allow employees to report any actual or suspected irregularities within the Company to a Confidential Counsellor. Additionally, we offer employees the possibility to anonymously report any suspected abuse of or non-compliance with the regulations to an external party. This reporting procedure is new compared with the previous Code of Conduct. The revision of the Code of Conduct Honest Business Practice enables us to better integrate compliance in our operations, among others by appointing a compliance organisation within Strukton Groep. This organisation takes compliance closer to the employees, both in the Netherlands and abroad. The compliance officers ensure uniform policy and consistency in the interpretation of and compliance with the Code of Conduct. The Code of Conduct Honest Business Practice is available from Strukton's website and on all Strukton Intranets.

Buildings are a gold mine of data. We can do a lot with the data already, and the opportunities will only get better. We are developing a digital twin, a digital copy of the building, where all static and real-time information comes together.

Photo: Thomas Fasting

10 Risk management

Just like other companies, Strukton is confronted with various commercial, operational and financial risks. Such risks are inherent to the business activities. We aim to limit these risks with a systematic approach, both at strategic and operational level.

Risk appetite
We identify and monitor risks within the Company in a structural way. In order to ensure adequate risk control, it is important to integrate risk awareness company-wide. We manage such awareness by creating an open and transparent company culture. To decrease the organisation's risk profile, the Boards of the operating companies apply strict selection criteria for new projects. We tender only for maintenance and management projects that are a good match with its core competencies, with limited risks and justified expectations of healthy earning capacity. In particular projects with a long-term maintenance and management component are interesting to us. In line with the company's strategy, the Group Executive Board continuously rebalances the risks and return within the risk appetite framework of the Company. In order to ensure continuity, sufficient insight in sound earning capacity is essential. In 2019, the various risks were reviewed and weighted again. The key themes relating to business risks and strategic objectives are set out in this section.

Strategic risks and market risks

Purchasing policy of principals
We have various large principals. About fifteen percent of our operating income is attributable to the Dutch rail market. This market can be characterised as a monopsony. The market volume generated by ProRail, the largest principal in this market, has decreased in the past few years. ProRail actively supports new parties in their attempts to access this market, which is complex both in terms of technology and logistics. As the market leader, we are confronted with the consequences of this policy. In order to remain competitive, we are continually alert on keeping the size of the organisation and the quality proposition at market level. Additionally, we invest in research & development in order to create solutions that are discerning in the market. Furthermore, we reinforce our activities outside the Netherlands and aim to expand the activities in the Dutch rail market towards non-ProRail work (private parties and railway connections) and municipal transit companies.

Tender costs
We generate a significant portion of our operating income from public tender procedures. The tender costs are increasing, due to the increasing complexity of some of these tenders (in particular projects awarded on a D&C or DBFMO basis). The principal's fee is generally limited. If we are not successful in such procedures, we will not be able to recover the cost incurred. This is why we are very selective in tendering.

Labour market
In order to operate safely and successfully, we need the right employees with the right competencies and passion. The scarcity in specific areas of the labour market means that it is a challenge to recruit sufficient people who are suitable to do the job. This is why we invest in our position as a preferred employer, in particular by creating an appealing work environment, giving people the opportunity for optimal leverage of their talents, both in the Netherlands, in Europe and far beyond.

Public sector principals
For a large percentage of our operating income, we depend on orders tendered by public and semi-public authorities. Delays in political decision-making processes and adjustments to the government's investment budgets affect the size and number of orders to be awarded. We closely monitor the development of the order book and the activity level in relation to the size of its organisation to enable the implementation of appropriate measures in due course. Extra vigilance relating to solvency is required in the event of payment risks, where supplementary guarantees are frequently asked, and risks are transferred within the chain to subcontractors and suppliers. In order to limit our vulnerability to fluctuations in the economic climate, we undertake to create a situation where long-term, repetitive orders form a substantial part of operating income.

Operational risks

Realisation and design
We generally carry out project-based work for third parties. Both design risks and realisation risks play a role in this type of work. This involves a wide range of works in terms of complexity and scale and order size. Depending on the contract type, errors in forecasts and estimates may result in losses and negative cash flow. In some cases, this results in discussions regarding the financial settlement of the project with the principal. This generally concerns the invoicing of contract deviations, the cost of delays or the quality of the work. In some cases, this leads to claims and further legal proceedings. However, in most cases such discussions are resolved to the satisfaction of all parties involved. We are committed to structural application of procedures, both during the acquisition phase and during the implementation phase, in order to prevent this sort of problems. Third-party reviews are highly valued relating to the design risks. We are insured for design errors.

Safety
This concerns the risk that operational activities result in accidents, injuries and loss of reputation or non-compliance with the occupational health and environmental regulations. Careful preparation of activities, toolbox meetings and analysis of accidents and near-misses are designed to minimise this risk. We apply the 24Safe safety programme. Its mission is: Focusing on safety together.

The programme focuses on prevention and increasing safety awareness. This enables us to focus on human behaviour as a risk factor. Naturally, all employees have access to the QHSE systems. These are frequently audited by external accredited and certifying bodies. A number of examples regarding control measures relating to safety:

- Suppliers and sub-contractors are actively involved in safety awareness campaigns
- We actively encourage reporting, which can be used for continuous improvement
- We take preventive measures to avoid calamities
- We actively encourage working with an LMRA (Last Minute Risk Analysis)

Fixed prices

We mostly operate in an environment where principals wish to transfer risks to the contractor in exchange for a fixed price. Such risks may result in incurring losses and negative cash flows. We only accept the risks we can manage independently. As part of our project monitoring method, we have used an advanced system for risk identification and quantification for many years. This applies to both the acquisition and implementation phase. In this period of potential fluctuations in raw material prices, we are cautious in accepting inflation risks. In long-term projects, adequate indexation schemes are a key point of attention.

Agency contracts

The Group makes limited use of agents. There is only one agent contract that is relevant. This concerns the contract with the local agent for the metro project in Riyadh, Saudi Arabia. This project was started in the course of 2013. The contract with the local agent was concluded in the first quarter of 2013. Based on an investigation initiated by the Oranjewoud nv Supervisory Board, no indications of potential irregularities were detected. Following this investigation, it was however concluded that the internal procedures regarding (not exhaustive) subjects such as compliance and standardisation of agent contracts had to be refined. In view of the Group's international ambition, this process will require continuous attention. Improving compliance and risk management is a continuous process, which is also affected by the continually changing social context in which the Group operates. The Group has implemented the following recovery measures.

- The internal procedures regarding anti-corruption and integrity were further reinforced, among others in the Code of Conduct as part of Strukton All Right. We make use of third-party expertise in this respect.
- Compliance officers were appointed and trained and employees who are involved in international tenders or are being awarded orders receive training regarding compliance.
- We exchange best practices regarding compliance and duty of care with similar companies in our sector.
- The current standard agent contract includes, among others, disclosures, anti-corruption clauses and compliance with the Code of Conduct Honest Business Practice. Agents with existing agreements confirm the latter annually in a Letter of Representation.
- Foreign agents are screened for good conduct, among others using an American database.
- We have performed internal audits and set up the underlying documentation to substantiate the future or completed works of agents (minutes, emails, letters).
- Existing agent contracts were improved and updated where possible.

In February 2019, Strukton was surprised by a raid by the FIOD (Dutch Fiscal Intelligence and Investigation Service) based on a suspicion of corruption and forgery in being awarded an order for the Riyadh metro project. We started an internal investigation immediately after the raid. We have assessed the list of information confiscated by the FIOD for any indications of irregularities. From this investigation, we have not found anything that could indicate any non-compliance with the applicable legislation and regulations. An independent expert concluded that the internal investigation was conducted adequately and with due care.

No new developments can be reported as to the FIOD investigation. During 2019, the FIOD digitally provided their report based on which they initiated the raid. At the beginning of 2020, they also digitally provided us with the information they took during the raid. We have established that this information does not impart new insights nor calls for further investigation as to the reason for the raid on 15 February 2019.

Utilisation rate

Strukton is a capital-intensive company managing a large, specialist fleet of machines and equipment, in particular relating to rail systems. This fleet is mostly owned by Strukton. The cost is depreciated on the economic operational life of the object. Negative cash flow will not directly be the result if we fail to deploy our fleet at self-funding rates, but this will have a negative effect on our result. Additionally, a large portion of Strukton employees has permanent employment contracts. The Company's profitability and cash flow will be negatively affected if we do not deploy these employees in current projects or contracts at self-funding rates, which may for example be the case if there are not many orders. Strukton Rail manages this risk with international expansion in the European market and with international deployment of both its fleet and its employees. Major investments are in some cases shared with partners. Additionally, throughout Strukton, we limit the understaffing risk by continuously aiming for an increase in the share of non-project based activities. This is in line with the life cycle approach that is applied within all Strukton companies.

Information security

With our technology solutions, we depend on the availability and continuity of information provision. Without information, our processes are frozen, effectively suspending operations. If the information crucial to operations is not available, or becomes available to unauthorised parties, this may have a major impact on our organisation. The risks regarding information provision, cyber risks, are on the increase due to developments in the use of technology. In order to stay in control, we continuously provide integral, structured attention to protection of information and connections.

▶ Financial risks

Available credit facilities

On 13 April 2018, we concluded a new financing arrangement for the Dutch companies with a term of three years and an extension option. In May 2020, a share premium amounting to EUR 20 million was paid by Oranjewoud nv. In June 2020, Strukton Groep extended the funding for a period of six months until 13 October 2021. The Committed Revolving Credit Facility has been set to EUR 80 million as from that date. Based on the agreed financing arrangement, we have sufficient credit and bank guarantee facilities. Long-term refinancing is planned for 2021.

The Company's financing requirement is forecast on a frequent basis, and the application of this facility is continually monitored. The financing documentation sets out various covenants that are mainly related to the company's cash-generating capability. These covenants are assessed on a frequent basis as well. Strukton's investment and depositing commitments pursuant to current investment programmes, projects and PPP shares are included in this financing requirement. Realisation of the liquidity forecast is strongly dependent on the development of external market conditions, order intake, development of project results and the development of the net working capital. Due to the project-based character of the Company, one-off negative project results may affect both the financing requirement and the covenants. This risk is limited by strongly steering on process control and by increasing the share of non-project based activities. Additionally, we aim to further reduce the Company's net debt in the near future, and to dispose of some specific assets that are not directly necessary for the core operations. Our financial policy aims to maintain and where possible improve our credit rating in order to assure our access to the banking and financial markets at conditions acceptable to Strukton Groep. We do not have any specific indications that certain market conditions, such as price development with both principals, and suppliers and contractors, or agreements with suppliers and credit insurers are developing in any way unfavourably. This also applies to the order intake and timely conversion into operating income and development of project results within the expected bandwidths. The Group Executive Board identified various measures that may ensure additional financial room. These measures concern, among other things:

- Better payment conditions, quicker invoicing and collection of invoices, improving the working capital
- Securing dividends from non-credit base subsidiaries, associates and related investments
- Sales of specific assets

Financial instruments

Strukton Groep makes use of interest rate swaps and currency forward contracts in order to hedge some of the interest rate risks pursuant to concern and project financing, and in order to hedge currency risks on future USD cash flows. Most of Strukton Groep's activities are carried out within the Euro zone. The activities of subsidiaries outside the Euro zone are mostly carried out within the currency zone of the relevant country. Relating to transactions denominated in foreign currencies, the policy sets out that the net position should be fully hedged with foreign currency forward contracts. In 2014 and 2016, the Company closed forward exchange contracts for the Riyadh metro project, hedging the currency risk on future cash flows in USD. The translation risk on share capital and loans provided to subsidiaries outside the Euro zone is not hedged.

Insurance

The necessary risks are insured as a supplement to controlling operational and financial risks in particular. Our policy relating to insurance concerns insurance of risks that we are not able or willing to bear. We assess the insurance policies for amended legislation and regulations, sums insured and new risks on an annual basis. We adjust the insurance programme where necessary.

Internal risk management and control systems

Risk control framework

Relevant parts of the risk control framework include the applicable Code of Conduct, the Board regulations, the authorisation rules, the procedure for authorisation applications relating to complex and large-scale projects, the planning and control cycles and the relevant reports.

Internal control systems

The Group Executive Board is responsible for the company's internal risk control and auditing system, and assessing its effectiveness. The system is designed to control risks related to business activities and the realisation of company objectives. It also monitors the efficiency and effectiveness of business processes and the consistency of the administrative processes. The risk control framework is implemented throughout the Group. The responsibility for the control system is primarily allocated to the operating companies, whereby we continuously aim for improvement of the internal control systems. The focus for 2020 will be on improvement of the internal control of the rail maintenance contracts and the quality of the financial function. Risk assessments are an integral part of the company's annual planning and control cycle, which is discussed with the shareholder on an annual basis. The risk control and auditing system for financial reporting is based on the central guidelines and procedures. Clear accounting rules are set out in the Strukton Reporting Manual and in a standard reporting structure.

External auditor

The external auditor annually completes auditing activities designed to issue an auditor's statement with the annual financial statements. The external auditor is appointed by the shareholders. In consultation with the auditor, both the Shareholder and the Supervisory Board annually determine the activities to be added to the work required pursuant to the auditor's statement. This may concern specific risks, business processes or sites where the Chairman of the Supervisory Board or the Shareholder require more in-depth auditing. Recommendations from external auditing activities at any level are reported to the Group Supervisory Board and the Group Executive Board, and followed up by the Group Executive Board.

Board regulations and authorised representatives

Board regulations apply to both the Chairman of the Group Executive Board and the Executive Boards of the operating companies. In addition to the necessary attention for tasks, responsibilities and authorisations to be obtained, this also records the rules relating to authorised representatives. Each of the Group Executive Board members separately is an authorised representative, as are any other officers appointed as an authorised representative by the Group Executive Board, subject to limitations as lodged with the Chamber of Commerce.

Reporting structure

Strukton's reporting structure is in line with the management of the separate operating companies. The Chairman of the Group Executive Board is responsible for the introduction and assurance of control effectiveness. The success of such controls is measured based on self-assessment by the Executive Board members of the business units and on frequently assuring the adequacy of the internal control system. The progress and development of the operational results, the liquidity and financial position of the company, the safety risks, operational and financial risks, and also the CSR results are set out in the periodical management reports. These are discussed at Group Board of Directors level during the quarterly meeting with the Executive Boards of the operating companies. The implementation of the strategy is achieved based on a number of improvement programmes focusing on the operational processes regarding tender management and project management, and also in the field of working capital and cash management.

The possible impact of COVID-19 for our company

As explained in the accounting policies in the section Financial risk management under Liquidity risk and explanation 28 Events after balance sheet date in the accounts, the COVID-19 outbreak and measures taken by the various governments following the outbreak, had limited impact for the Group in the first five months of 2020.

In addition to the known effects, the macroeconomic uncertainty leads to disturbance of the economic activity. The potential long-term consequences are unknown. The scale and duration of the pandemic remain insecure, but are expected to have further consequences for our business activities.
The main risks following the current insecure situation as to COVID-19 include:

- The supply chain consists of suppliers and subcontractors providing services or delivering goods for projects executed for principals. Strukton has not yet been confronted with substantial supply stops or problems by these suppliers, but Strukton keeps a critical eye on the involvement of subcontractors.
- The lockdowns and other measures provide a risk that projects will not take place, due to which revenue and profitability may decline. The gravity, moment of commencing and duration of the lockdowns and other factors will determine the impact on the revenue and profitability of the Strukton segments. The impact for the Rail Systems segment was significant in Italy. Within the segments, the productivity can be secured well with working at home. Particular services are identified as vital by the governments in various countries in which Strukton is operating. Projects have been discontinued or temporised in a limited number of cases. Though the revenue was held back in the month April, the revenue up to and including May 2020 was equal to the same period in 2019. The recurring operational result up to and including May 2020 is positive. The covenants were fully met in this period.
- Given the nature and size of Strukton's assets, the risk of special depreciations is limited.
- In several countries including the Netherlands, Belgium and Italy, Strukton has made use of support measures to compensate for personnel expenses. The support measures are temporary.
- For Financing and liquidity we refer to the sections Continuity of financing in the Report of the Supervisory Board and Cash Flow and Financing in the Message from the Board of Directors, and the explanations 14, 17 and 25 in the financial accounts.
- Working at home was (where possible) already an integrated part of Strukton's business operations before COVID-19. Processes and procedures are in place. The lockdown situations due to COVID-19 don't have material impact on these processes and internal control.

Though insecure, we do not believe that the COVID-19 virus will have a material negative impact on our financial condition or liquidity. See also the section Risk management in the financial accounts.

Conclusion

Based on the above systems, the frameworks applied and the relevant reporting structure, the risk control and auditing system has an adequate structure in our opinion, and has performed sufficiently in the past financial year. The focus in 2020 will be on improving the internal control of the rail maintenance contracts and the quality of the financial function.

In the Group Executive Board's opinion, the risk control and auditing systems of the financial reporting does not contain any material misstatements or errors, and the risk control and auditing systems were performed adequately during the reporting year. These systems significantly decrease the risk of wrong decisions, deliberately avoiding control processes and non-compliance with legislation and regulations. However, it is virtually impossible to know, fully describe and fully control all risks at any given time. The existing systems may not offer absolute certainty of not realising the targets and full prevention of material misstatements, loss, fraud or non-compliance with legislation and regulations.

Gerard Sanderink (Chairman)
Erik Hermsen
14 July 2020

Photo: Johann van Dijk

Photo: Chantal van den Berg. BouwPhotografe

11 Anual Report

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Consolidated statement of financial position (x EUR 1,000)

Activa

		31-12-2019*		31-12-2018	
	Non-current assets				
1.	Property, plant and equipment	136,025		142,161	
2.	Right-of-use assets	89,605		-	
3.	Intangible assets	57,083		58,889	
4.	Investment property	4,864		4,950	
5.	Associates and joint ventures	40,083		39,269	
6.	Other financial non-current assets	69,187		48,722	
7.	Deferred tax assets	42,752		45,355	
			439,599		339,345
	Current assets				
8.	Inventories	20,814		20,405	
9.	Trade and other receivables	407,279		483,189	
10.	Projects in progress	213,996		222,819	
	Tax on profit, receivables	9,247		15,866	
15.	Lease receivables	-		-	
11.	Cash and cash equivalents	217,481		232,277	
			868,817		974,556
	Total assets		**1,308,416**		**1,313,901**
	Equity				
	Issued share capital	2,269		2,269	
	Share premium reserve	49,000		39,000	
	Other reserves	153,324		152,809	
	Undistributed result	(19,970)		(4,496)	
12.	Total equity	184,623		189,582	
13.	Minority interests	929		41,036	
12.	Total Group equity		185,552		230,618
	Non-current liabilities				
12.	Subordinated loans	11,000		11,000	
14.	Non-current liabilities	203,450		182,562	
15.	Lease liability	59,495		-	
7.	Deferred tax liabilities	6,233		5,642	
16.	Provisions	116,331		92,941	
			396,508		292,145
	Current liabilities				
17.	Trade and other payables	473,686		511,144	
15.	Lease liability	32,155		-	
25.	Debts to financial institutions	55,348		60,191	
10.	Projects in progress	154,316		195,318	
	Income tax payable	4,163		8,928	
16.	Provisions	6,688		15,557	
			726,356		791,138
	Total liabilities		**1,308,416**		**1,313,901**

* After amendments to the accounting policies regarding Lease accounting (IFRS 16).
Also refer to paragraph 'Newly applied and revised standards and interpretations' in the accounting policies for financial reporting.

Consolidated statement of income (x EUR 1,000)

			2019*		2018
18.	**Revenue from contracts with customers**		**1,855,231**		**1,779,117**
19.	Cost of raw materials and consumables, equipment and outsourced work	977,834		950,713	
20.	Personnel expenses	519,858		498,029	
21.	Other operating costs	297,559		292,344	
	Total operating costs before depreciations		1,795,252		1,741,087
5.	Result investments/associates after taxes		2,339		7,117
	Operational result (EBITDA)		**62,319**		**45,148**
1.2.3.	Amortisation of intangible assets and depreciation of property, plant and equipment and right-of-use assets	56,274		28,312	
1.2.3.	Impairment of intangible assets and Property, plant and equipment and right-of-use assets	3		30	
			56,277		28,342
	Operating result (EBIT)		**6,041**		**16,806**
22.	Finance income	6,552		4,653	
22.	Finance costs	16,176		12,023	
			(9,625)		(7,370)
	Result before income tax (EBT)		**(3,583)**		**9,436**
23.	Taxes		16,166		9,594
	Result after taxes		**(19,749)**		**(158)**
	Attributable to:				
	Shareholders in the parent company		(19,970)		(4,496)
13.	Minority interest		221		4,338
	Result after taxes		**(19,749)**		**(158)**

* After amendments to the accounting policies regarding Lease accounting (IFRS 16).
Also refer to paragraph 'Newly applied and revised standards and interpretations' in the accounting policies for financial reporting.

Consolidated statement of comprehensive income (x EUR 1,000)

			2019*		2018
	Result after taxes		**(19,749)**		**(158)**
	Unrealised results that may be reclassified to the statement of income after initial recognition:				
12.	Changes in fair value of derivatives for hedge accounting	(773)		(1,994)	
	Effect of income tax	158		498	
			(615)		(1,496)
12.	Changes in fair value of derivatives for hedge accounting of joint ventures and associates	(73)		(119)	
	Effect of income tax	18		30	
			(55)		(89)
12.	Translation differences foreign currencies	144		204	
	Effect of income tax	-		-	
			144		204
	Comprehensive income to be reclassified to statement of income in future periods		**(526)**		**(1,381)**
	Unrealised results that will never be reclassified to the statement of income:				
12.	Movement in actuarial reserve	(12,929)		(2,939)	
	Effect of income tax	2,730		349	
			(10,199)		(2,590)
12.	Other changes	5		-	
	Effect of income tax			(1,186)	
			5		(1,186)
	Comprehensive income not to be reclassified to statement of income in future periods		**(10,194)**		**(3,776)**
	Total recognised income and expense for the reporting period		**(30,469)**		**(5,315)**
	Attributable to:				
	Shareholders in the parent company		(30,690)		(9,832)
13.	Minority interest		221		4,517
	Total recognised income and expense for the reporting period		**(30,469)**		**(5,315)**

* After amendments to the accounting policies regarding Lease accounting (IFRS 16).
Also refer to paragraph 'Newly applied and revised standards and interpretations' in the accounting policies for financial reporting.

Consolidated statement of movements in equity (x EUR 1,000)

		Issued and paid up capital	Share premium reserve	Translation reserve differences	Hedging reserve	Actuarial reserves	Retained profits	Undistributed earnings	Equity to be attributed to a shareholder's parent company	Minority interest	Total group equity
12.	**Equity as per 1 January 2018**	**2,269**	**39,000**	**(428)**	**(199)**	**(13,039)**	**179,044**	**(7,233)**	**199,414**	**36,760**	**236,174**
	Appropriation of 2017 profit	-	-	-	-	-	(7,233)	7,233	-	-	-
13.	Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(241)	(241)
	Result after taxes	-	-	-	-	-	-	(4,496)	(4,496)	4,338	(158)
	Unrealised results	-	-	50	(1,585)	(2,615)	(1,186)	-	(5,336)	179	(5,157)
	Total recognised income and expense for the reporting period	**-**	**-**	**50**	**(1,585)**	**(2,615)**	**(1,186)**	**(4,496)**	**(9,832)**	**4,517**	**(5,315)**
	Share premium	-	-	-	-	-	-	-	-	-	-
	Equity as at 31 December 2018	**2,269**	**39,000**	**(378)**	**(1,784)**	**(15,654)**	**170,625**	**(4,496)**	**189,582**	**41,036**	**230,618**

		Issued and paid up capital	Share premium reserve	Translation reserve differences	Hedging reserve	Actuarial reserves	Retained profits	Undistributed earnings	Equity to be attributed to a shareholder's parent company	Minority interest	Total group equity
12.	**Equity as per 1 January 2019**	**2,269**	**39,000**	**(378)**	**(1,784)**	**(15,654)**	**170,625**	**(4,496)**	**189,582**	**41,036**	**230,618**
	Appropriation of 2018 profit	-	-	-	-	-	(4,496)	4,496	-	-	-
	Result after taxes	-	-	-	-	-	-	(19,970)	(19,970)	221	(19,749)
	Unrealised results	-	-	144	(670)	(10,199)	5	-	(10,720)		(10,720)
	Total recognised income and expense for the reporting period	**-**	**-**	**144**	**(670)**	**(10,199)**	**5**	**(19,970)**	**(30,690)**	**221**	**(30,469)**
	Share premium	-	10,000	-	-	-	-	-	10,000	-	10,000
	Transactions with minority shareholders	-	-	-	-	-	15,731	-	15,731	(40,328)	(24,597)
	Equity as at 31 December 2019	**2,269**	**49,000**	**(234)**	**(2,454)**	**(25,853)**	**181,865**	**(19,970)**	**184,623**	**929**	**185,552**

Consolidated cash flow statement (x EUR 1,000)

			2019		2018
	Cash flow from operating activities				
	Result after taxes		(19,749)		(158)
	Changes without cash flows:				
	Depreciations, amortisations and impairments	56,361		25,296	
	Interest on income and expenses relating to lease	1,386		-	
	Other movements leases	(145)		-	
	Movements in provisions	2,159		9,412	
	Result on associates and joint ventures	(2,339)		(7,117)	
			57,422		27,591
	Dividend distributed by associates		7,412		4,839
	Interest income and costs		8,639		7,732
	Corporate tax		16,166		9,595
	Interest received		2,850		3,778
	Interest paid		(14,585)		(12,207)
	Corporate tax paid		(8,489)		(6,358)
	Negative goodwill from acquisition of group company		-		(2,417)
	Movements in working capital:				
	Inventories		(493)		1,609
	Projects in progress		(38,614)		(44,536)
	Receivables		71,251		7,490
	Current debts, excluding financial institutions		(21,613)		(17,111)
	Cash flow from operating activities		**60,197**		**(20,153)**
	Cash flow used in investing activities				
	Investment in intangible assets		(1,553)		(2,512)
	Investments in Property, plant and equipment		(21,496)		(22,782)
	Acquisitions/disposals of group companies and business combinations		-		(3,488)
	Acquisitions/disposals of associates		(2,464)		(818)
	Disposals of Property, plant and equipment, including other movements		132		1,424
	Other movements in shares in associates		(71)		(723)
	Increase of share in special purpose company		-		119,704
	Increase of PPP receivable		(22,750)		-
	Repayments on loans		5,590		-
	Decrease/increase in other financial non-current assets		(58)		585
	Cash flow used in investing activities		**(42,670)**		**91,390**
	Cash flow from financing activities				
	Subordinated loans taken out		-		-
	Repayments of subordinated loans		-		-
	Acquisition of non-controlling interest		(22,600)		-
14.	Long-term loans taken out		21,007		14,278
14.	Redemption of long-term loans		(6,044)		(4,438)
15.	Payment of lease liabilities		(30,691)		-
	Dividend paid		-		-
12.	Share premium		10,000		-
	Other movements		(265)		(1,571)
	Cash flow from financing activities		**(28,593)**		**8,269**
	Cash flow recapitulation				
	From operating activities		60,197		(20,153)
	From investing activities		(42,670)		91,390
	From financing activities		(28,593)		8,269
	Total net cash flow		**(11,066)**		**79,506**
	Liquidity opening balance		212,086		129,231
	Liquidity closing balance		202,133		212,086
	Exchange rate differences		(1,113)		(3,349)
26.	**Movements in liquidity**		**(11,066)**		**79,506**

Notes to the consolidated financial statements

Accounting policies

Reporting entity

Strukton Groep nv is a holding company that directly or indirectly holds a number of associates collectively known as Strukton. Strukton Groep has its registered seat and its actual offices in Utrecht, the Netherlands. The Company's 2019 consolidated annual financial statements pertain to the Company and its subsidiaries and Strukton Groep's stake in associates and entities over which it exercises control jointly with third parties. Strukton operates in the rail systems, civil infrastructure and technology and buildings markets. Paragraph 34 contains an overview of the group companies and associates; this also shows which companies are included in the consolidation. Statements of financial liability have been filed for a number of group companies (see page 112 and onwards). As at 31 December 2019, Oranjewoud nv owns all shares in Strukton Groep. On 20 December 2017, a Supervisory Board was appointed at Strukton Groep nv level

Principles

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use within the European Union (IFRS-EU). The consolidated annual financial statements are presented in euros, the Company's operational currency. All financial figures in euros are rounded off to the nearest thousand, unless where stated otherwise. The consolidated annual financial statements were prepared by the Board of Directors on 14 July 2020 and approved by the Supervisory Board members, and will be submitted to the General Meeting of Shareholders for adoption.

Going concern assumption

The 2019 annual financial statements of Strukton Groep were prepared on the basis of the going concern assumption. For further explanation of the underlying reasons, please refer to the paragraph 'Financial risk management'.

Accounting policies for the preparation of the consolidated annual financial statements

Unless stated otherwise, the consolidated annual financial statements have been prepared on the basis of historical cost.

The accounting policies described below have been applied consistently to the periods presented in these consolidated annual financial statements, with the exception of the standards and interpretations that have not yet been implemented. The financial information for Strukton Groep is included in the consolidated annual financial statements. Consequently, the Company annual financial statements contain only an abridged statement of income, making use of Section 402 of Book 2 of the Dutch Civil Code.

Newly applied and revised standards and

interpretations (IAS/IFRS)

Since the financial year 2019, Strukton Groep has applied IFRS 16. The nature and effect of the changes due to application of these new standards on the 2019 annual financial statements is set out below. Various other changes and interpretations were first applied in 2019, but have no impact on Strukton Groep's consolidated annual financial statements. The notes relating to IFRS 16 are set out in note 2 (right of use of assets) and note 15 (lease liability).

IFRS 16 Lease contracts

IFRS 16 has become applicable on 1 January 2019. IFRS 16 replaces the current standard, IAS 17, and the associated interpretations. The new standard requires systematic recognition of the rights and obligations associated with lease contracts. This implies that virtually all lease and property lease contracts in the balance sheet are stated under the lessee, similar to financial leases in accordance with IAS 17.

Lessees recognise a liability for lease payments with a corresponding right of use in the consolidated balance sheet, and separately recognise interest expenses and depreciations in the consolidated statement of income. The Group has elected not to recognise rights of use and lease liability for short-term lease contracts with a lease term of 12 months or shorter, and for leases of low value assets (less than USD 5,000). The Group recognises the lease payments relating to these leases on a straight-line basis over the term of the lease as an expense in the income statement. Lessor accounting is essentially the same as lessor accounting under IAS 17, resulting in a cumulative effect of nil.

The right-of-use assets have been adjusted for the amount of all prepaid lease payments that were included in the balance sheet at the time of the first application of IFRS 16. The following practical applications were used in determining the impact of IFRS 16:

- Use of a single discount rate for a portfolio of leases with similar characteristics.
- No new analysis performed to assess whether a lease is in effect at the date of transition.
- Base on previous assessments whether leases are onerous under IAS 37 at the time of initial application.
- Initial direct costs are excluded from the measurement of right-of-use assets.
- Leases with a remaining term of 12 months or shorter are defined as short-term lease contracts at the time of first application.
- Progressive insight is applied when measuring the lease liability.

Assets from leases previously classified as finance leases under IAS 17 have been reclassified from property, plant and equipment to right-of-use assets, with the carrying amount of the right of use (and lease liability) equal to the carrying amount of the lease asset (and lease liability) at the date before the date of first application of IFRS 16.

The cumulative effect of the implementation of IFRS 16 in the 2019 financial statements is as follows:

Consolidated statement of financial position (x EUR 1,000)

		31-12-2018	IFRS 16 impact	01-01-2019 Revised	31-12-2019 Before system change	IFRS 16 impact	31-12-2019 After system change
	Non-current assets						
1.	Property, plant and equipment	142,161	(3,544)	138,617	139,636	(3,611)	136,025
2.	Right-of-use assets	-	81,340	81,340	-	89,605	89,605
3.	Intangible assets	58,889	-	58,889	57,083	-	57,083
4.	Investment property	4,950	-	4,950	4,864	-	4,864
5.	Associates and joint ventures	39,269	-	39,269	40,083	-	40,083
6.	Other financial non-current assets	48,722	1,196	49,918	68,302	885	69,187
7.	Deferred tax assets	45,355	-	45,355	42,752	-	42,752
		339,345	78,992	418,337	352,720	86,879	439,599
	Current assets						
8.	Inventories	20,405	-	20,405	20,814	-	20,814
9.	Trade and other receivables	483,189	(1,200)	481,989	412,080	(4,801)	407,279
10.	Projects in progress	222,819	-	222,819	213,996	-	213,996
	Tax on profit, receivables	15,866	-	15,866	9,247	-	9,247
15.	Lease receivables	-	-	-	-	-	-
11.	Cash and cash equivalents	232,277	-	232,277	217,481	-	217,481
		974,556	(1,200)	973,356	873,618	(4,801)	868,817
	Total assets	**1,313,901**	**77,792**	**1,391,693**	**1,226,339**	**82,078**	**1,308,416**
	Equity						
	Issued share capital	2,269	-	2,269	2,269	-	2,269
	Share premium reserve	39,000	-	39,000	49,000	-	49,000
	Other reserves	152,809	-	152,809	153,324	-	153,324
	Undistributed result	(4,496)	-	(4,496)	(19,395)	(575)	(19,970)
12.	Total equity	189,582	-	189,582	185,198	(575)	184,623
13.	Minority interests	41,036	-	41,036	929	-	929
12.	Total Group equity	230,618	-	230,618	186,127	(575)	185,552
	Non-current liabilities						
12.	Subordinated loans	11,000	-	11,000	11,000	-	11,000
14.	Non-current liabilities	182,562	(1,638)	180,924	212,447	(8,997)	203,450
15.	Lease liabilities	-	57,429	57,429	-	59,495	59,495
7.	Deferred tax liabilities	5,642	-	5,642	6,233	-	6,233
16.	Provisions	92,941	-	92,941	116,331	-	116,331
		292,145	55,791	347,936	346,010	50,498	396,508
	Current liabilities						
17.	Trade and other payables	511,144	(2,613)	508,531	473,686	-	473,686
15.	Lease liabilities	-	24,614	24,614	-	32,155	32,155
25.	Debts to financial institutions	60,191	-	60,191	55,348	-	55,348
10.	Projects in progress	195,318	-	195,318	154,316	-	154,316
	Income tax payable	8,928	-	8,928	4,163	-	4,163
16.	Provisions	15,557	-	15,557	6,688	-	6,688
		791,138	22,001	813,139	694,201	32,155	726,356
	Total liabilities	**1,313,901**	**77,792**	**1,391,693**	**1,226,339**	**82,078**	**1,308,416**

Consolidated statement of income (x EUR 1,000)

		2019 Before accounting policy change		IFRS 16 impact		2019 After accounting policy change	
18.	**Revenue from contracts with customers**		**1,855,542**		**(311)**		**1,855,231**
19.	Cost of raw materials and consumables, equipment and outsourced work	977,834		-		977,834	
20.	Personnel expenses	532,790		(12,932)		519,858	
21.	Other operating costs	314,786		(17,227)		297,559	
	Total operating costs before depreciations		1,825,411		(30,159)		1,795,252
5.	Result investments /associates after taxes		2,339		-		2,339
	Operational result (EBITDA)		**32,471**		**29,848**		**62,319**
1.2.3.	Amortisation of intangible assets and depreciation of property, plant and equipment and right of use	27,137		29,137		56,274	
1.2.3.	Impairment of intangible assets and property, plant and equipment and right of use	3		-		3	
			27,140		29,137		56,277
	Operating result (EBIT)		**5,330**		**711**		**6,041**
22.	Finance income	6,552		-		6,552	
22.	Finance costs	14,890		1,286		16,176	
			(8,339)		(1,286)		(9,625)
	Result before income tax (EBT)		**(3,008)**		**(575)**		**(3,583)**
23.	Taxes		16,166		-		16,166
	Result after taxes		**(19,174)**		**(575)**		**(19,749)**
	Attributable to:						
	Shareholders in the parent company		(19,395)		(575)		(19,970)
13.	Minority interest		221		-		221
	Result after taxes		**(19,174)**		**(575)**		**(19,749)**

Under IFRS 16, the cost profile mostly focuses on the start of the reporting period. This is due to the fact that Strukton activates the right of use, which is depreciated on a straight-line basis, and by the fact that the financial charges decrease during the term of the lease. This effect is levelling off over the entire lease period and IFRS 16 will not affect Strukton's profitability, although EBITDA will increase as a result of changes in classification. Under IAS 17, Strukton recognised the lease costs in EBITDA. This changes under IFRS 16, with the exception of costs related to short-term lease contracts and 'low value' assets for which practical exceptions are applied, as costs related to leases are classified as depreciations and financial expenses.

The effect on the cash flow statement is as follows:

	2019 Before accoun-ting policy	IFRS 16 impact	2019 After accoun-ting policy
From operating activities	29,506	(30,691)	60,197
From investing activities	(42,670)	-	(42,670)
From financing activities	2,098	30,691	(28,593)
Total net cash flow	**(11,066)**	**-**	**(11,066)**

Off-balance-sheet commitments and security provided
Upon first adoption of IFRS 16, the Group recognised lease liability relating to leases previously classified as 'operating leases' in off-balance sheet commitments and collateral, in accordance with the principles of IAS 17.

The table below provides a reconciliation between the off-balance sheet commitments as at 31 December 2018 and the cumulative effect of the first-time adoption of IFRS 16 as at 1 January 2019. The differences are mainly caused by:

- Breaking down the rate into lease and non-lease components: In determining the off-balance sheet commitments and collateral provided, no separation was made between the lease and non-lease components. Under IFRS 16, however, this separation is made.
- Application of the exceptions: The Group has elected not to recognise rights of use and lease liability for short-term lease contracts with a lease term of 12 months or shorter, and for leases of low value assets. However, these agreements are included in the statement of off-balance sheet commitments and guarantees provided.

Off-balance-sheet liabilities and security provided as at 31 December 2018 based on IAS 17	109,552
Discounted based on the incremental interest rate as at 1 January 2019	**106,004**
+/+ financial lease contracts as at 31 December 2018	4,251
-/- short-term lease contracts	4,432
-/- lease contracts low-value assets	200
-/- cash value non-lease components	22,356
-/- lease term adjustment	(613)
+/+ measurement of purchase options	320
-/- other corrections	2,157
Lease liabilities as at 1 January 2019	**82,043**

Sensitivity analysis
In determining the present value of the lease liability, the marginal interest rate was applied. The effect of the incremental interest rate on the recognition of the lease agreements that were not recognised in the balance sheet under IAS 17 is as follows:

Marginal interest rate	Value of right of use	Value of lease liability	Impact of right of use	Impact of lease liability
-1%	79,789	79,789	(1,681)	(1,681)
-0%	78,108	78,108	-	-
+1%	76,512	76,512	(1,596)	(1,596)
+1%	74,989	74,989	(3,119)	(3,119)

The effect of the incremental interest rate on the closing balance sheet and the 2019 income statement is as follows:

Marginal interest rate	Value of right of use	Value of lease liability	Impact of right of use	Impact of lease liability	Costs 2019	Impact costs
-1%	87,932	84,330	1,946	1,660	30,138	(286)
-0%	85,986	82,670	-	-	30,424	-
+1%	84,116	81,078	(1,870)	(1,592)	30,700	276
+2%	82,335	79,557	(3,651)	(3,113)	31,011	587

Notes to the consolidated financial statements

IFRIC 23 'Uncertainty regarding tax positions'
IFRIC 23 interpretation on uncertainties regarding tax positions was issued. Strukton Groep has determined that, based on tax compliance and transfer pricing studies, it is probable that all tax positions (including for the group companies) will be accepted by the tax authorities. IFRIC 23 has no material impact on the consolidated financial statements of Strukton Groep. Apart from IFRIC 23, there are no other IFRS standards on IFRIC adjustments that have a material impact on Strukton Groep.

New standards and interpretations not yet applied
The following standards and interpretations, which were not yet mandatory as per 1 January 2019, have not been applied in these annual financial statements.

IFRS 17 Insurance contracts
This new standard relates to companies that issue insurance contracts. This standard contains a complete description of all aspects that apply to the recording and accounting of insurance contracts. This standard is not applicable to Strukton Groep.

Amendments to IFRS 3: Definition of a business
In the amended IFRS 3 standard (Business combinations) the definition of a business has been changed. This change helps companies to analyse whether a set of acquired activities or assets qualifies as a business. The amendment consists of the following elements:

- Further explanation of the criteria to be considered as a business
- The analysis of whether market players are able to replace missing elements is no longer necessary
- Instructions to help companies determine whether purchased processes are significant
- Tightening the definitions of a business and of output
- Introduction of an optional market value concentration test

The amendment is only effective for future transactions that take place after the amendment has been implemented and therefore has no effect on the financial statements of Strukton Groep.

Amendments to IAS 1 and IAS 8: Definition of equipment
The amendment to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' aims to use the definition of 'material' consistently throughout the standards and to clarify some aspects of the definitions. The new definition is as follows: Information is material if omission, misrepresentation or misappropriation of information reasonably affects the decisions of the primary users of financial statements'. This change is not expected to affect the financial statements.

▶ Accounting policies for consolidation

Subsidiaries (full consolidation)
Subsidiaries are entities in which the Company has a direct or indirect controlling interest. Controlling interest is achieved if Strukton Groep:

- has the power to direct the relevant activities of an organisation to acquire benefits from its activities
- is exposed to or entitled to a variable return on its investment in the organisation, and
- has the option of exercising its power to manage or influence the return

Subsidiaries are fully consolidated from the first date of decisive control being transferred to Strukton Groep. Deconsolidation is implemented on the first date where Strukton Groep no longer has decisive control.

Acquisition of subsidiaries is recognised by Strukton Groep based on the acquisition method. The transferred consideration is valued based on the fair value of the assets presented, the equity instruments issued as per the acquisition date, and the liabilities accepted or transferred. The transferred consideration also includes the fair value of the assets, fees and liabilities pursuant to contractual contingent liabilities. Transaction fees in the context of an acquisition are stated at the moment these are incurred and charged to the result.

The acquired identifiable assets and the accepted (contingent) liabilities are stated at fair value as per the acquisition date upon initial recognition in the annual financial statements. For each acquisition, Strukton Groep states any non-controlling interests at either the fair value or at the share of the non-controlling interest in the identified net assets of the party acquired.

If the transferred consideration, the non-controlling interest and the fair value as at the acquisition date of a share in the acquired party that existed on the acquisition date is higher than the fair value of Strukton Groep's share in the identifiable net assets, then the difference is stated as goodwill. If the transferred consideration is lower than the fair value of the identifiable net assets, the difference is directly taken to the statement of income.

Joint arrangements
Based on IFRS 11 'Joint arrangements', joint agreements are classified as 'joint venture' or as 'joint operation'. The classification depends on the rights and obligations of each shareholder or partner, and is not related to the legal form. Strukton Groep's consolidation includes both joint ventures and joint operations.

Joint operations
Joint operations are interests in entities in which Strukton Groep has contractually agreed to exercise joint control with third parties. Strukton Groep recognises its interest in the revenues and costs, and assets and liabilities of the joint operation and combines them, item by item, with the corresponding items in Strukton Groep's annual financial statements.

Joint ventures
Joint ventures are entities over which Strukton Groep exercises joint control with one or more third parties, with this control set out in an agreement. Strukton Groep is entitled to a share of the net profits generated by such entities and it is entitled to a share in the net assets. The joint ventures are recognised as associates in the consolidated annual financial statements using the equity method.

The valuation of the associates includes the goodwill as recognised upon acquisition, deducting any cumulative impairments. The parties involved concluded a contract agreeing to share control; any decisions relating to relevant activities require the unanimous approval of the parties who have joint control of the joint venture.

Associates
Associates are entities in which Strukton Groep has significant influence on the financial and operational policies, but in which it does not have a controlling interest and which are not joint ventures. The consolidated financial statements include Strukton Groep's share in the overall result of non-consolidated investments according to the equity method, after adjustment of the policies to bring them in line with Strukton Groep's policies, from the date on which significant influence by Strukton Groep commences until the date on which significant influence ceases. The valuation of the associates includes the goodwill as recognised upon acquisition, deducting any cumulative impairments.

Elimination of transactions on consolidation
Intra-group balances and any unrealised gains and losses on transactions within Strukton Groep or income and expenses from similar transactions are eliminated in the preparation of the consolidated annual financial statements. Unrealised gains and losses from transactions with associates and entities over which joint control is exercised are eliminated in proportion to Strukton Groep's share in the entity.

Accounting policies regarding measurement

Foreign currency transactions and investments in foreign activities
Foreign currency transactions are initially recognised at the exchange rate of the functional currency at the transaction date. Cash and cash equivalents, receivables, debts and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Any translation differences ensuing from the conversion are charged to the statement of income. This does not apply to the differences on loans denominated in foreign currencies as a hedge for an investment in foreign activities. Such differences are taken to the translation reserve of 'unrealised gains and losses' until the date the foreign activities are sold. On this date the amount (plus or minus) is taken to the statement of income.

The assets and liabilities of foreign activities are translated into euros at the applicable exchange rate at the balance sheet date. Exchange differences arising from this translation are taken to the translation reserve of 'unrealised gains and losses'. The translation differences are transferred to the statement of income on the full or partial disposal of foreign subsidiaries, joint operations, joint ventures and associates as a result of which Strukton Groep ceases to exercise decisive control. The income and expenses arising from foreign activities are converted to euros at a rate approximating the exchange rate on the transaction date.

Derivative financial instruments
Strukton Groep makes use of interest rate swaps, an overdraft facility and forward exchange contracts in order to hedge the interest rate risks pursuant to concern and project financing, and in order to hedge currency risks on future USD cash flows. The interest-rate swaps, the overdraft facility and forward exchange contracts are stated at fair value. This is equal to the present value of the projected cash flows.

Hedge accounting is applied for the interest rate swaps, the overdraft facility and forward exchange contracts. Changes in the fair value of interest rate swaps, the overdraft facility and forward exchange contracts that serve to hedge the interest rate risks and currency risks arising from future interest rate payments and future USD cash flows are taken directly to equity to the extent that the hedge can be classified as effective. The deferred amounts in equity are taken to the statement of income on the completion date of the forward exchange contracts and as soon as the hedged future interest coupons are taken to the result. For the portion of which the hedge effectiveness of the hedge cannot be shown, the change in the value is directly taken to the statement of income. If an interest rate swap is sold or terminated or if the hedge relationship is no longer effective, the cumulative gain or loss up to that point remains recognised in equity unless there is no longer an expectation of the original hedged future cash flows taking place. The results deferred in equity are then recognised immediately in the statement of income.

Property, plant and equipment
Company buildings and land
Company buildings are stated at cost less the annual straight-line amortisation based on expected useful life, taking into account any residual value and any cumulative depreciations. The useful life applied for company buildings is twenty-five years. In the event of major maintenance, the amount is capitalised and written off. Land is not subject to depreciation (with the exception of paving (10 years)).

Machines and installations, and other equipment
The equipment, instruments and other items (including inventories) are stated at cost less annual straight-line amortisation based on expected useful life, taking into account any residual value and any cumulative impairments. The cost also includes the cost of replacing parts of the equipment and instruments insofar as such costs fulfil the conditions for inclusion in the balance sheet, and financing fees for long-term projects if the capitalisation criteria are fulfilled. The useful life in years as applied is two to six years for equipment and instruments, and three to ten years for other items.

Assets under construction
Assets under construction are stated at the cost incurred and mainly consist of instalments for the acquisition of equipment that has not yet been commissioned.

No longer recognised in the balance sheet
A property, plant and equipment item is no longer recognised in the balance sheet if divested or if no more economic benefits are expected from use or divestment. Any proceeds or losses ensuing from removing the asset are taken to the statement of income of the year in which the asset is removed from the balance sheet. The residual values, the useful life and the valuation methods are assessed and where necessary adjusted as per the closing date of the financial year. When property, plant and equipment items consist of components that have different useful lives, these components are accounted for as separate items (key components) under Property, plant and equipment.

Leases

Initial recognition of right of use and lease liability
Rental and lease contracts are recognised in the balance sheet, which results in the recognition of a liability that represents the present value of

the future lease payments and the recognition of an asset that represents a right to use the leased asset during the lease term of the contract. Upon initial recognition, the right of use is measured at the amount of the initial measurement of the lease liability to which any lease payments are added on or before the effective date. Where applicable, initial direct costs incurred by Strukton Groep for the conclusion of the contract and mandatory estimated discounted costs for restoration and dismantling are included in the measurement of the right of use in accordance with the terms of the contract.

Lease payment
On initial recognition, the liability is equal to the present value of the future lease payments over the lease term. A distinction is made between lease and non-lease components of the lease payments. The value of the lease and non-lease components is determined on the basis of the relative stand-alone price of the various components. The non-lease components are not included in the measurement of the liability and are recognised directly in the income statement on a straight-line basis. The measurement of the lease components comprises the fixed payments, variable lease payments that depend on an index or percentage (initially measured by reference to the index or a percentage that was in effect on the effective date of the lease), the exercise price of a purchase option when it is reasonably certain that the option will be exercised, amounts expected to be payable by the lessee under residual value guarantees and payment of penalties for termination of the lease if the lease term reflects the lessee's exercising of an option to terminate the lease.

Determining the lease term
The lease term is equal to the non-cancellable period of the agreement, taking into account the legally enforceable renewal and termination options included in the agreement, if there is a reasonable assurance that these options will be exercised. The non-cancellable period ends when both the lessor and the lessee can terminate the contract.

Treatment of right of use after initial recognition
After initial recognition, the right of use shall be depreciated over the useful life of the underlying asset or, if shorter, the lease term. In the case of purchase options that are reasonably certain to be exercised, the depreciation period is equal to the useful life of the underlying asset. In this case, it is not permitted to make use of the exception for contracts with a short contract term (term of 12 months or less).

Treatment of liability after initial recognition
Subsequent to initial recognition, the lease liability is measured using a process similar to the amortised cost method using the discount rate, increasing the liability by the accrued interest resulting from discounting the lease liability at the inception of the lease, less any payments made. Interest expenses for the period, as well as variable payments not included in the initial measurement of the lease liability and incurred during the relevant period, are recognised as an expense.

Revaluation of lease liability
The lease liability is revaluated when the lease term, the estimate in the assessment of the reasonable nature of certainty of the exercise of an option, the estimate of the assessment of the probability of the residual value guarantee and/or the rates or indexes that are used to determine the future lease payments change. Revaluations resulting from an adjustment of the lease term or the estimation in the assessment of the reasonable nature of certainty of the exercise of the option use a revised discount rate for the revaluation. Revaluations arising from the assessment of the probability of the residual value guarantee and/or changes in the rates or indexes used to determine future lease payments are performed using the discount rate determined at initial recognition.

The difference with the lease liability prior to the revaluation is corrected on the capitalised right of use.

Contract amendments
A contract is considered amended if the scope of the contract changes and this change was not part of the original contract. The change is accounted for as a separate contract if the change results from an increase in the leased property and the change in price is equal to the stand-alone price of the additional leased asset. If the change is not accounted for as a separate contract, the lease liability is recalculated using a revised discount rate. The difference with the lease liability prior to the contract amendment is corrected on the capitalised right of use.

If there is a decrease in the leased property, this leads to a decrease in the right of use. Any profits or losses arising from this are taken directly to the profit and loss account.

Capitalised rights of use
Land
Land is leased mainly for the storage of equipment. Contracts are based on annual indexations. These are variable indexations that depend on the consumer price index. The initial measurement is based on the index as at the commencement date. At the time of indexation, the lease obligation is recalculated and the difference with the lease obligation prior to indexation is adjusted to the capitalised right of use.

Commercial property
The lease term is determined as described above. For a large part of the contracts, both the lessee's and lessor's approval is required for options to be exercised and therefore the non-cancellable period is equal to the end date without application of options in the contract.

Contracts are based on annual indexations. These are variable indexations that depend on the consumer price index. The initial measurement is based on the index as at the commencement date. At the time of indexation, the lease liability is recalculated and the difference with the lease obligation prior to indexation is adjusted to the capitalised right of use.

Machines and installations
The lease of machinery and equipment relates in particular to the lease of equipment such as forklift trucks and crane machines. The lease term is determined as described above. The lease of equipment includes purchase options under a number of contracts. If there is a reasonable degree of certainty that these purchase options will be exercised, the purchase options are taken into account in determining the lease obligation. In such cases, the depreciation period for the right of use is equal to the economic life of the asset. In the case of purchase options, no use is made of the practical application for not activating short-term lease contracts.

Cars
The lease of cars relates to the lease of passenger cars, delivery vans and trucks. The lease term is determined as described above. The lease term of these agreements is equal to the non-cancellable period included in the contract. The non-cancellable period is a standard period (from the start date of the contract) unless the contractually agreed mileage is reached at an earlier point in time.

Other
The other assets relate to various leased assets, which cannot be allocated to a specific category due to their diverse nature, such as the rental of video-conferencing equipment. The lease term is determined as described above. For the contracts, both the lessee's and lessor's approval is required for options to be exercised and therefore the non-cancellable period is equal to the end date without application of options in the contract.

Non-capitalised rights of use
The Group makes use of the exception rule not to recognise rights of use and lease liabilities for short-term lease contracts and leases of low-value assets. Short-term lease contracts are contracts with a lease term of 12 months or less and mainly concern the rental of tools and equipment. Low value assets include assets with a replacement value of less than EUR 5,000 and mainly concern the lease of printers and small mechanical tools. The Group recognises the lease payments relating to these leases as an expense on a straight-line basis over the term of the lease.

Intangible assets
Patents and intellectual property
Patents and intellectual property are stated at acquisition cost less the cumulative amortisation and any cumulative impairment losses. Patents are amortised on a straight-line basis over a five-year useful life. For intellectual property, a seven-year useful life is applied.

Software
Software is stated at statistical cost including the capitalised financing costs, deducting the annual straight-line amortisation based on expected useful life and any cumulative impairments. The useful life applied is two to five years.

Business combinations and goodwill
Business combinations are stated in accordance with the acquisition method. The acquisition cost is based on the total of the transferred consideration (determined at the fair value as at the acquisition date) and the amount of any non-controlling interest in the acquired party. For each business combination, the acquiring party states the non-controlling interest in the acquired party at either the fair value or a proportionate part of the net assets of the acquired party. Costs associated with the acquisition are directly charged to the statement of income.

If Strukton Groep acquires a company, it assesses the acquired financial assets and liabilities in the context of correct classification and allocation, such in accordance with the contractual terms and conditions, economic conditions and other applicable circumstances. This also includes the acquired party's separation of the contractual derivatives. If the business combination is structured in different phases, the fair value of the interest previously held by Strukton Groep in the acquired party is redetermined as at the acquisition date, taking any differences in the value to the statement of income.

Any conditional considerations to be transferred by Strukton Groep are stated at fair value as at the acquisition date. Subsequent changes in the fair value of the conditional consideration that is classed as an asset or liability is taken to the statement of income in accordance with IAS 39. If the conditional consideration is classed as equity, revaluation is subject to final settlement in the item Equity.

Goodwill is initially stated at cost, i.e. the amount by which the transferred consideration exceeds the balance of the acquired assets and liabilities. If this consideration is an amount lower than the fair value of the net assets of the acquired subsidiary, the difference is taken to the statement of income.

After initial recognition, the goodwill is stated at cost, less any cumulative impairment losses. In the context of the impairment test, the goodwill ensuing from a business combination as from the date of acquisition is allocated to the cash-generating units that are expected to benefit from the business combination, irrespective if the assets or liabilities of the acquired entity were allocated to these units.

If goodwill is a part of a cash-generating unit and a part of the business activity within this unit is divested, the goodwill relating to the divested activity is recognised in the carrying amount of the relevant activity in order to determine the divestment result. Goodwill divested in such circumstances is based on the relative ratio in values of the divested activity and the portion of the cash-generating unit that is retained.

Other intangible non-current assets
If separately identifiable intangible assets can be discerned upon acquisition of an entity, these are capitalised and amortised within the relevant applicable amortisation period. In this context, the value of a customer base is subject to application of an amortisation period ranging from 4 to 12 years, depending on the nature and expected 'churn rate'. The value of an order book is subject to an amortisation period of 6 months to 6 years. The amortisation period is assessed annually.

Investment property
Investment property is property which is held either to earn rental income or for capital appreciation, or for both. Investment property is carried at cost less cumulative depreciation and impairment.

Investment property for own use is recognised as property, plant and equipment. The fair value of the investment property is disclosed in the notes to the consolidated financial statements.
The fair value is defined as the price that would be received for the sale of an asset or would be paid for the transfer of a liability in a regular transaction between market parties on the valuation date.
The determination of the fair value is based on the assumption that the transaction for the sale of an asset or transfer of a liability takes place in the principal market for the asset or liability, or if there is no principal market, in the most favourable market for the asset or liability. The principal or most favourable market must be one to which Strukton Groep has access.

Depreciation is charged to the statement of income according to the straight-line method based on the estimated useful life of each component. Depreciation rates correspond to those of the categories of property, plant and equipment. The depreciation methods, useful lives and residual values are reassessed on the reporting date.

Non-current assets held for sale
Non-current assets (or groups of assets and liabilities being sold) of which the carrying amount is expected to be primarily realised through a sales transaction rather than through their continued use, are classified as 'held for sale'.
Immediately before this classification, the assets (or the components of a group of assets being sold) are revalued in accordance with Strukton Groep's accounting policies. The assets (or group of assets being sold) are stated at the lower of carrying amount and fair value (less the costs of selling).
An impairment loss on a group of assets held for sale is allocated to goodwill in the first instance, and subsequently in proportion to the remaining assets and liabilities. Impairment losses arising from the initial classification are taken to the statement of income.

Other financial non-current assets
Other non-current receivables
The other non-current receivables concern assets that are held within a business model designed to hold financial assets to receive contractual cash flows. Such cash flows exclusively concern repayments and interest payments on the principal outstanding. Such non-current receivables are initially recognised at the fair value of the relevant performance, and subsequently at amortised cost based on the effective interest rate method.

PPP receivables
PPP receivables (Public-Private Partnership receivables) concern concessions payments still due from public bodies (government authorities) for PPP concession projects. PPP receivables are recognised as financial non-current assets. This concerns assets that are held within a business model designed to hold financial assets to receive contractual cash flows. Such cash flows exclusively concern repayments and interest payments on the principal outstanding. Such non-current receivables are initially recognised at the fair value of the relevant performance, and subsequently at amortised cost based on the effective interest rate method.
The interest rate applied is (virtually) equal to the interest rate (after hedging) of the associated non-recourse PPP loan (PPP loan for which the borrower is not severally liable towards the financier).

Investments in equity instruments
Upon initial recognition, Strukton Groep may choose to irrevocably designate its investments in shares as equity instruments measured at fair value through unrealised gains and losses (FVOCI, Fair Value through Other Comprehensive Income) if they fulfil the definition of equity according to IAS 32 'Financial instruments: presentation' and are not held for trading purposes. The classification is determined on an instrument basis.
Gains and losses on such financial assets are never recycled into profit or loss. Dividends are recognised as other income in the statement of income if the right to receive payment is established. Strukton Groep chose to irrevocably designate the equity investments to this category.

Deferred taxes
Deferred tax assets and liabilities are recognised for temporary differences between the value of the assets and liabilities in accordance with the accounting principles for measurement and determining the result applied in these annual financial statements and in accordance with the tax policies, also for the portion of carry-over losses with a high probability of being realised against sufficient positive taxable results. For the initial measurement of assets and liabilities that have no impact on the result in the financial statements and on the fiscal result, no tax assets and liabilities are included.

The carrying amount of deferred tax assets is assessed on each balance sheet date and decreased insofar sufficient future taxable profits are not expected to be probable.
Deferred taxes are based on the rate that is likely to be applicable on the date of settlement according to the tax rules. Deferred taxes are recognised in the statement of income, excepting if related to items

Notes to the consolidated financial statements

that are recognised in the other comprehensive result. In such cases, the deferred taxes are also recognised as other comprehensive result.
If this results on balance in a deferred tax asset, it is recognised as a non-current asset. Deferred tax assets and liabilities are set off in a balance if there is a legally enforceable right to do so, if these are associated with tax on profit imposed by the same tax authorities, and if the Company has the legally enforceable right to set off the items on a net basis.

Impairments

Other financial assets
Strukton Groep created a provision for expected credit losses on any differences between the cash flows due according to the contract, and the cash flows that Strukton Groep expects to receive, discounted at the approximate original effective interest rate.
The amount of expected credit losses (or their reversal) is recognised as an impairment result in the statement of income.

Non-financial assets
The carrying amount of Strukton Groep's non-financial assets, except for inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If there are such indications, an estimate is made of the recoverable amount of the asset in question.
For goodwill and intangible assets with an indeterminate useful life or that are not yet available for use, an estimate of the recoverable amount is made at each reporting date. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which the asset belongs, is greater than the recoverable amount. Impairment losses are recognised in the statement of income. The recoverable amount of an asset or a cash-generating unit equals the higher of the value in use and the fair value net of selling costs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects both the current market assessments of the time value of money and the specific risks with respect to the asset.

Impairments of goodwill are not reversed (except for goodwill included in the carrying amount of associates). In the case of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the recognised loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and the net realisable value. The net realisable value is the estimated sales price in the normal conduct of business, less the estimated cost of completion and the cost of sales. The cost of the inventories is based on the average purchase price or cost price and includes expenditure incurred in acquiring the inventories and the associated costs of purchase.
The cost of inventories of finished products includes an appropriate share of the indirect overheads based on normal production capacity.

Projects in progress

Projects in progress concerns the gross amounts to be invoiced for the contract work performed until the reporting date still to be collected from the customer. This item is measured at the realised revenue less billed instalments.
Projects are presented in the statement of financial position as receivables from or payables to the customer based on the contract. A receivable is created if the realised revenue exceeds the amount of the billed instalments. If the realised revenue is lower than the invoiced instalments, it is a debt.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Impairments on work in progress and trade and other receivables
For work in progress and trade and other receivables, the Group applies the simplified approach for the measurement of expected credit losses. The Group uses a provisions matrix to calculate expected credit losses on construction contracts and trade and other receivables. Based on this matrix, expected credit losses for groupings of different customer segments are identified and, if credit losses are expected, construction contracts and trade and other receivables are impaired.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, deposits and cash balances. Amounts due to banks that are payable on demand and that form an integral part of the Company's cash management system are recognised in the statement of cash flows under the cash and cash equivalents.

Equity attributable to shareholders of the parent company

Reserves
The reserves consist of a share premium reserve, a translation reserve, a statutory reserve for associates, a hedging reserve and an actuarial reserve.
The share premium reserve is a reserve resulting from additional capital contributions by the shareholder. The translation reserve covers all the gains and losses from the translation of Strukton Groep's net investments in foreign subsidiaries. The statutory reserve for associates consists of results for associates that have not been paid out where such payments are bound by restrictions. The hedging reserve consists of the accumulated change in the fair value of hedging instruments before the hedged transaction actually takes places, or if the hedged position has not been terminated as yet. An actuarial reserve is formed for the cumulative change in the fair value of the pension liabilities arising from changes in the actuarial assumptions.

Retained earnings
The retained earnings comprise the cumulative results from previous financial years following deduction of dividend payments.

Minority interests

The 'Minority interests' item comprises the equity capital provided by third parties and relates to the non-controlling interests in consolidated associates.

Group equity

The group equity consists of the equity attributable to the shareholders of the parent company and minority interests.

Subordinated loans

A loan is classified as a subordinated loan if subordinated to other recognised liabilities.
Upon initial recognition in the annual financial statements, subordinated loans are stated at fair value (net of transaction fees) and subsequently at amortised cost using the effective interest method.

Non-current liabilities

The non-current liabilities consist of liabilities for financing property development, liabilities in financing public-private partnership projects, bank credit facilities, financial derivatives (the non-current portion) and other non-current liabilities.
On initial recognition in the consolidated annual financial statements, liabilities for financing property development, liabilities in financing public-private partnership projects, bank credit facilities and other non-current liabilities are valued at fair value (after deducting transaction fees).
Subsequently they are valued at amortised cost using the effective interest method. Transaction fees are depreciated over the duration of the loan. The share of non-current liabilities that must be repaid within one year is stated as a repayment liability of non-current liabilities in current debt. A liability is written off on the date the obligation expires, lapses or terminates.
Unconditional liabilities based on an option agreement are stated at the fair value. This fair value is calculated by discounting the nominal liability using a real interest rate.

Provisions

A provision is recognised in the balance sheet whenever Strukton Groep has a legally enforceable or de facto liability as a consequence of a past event, if that liability can be reliably estimated and it is more likely than not that the settlement of that liability will entail an outflow of funds. Provisions are determined by calculating the present value of the expected future cash flows. The applied discount rate is a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

Onerous contracts provisions
The Group applies the direct related cost method in measuring the loss on a contract.

The loss is recognised on the entire contract. This could imply that the profit on a performance obligation in an onerous contract, prior to realising the performance obligation, is already fully deducted from the loss of the other performance obligation(s).
The provision for onerous contracts represents the value of the loss to be produced.

Restructuring provisions
A restructuring provision is created if a detailed formal restructuring plan has been approved and those who will be affected have valid expectations that the restructuring will be effected, because the implementation of the plan has been started or the main features of the plan have been announced to those affected.

Employee benefits
a. Defined contribution plans
For defined contribution plans, Strukton Groep pays contributions on a mandatory, contractual or voluntary basis to pension funds or insurance companies. Strukton Groep has no further obligations beyond the payment of contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income when the contributions are due.

b. Defined benefit plans
Defined benefit plans lead to a fixed pay-out after termination of employment; the amount depends on factors such as salary, service years and accrual rate. Pursuant to IAS 19, Strukton Groep is required to create a provision for this fixed annuity after termination of employment. Strukton Groep's net liability on account of defined benefit plans is determined separately for each plan by estimating the pension entitlements that employees have accrued and will accrue pursuant to their services in the reporting period and previous periods. The present value of these pension entitlements is determined and the fair value of the plan assets is deducted from this amount. The discount rate is the yield as at the balance sheet date for blue chip corporate bonds with a maturity approximately the same as that of Strukton Groep's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method. This method allows for future increases in salary due to employees' promotions and general wage trends, including adjustments for inflation.
In the event of an improvement to pension entitlements under a plan, the portion of the improved pension entitlements relating to employees' past service is recognised immediately as an expense in the statement of income. Strukton Groep takes actuarial gains and losses with respect to defined benefit plans and the notional excess or deficit in return on investments directly to the other comprehensive income (OCI). The notional return on investments is determined based on the same discount rate used for interest accrual. If the fund assets exceed the liabilities, the recognised assets are limited to an amount that cannot exceed the present value of any future refunds by the fund or reductions in future pension contributions.

c. Other long-term employee benefits
Strukton Groep's net liability for other long-term employee benefits, with the exception of pension plans, is the amount of the future entitlements that employees have earned in return for their services in the reporting period and previous periods. Examples include jubilee benefits and bonuses. These liabilities are calculated using the projected unit credit method and are discounted to give the present value. The discount rate is the yield as at the balance sheet date for high-value government bonds with a maturity that approximates that of these long-term liabilities of Strukton Groep. Any actuarial gains or losses are recognised in the statement of income in the period in which they occur.

Guarantee commitments
A guarantee provision is recognised if the underlying projects or services have been sold and delivered. This provision is created for the costs that will have to be incurred to rectify deficiencies that become evident after the delivery, yet during the guarantee period. The provision is based on the best estimate for the cash outflow.

Other provisions
The other provisions comprise provisions for specific guarantees issued when associates are sold, risks of legal proceedings against Strukton Groep and/or its operating companies, redundancy arrangements and other relatively minor risks.

Trade and other payables, amounts payable to credit institutions and income tax payable
Trade and other payables, and amounts payable to credit institutions are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Any income tax payable is recognised at face value.

Revenue from contracts with customers
Projects for third parties, service and maintenance contracts
When determining the revenue recognition, the number of performance obligations in a contract is identified. Subsequently, the transaction price is determined. If the consideration promised in a contract includes a variable component, such as a performance bonus or penalty for delays, the amount of consideration to be received is estimated. In such an event, the variable component is measured using the expected value or the most likely amount, depending on the method that can be expected to best predict the amount of consideration that the entity will be entitled to. This method is subsequently applied throughout the contract.
An increase of the amount of consideration due to including or excluding the variable component may not take place until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration has been resolved.

After determining the amount of consideration, this consideration is allocated to the separate performance obligations. This allocation is based on determining the 'stand-alone selling price' for each performance obligation. The stand-alone selling price is measured based on the 'cost plus a margin' method, determining the cost based on the preliminary calculation as prepared during the tender phase. Subsequently, a customary margin is allocated.

Finally, revenue is recognised when transferring control of the goods or services to the customer against an amount reflecting the consideration that Strukton Groep expects to be entitled to in exchange for the relevant goods or services.
Strukton is active in developing, building, maintaining and operating infrastructure projects, buildings and technical installations and rail systems, that are in the principal's control. If the principal has control during the project, revenue recognition will be based on the completion rate of the project. Progress of the project is determined based on the input method, with project progress being measured based on the cost incurred by the entity in fulfilling a performance obligation. It is not permitted to recognise revenue for costs incurred that can be attributed to significant inefficiencies and that are not factored into the contract sum, as such costs do not contribute to progress regarding fulfilment of the performance obligation.

In the event of contract deviations, claims or any other changes in the scope of a contract or a (potential) change in the contract consideration, revenue relating to this modification will not be recognised until a written or oral agreement has been is reached.

If the date of transferring the performance obligation is not the same as the date of receiving the consideration, the time value of money is taken into account when recognising revenue. For this purpose, Strukton Groep makes use of the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if Strukton Groep expects that the period between the date on which the entity transfers a performance consideration and the date on which the customer pays for this performance obligation is no more than one year.

As a separate performance obligation does not apply, tender fees are recognised as part of the amount of consideration over the term of the contract in proportion with performances completed.

Revenue from sale of goods from inventories
The sale of goods from inventories primarily pertains to the sale of prefabricated concrete applications.
Revenue from sales from inventories are recognised in the statement of income when handing over control over the goods or services to the customer against an amount reflecting the consideration that Strukton Groep expects to be entitled to in exchange for the relevant goods or services.

Notes to the consolidated financial statements

Concessions
During the operational phase, revenues from concession management comprise:
- the fair value of the provision of the contractually agreed services; and
- the interest income related to the investment in the project.

Revenue is recognised based on the completion rate as soon as the related services are provided. Interest is recognised as finance income in the period to which it relates.

Other revenue
Other revenue includes transaction results of associates, property transaction results and Property, plant and equipment transaction results. Transaction results are recognised when handing over control of the associates, property, or property, plant and equipment items to the customer against an amount reflecting the consideration that the Group expects to be entitled to in exchange for the relevant items.

Expenses
Costs to obtain a contract
Costs incurred to be awarded a contract by a customer that would not have been incurred if the contract was not awarded, i.e. incremental acquisition cost of a contract are capitalised. If the conditions of incremental costs are not fulfilled, the cost incurred to win a contract are measured as an expense. For this reason, costs of winning a contract are charged to the result directly, unless such costs are explicitly chargeable to the customer, regardless of whether the contract is obtained.

Costs to fulfil the performance obligation
The costs to fulfil a future performance obligation are capitalised if such costs are directly related to an existing contract or specific anticipated contract, provided that these costs are expected to be recovered.

Operating costs
Operating costs are allocated to the year these are related to.

Lease payments under operating leases
In the comparing figures, the lease payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

Public-private partnerships (concessions)
The costs incurred for proposals for PPP projects are in principle charged to the result, unless such costs are explicitly charged to the customer, regardless of whether the contract is obtained. If such costs are chargeable to the customer, regardless of whether the contract is obtained, these costs are capitalised as soon as it is probable that the contract will be obtained.

Finance income and expenses
Finance income comprises interest received on invested funds, exchange rate gains, and gains on hedging instruments that are recognised in the statement of income.
Finance expenses comprise interest payable on borrowings, interest added to provisions, exchange rate losses, impairment losses on financial assets and losses on hedging instruments that are recognised in the statement of income.

Government grants
Government grants are recognised if there is reasonable certainty that the entity will comply with the conditions attached to them and that the grants will be received. If the government grant concerns an investment grant, it is deducted from the book value of the asset. Operational grants are deducted from the costs to which they relate.

Income tax
Income tax comprises the payable and offsettable income tax relating to the period under review and deferred income tax. The income tax is recognised in the statement of income, except if it relates to items recognised directly in equity, in which case the tax is charged to equity. The current tax payable and offsettable is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax assets and liabilities are recognised for temporary differences between the value of the assets and liabilities in accordance with the accounting principles for valuation and determining the result applied in these annual financial statements and in accordance with the tax policies. Deferred tax liabilities are not recognised for the following temporary differences: the initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that do not involve a business combination and that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries and entities over which joint control is exercised to the extent that they are unlikely to be settled in the foreseeable future. Deferred Tax Liabilities are measured using tax rates expected to apply when the temporary differences are reversed, based on legislation enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available for the realisation of the temporary difference. At each reporting date, deferred tax assets are reviewed and reduced to the extent that it is no longer probable that the corresponding tax benefit will be realised.
Additional income tax on account of dividend payments is recognised at the same time as the obligation to pay the dividend in question.
Strukton Groep nv constitutes an independent tax group together with most of its 100 domestic subsidiaries.

Information per segment
For management purposes, Strukton Groep has a segmented structure based on its products and services. The income statement and a number of balance sheet items are presented for each segment. This structure is supported by the management reporting structure, with the afore-mentioned divisions reporting to Group management entirely separately. The management monitors the operating results of the segments separately to support decision-making regarding allocation of resources and assessment of the results. The segment results are assessed on the basis of the operating result determined in accordance with the operating result in the consolidated annual financial statements. The management of Group financing and income tax is conducted at Group level. Prices for transactions between segments are determined at arm's length.

Policies for the consolidated statement of cash flows
The statement of cash flows is prepared according to the indirect method. Cash flows in foreign currencies are translated at the exchange rate that applies on the transaction date. For associates, this is based on the average exchange rate during the financial year. The inventories, receivables, debts, provisions, and debts to credit institutions included in acquisitions are incorporated in the statement of cash flows under investing activities. The acquisition cost paid for acquired associates (after deduction of the purchased cash and cash equivalents), and the selling price received for divested associates, are recognised in the cash flow from investment activities. Income on the basis of interest, dividends and income taxes are included in the cash flow from operations. Transactions that do not involve an exchange of money are not recognised in the statement of cash flows. Amounts owing to banks that are payable on demand and that form an integral part of the Company's cash management system are recognised in the statements of cash flows under the cash and cash equivalents item.
Lease payments are split into an interest component and a repayment component. Both components are included in the cash flow from financing activities. The costs relating to short-term lease liabilities and the costs of low-value leasing assets are included in the cash flow from operating activities.

▶ Significant estimates and assumptions in the consolidated annual financial statements
The preparation of the consolidated annual financial statements requires the management to make judgements, estimates and assumptions that influence the application of the accounting principles and the reported values of assets and liabilities and of income and expenses. The estimates and corresponding assumptions are based on experiences from the past and various other factors that could be considered reasonable under the circumstances. The actual outcomes may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised or in future periods if the revision has consequences for these periods. The key elements of uncertainty in the estimates are as follows.

Assumptions when determining revenue recognition from contracts with customers
When recognising revenue from contracts with

customers, the contract consideration must be determined. This consideration may also include variable components, such as a performance bonus or penalty for delays. If the consideration promised in a contract includes a variable component, the amount of consideration to be received is estimated. In such an event, the variable component is measured using the expected value or the most likely amount, depending on the method that can be expected to best predict the amount of consideration that the entity will be entitled to. This method is subsequently applied throughout the contract. An increase of the amount of consideration due to including or excluding the variable component may not take place until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration has been resolved. Pursuant to IFRS 15, the threshold to recognise positive variable considerations is therefore relatively high. Nevertheless, this variable component is subject to management estimates.

In the event of changes in the scope of a contract or a (potential) change in the contract consideration, revenue relating to this modification will not be recognised until a written or oral agreement has been reached. If this agreement is reached but no agreement was reached about the consideration, the recognition will not take place until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty regarding the consideration for the contract modification has been resolved. In practice, this means that considerations for requests for change or claims cannot be recognised until a written or oral agreement has been reached on the nature of the change and the relevant consideration.

When allocating the contract consideration to the separate performance obligations, the stand-alone selling price of the performance obligations must be determined.
This stand-alone selling price is measured based on the 'cost plus a margin' method, determining the cost based on the preliminary calculation as prepared during the tender phase. Subsequently, a customary margin is allocated. Both the measurement of the cost and the measurement of the margin are subject to the management's estimates.

Revenue recognition is based on the input method, with project progress based on the cost incurred by the entity in fulfilling a performance obligation in proportion with the total forecast project cost. The total project cost is subject to accounting estimates. Such accounting estimates are subject to more uncertainty as:

- the agreed contract form entails more risk for the contractor. After all, in a design & construct contract the contractor also bears the design risk. In a DBMO contract, the contractor is also responsible for maintenance and operations;
- the contract is still at an early stage in the design or realisation process. When a provisional design is being worked out in detail to create the final design, it may be necessary to deviate considerably from the provisional design (for instance because the initial solution turns out to be not feasible, because the soil conditions are better or worse than expected, or because the dialogue with stakeholders turns out to be much more complicated, and therefore more costly, than anticipated). Numerous risks may also emerge during the execution phase that are for the account of the contractor. It should however be noted that such deviations can be either positive or negative;
- the contract term is longer, whereby the estimate of the final amount of work is inherently subject to greater uncertainty.

Corporate income tax

Measured deferred tax assets due to tax loss carried forward are subject to the management's estimates in terms of future taxable results to be achieved.

Strukton operates in various countries. Tax legislation and guidelines vary for each country. Tax treaties between various countries do not always offer full prior certainty about the effects and solutions of tax issues. When determining the tax position, it is possible that assumptions must be made. If such assumptions may lead to uncertainties regarding the correctness of the tax position recognised, this is explained in the Notes to the annual financial statements.

Defined benefit plans and deferred employee benefits

The most important actuarial principles at the basis of the recognised pension commitments and other employee benefits are included in the notes to the relevant items. All assumptions, forecasts and expectations applied as a basis for accounting estimates in the consolidated annual financial statements reflect the actual outlook of Strukton Groep as accurately as possible.

Goodwill

Goodwill is subject to annual impairment tests. An assessment is made of the expected cash flows per business unit based on the business plans drawn up for the next five years. A weighted average cost of capital (WACC) is determined for each business unit on the basis of a representative peer group. The expected cash flows and the WACC form the basis of the discounted cash flow method for the goodwill test. Strukton Groep has developed a standard method for this.

The lease term

The lease term is equal to the non-cancellable period of the agreement, taking into account the legally enforceable renewal and termination options included in the agreement, if there is a reasonable assurance that these options will be exercised. The non-cancellable period ends when both the lessor and the lessee can terminate the contract. For each contract, we assess whether there is a reasonable degree of certainty that options will be exercised.

Impairments non-financial assets

In order to ascertain whether assets are impaired it is necessary to make an estimate of the recoverable amount. The recoverable amount of an asset or a cash generating unit equals the higher of the value in use and the fair value net of cost of selling. If possible, the fair value net of cost of selling is calculated on the basis of a binding sales contract in an arm's length and objective transaction between independent parties. If there is no binding sales contract, but the asset is traded on an active market, the fair value net of cost of selling is equal to the market price of the asset net of cost of selling. If there is neither a binding sales contract nor an active market for an asset, the fair value net of cost of selling is based on the best information available to agree a price that could be achieved at the balance sheet date from the sale of the asset in a transaction between properly informed, willing and independent parties, net of the cost of selling. When calculating this value, account is taken of the results of recent transactions involving similar assets in the same business sector. In determining the value in use, the present value of estimated future cash flows is calculated using a discount rate that reflects both the current market rate and the specific risks relating to the asset. The cash flow forecasts are based on reasonable and substantiated assumptions representing the best estimates by the management of the economic circumstances that will exist during the residual useful life of the asset.

Agency contracts

Strukton Groep makes use of agency contracts.
In view of the increased risk regarding corruption inherently associated with these contracts, Strukton annually conducts a risk analysis regarding corruption, and defined a policy for countering corruption. 'Tone at the top' and making employees more 'corruption-proof' are key pillars of Strukton's anti-corruption policy, as are the mechanisms of internal procedures regarding anti-corruption and integrity. Improving compliance and risk management is a continuous process therefore. Compliance officers were appointed and trained, and employees who are involved in international tenders or are being awarded orders receive training regarding compliance. Best practices regarding compliance and duty of care are discussed with similar companies. Agency contracts set out provisions regarding mandatory disclosure, anti-corruption and compliance with the Code of Conduct Honest Business Practice .
Strukton Groep also conducts background checks of its foreign agents. Invoices and payments are intensively checked using the four-eyes principle before executing any payment transactions. Strukton aims to comply with all anti-corruption legislation and regulations at all times, preventing corruption and the potential ensuing criminal proceedings and loss of reputation.

Determination of the term of lease contracts

When determining the term of lease contracts, the legally enforceable options set out in the agreement should be taken into account if there is a reasonable degree of certainty that the option will be exercised.

The determination of the probability that an option will be exercised is subject to the management's assessment.

Determining the incremental interest rate
Determining the incremental interest rate is a key factor in the measurement of the lease. When determining the incremental interest rate, the following components should be taken into account:

- the credit rating of the company
- the contractual lease term
- the amount of the lease liability
- the applicability of guarantees
- the economic conditions

Strukton calculated the incremental interest rate based on the following steps:

1) Determining the reference rate: This reference rate is determined on the basis of the government bonds (of the various countries in which Strukton operates) on the date on which the asset was made available. This was based on government bonds with a term of five years. This term was applied because the vast majority of the lease agreements within Strukton have an average term between 3 and 5 years.
2) Determination of the financial spread ('finance spread adjustment'): The determination of the finance spread adjustments, was based on credit spreads set out in the financing agreements of the various countries.

Lease specific adjustment: The leases are secured loans because the risk of bad debt is lower due to the fact that the lessor owns the underlying assets. The finance spread adjustments applied in step 2 relate to loans based on collateral. As a result, no additional adjustment was made. The weighted average interest rate used to determine the cumulative effect of first-time adoption of IFRS 16 is 1.5 .
A sensitivity analysis is included in the Notes to the newly adopted and revised standards and interpretations.

Financial risk management

Strukton Groep applies a policy focusing on maximum limitation and control of current and future risks, minimising the financial cost. This is based on general control measures, such as internal procedures and instructions and specific measures designed to control the specified risks.
Strukton Groep's financial risks mainly concern credit risks, interest rate risks, currency risks, liquidity risks and inflation rate risk.
The risk of fluctuations in currency exchange rates and interest rates is hedged with a range of derivatives, transferring the risks that apply to the primary financial instruments to other contract parties. Interest rate and currency risks are mainly centrally managed. No speculative positions are held.

Credit risk

Most of the principals are public organisations (government bodies), which implies minimum credit risk. For orders from private principals in excess of a certain limit, the credit risk is a factor in the contract assessment. Additionally, the orders are invoiced in advance in proportion to progress in the projects. The cash and cash equivalents available are held with financial institutions with a high credit rating.

Interest rate risk

Loans with a variable interest rate are exposed to the risk of changes in cash flows due to interest rate changes. Strukton Groep's policy is designed to conclude long-term loans at a fixed interest rate. Interest rate swaps are concluded to achieve fixed rates. The interest rate risk relating to financing the long-term PPP projects is always hedged with interest rate swaps.

Currency risk

The bulk of Strukton Groep's operations take place in the euro zone. Additionally, 2013 saw the commencement of the metro project in Riyadh, Saudi Arabia. Strukton Groep's currency risk relates to its foreign subsidiaries in Scandinavia and in Riyadh (Saudi Arabia). For the metro project in Riyadh, the currency risk in respect of a high percentage of the future cash flows is hedged in USD. Additionally, incidental positions in foreign currencies are hedged using forward exchange contracts. The foreign currency risks on the equity of foreign subsidiaries and long-term loans provided to such subsidiaries, the so-called translation risk, is not hedged.

Liquidity risk

The liquidity risk is the risk of Strukton Groep being unable to meet its financial obligations on the due dates. Liquidity management is based on having adequate liquidity to fulfil both current and future financial obligations in regular and special circumstances, without incurring unacceptable losses or jeopardising Strukton Groep's reputation. Using progressive liquidity forecasts, Strukton Groep assesses the adequacy of liquidity levels. Relating to long-term contracts, principals are usually requested to pay instalments to allow for financing of the project costs.

On 13 April 2018, Strukton concluded a new financing arrangement for the Dutch companies with a term of three years with two one-year extension options. The liquidity levels were assured based on a committed facility for the Dutch companies amounting to EUR 115 million (2018: EUR 115 million). This facility fully consists of a current account facility of EUR 115 million. Additionally, the total of guarantee facilities amounts to EUR 282.5 million (EUR 75.1 million of which covers the Riyadh metro project). No mandatory repayments apply during the contract period.

In addition to the committed facility for the Dutch companies, Strukton Groep has facilities in Italy, Sweden, Belgium and Denmark. Furthermore, Strukton Groep has some separate facilities for Dutch companies. The key facilities in Italy, Sweden and Denmark are specified separately below:

The facility in Italy can be specified as follows:

- Current account facility of EUR 74.4 million (2018: EUR 73.1 million). EUR 15.5 million of this total was withdrawn (2018: EUR 12.5 million).
- Loan facility EUR 38.2 million (2018: EUR 12.8 million). This was fully withdrawn.
- Bank guarantee facility EUR 110.2 million (2018: EUR 109.5 million), EUR 63.6 million is in use (2018: EUR 60.6 million).
- Factoring contracts EUR 29.6 million (2018: EUR 21.5 million), EUR 29.6 million (2018: EUR 21.5 million) is in use.

In Sweden/Denmark, Strukton Groep has the following facilities:

- Current account facility SEK 125 million (2018: SEK 125 million). An amount of SEK 27.4 million was withdrawn (2018: SEK 35.2 million).
- Bank guarantee facility SEK 646.0 million (2018: SEK 735 million). An amount of SEK 492.0 million was withdrawn (2018: SEK 357.4 million).

Based on the liquidity forecasts and the agreed financing, the Board of Directors of Strukton expects to have sufficient financial room to implement the business plan. Realisation of the liquidity forecast is strongly dependent on the development of external market conditions, order intake, development of project results and the net working capital.

Strukton does not have any specific indications that certain market conditions, such as price development with both customers, and suppliers and contractors, or agreements with suppliers and credit insurers, are developing in any way unfavourably. This also applies to the order intake and timely conversion into sales and development of project results within the expected bandwidths.

The Strukton Executive Board identified various measures that may ensure additional financial room. These measures concern, among other things:

- Quicker invoicing, better payment conditions and collection of invoices, improving the working capital
- Securing dividends from non-credit base subsidiaries, associates and related investments
- Sales of specific assets

In May 2020, an additional premium share amounting to EUR 20 million was paid by Oranjewoud nv. In June 2020, Strukton Groep extended the current financing by 6 months until October 13, 2021. The facility was set to the amount of EUR 80 million as from that date. The key components of the financing are set out in the annual financial statements. Long-term refinancing is planned for 2021.

Based on the financing arranged in 2018 and the extension in June 2020, the business plan (taking into consideration the identified vulnerabilities), measures to create additional financial room, and the results already realised, the Board of Directors of Strukton Groep expects that the Company will be able to remain within the margins of its credit and guarantee facilities and achieve the agreed covenants.

The agreed covenants are:

- Leverage ratio (of the Dutch Credit Base)
- Minimum EBITDA level (of the Dutch Credit Base)
- Interest cover ratio (of the Dutch Credit Base)
- Solvency ratio (of Strukton Groep excluding the Riyadh metro project)

Collateral has been provided to the banks for establishing the facility. This means that the majority of Strukton Groep's assets is pledged to the banks that provided the committed facility.

COVID-19

The COVID-19 outbreak has rapidly developed in 2020, resulting in a high number of infections. The measures taken by governments to control the pandemic are having an impact on economic activity. Strukton has taken various measures to assess and mitigate the impact of COVID-19. It has also implemented health and safety measures (social distancing and working from home) for its employees, and measures to secure the supply of materials necessary for our production processes.

We are currently able to carry out our work at most sites. The government in the Netherlands designated the public transport, healthcare and transport sectors as essential service sectors. Strukton works on vital technical infrastructure such as railroads, road infrastructure, hospitals and other healthcare institutions. In order to help minimise the impact of COVID-19 on society, it is important to both principals and Strukton to ensure the continuation of the works as much as possible. This applies to most of the countries in which Strukton operates. We are confronted with a broader decline in activities only in Italy and Belgium, where Strukton is more focused on projects.

Governments in the countries in which we are active have announced and proven to implement support measures. The effects of the COVID-10 outbreak for our results and liquidity can be limited as a result. We are currently investigating to which extent we can draw upon this government support in the countries in which we are active. We have drawn upon government support in countries including the Netherlands, Belgium and Italy. Support was granted and received. We will follow the policies and advice of the various national institutes and at the same time do our utmost to carry out our activities in the best and safest possible way, without endangering the health of our employees.

The main risks following the current insecure situation as to COVID-19 include:

- The supply chain consists of suppliers and subcontractors providing services or delivering goods for projects executed for principals. Strukton has not yet been confronted with substantial supply stops or problems by these suppliers, but Strukton keeps a critical eye on the involvement of subcontractors.
- The lockdowns and other measures provide a risk that projects will not take place, due to which revenue and profitability may decline. The gravity, moment of commencing and duration of the lockdowns and other factors will determine the impact on the revenue and profitability of the Strukton segments. The impact for the Rail Systems segment was significant in Italy. Within the segments, the productivity can be secured well with working at home. Particular services are identified as vital by the governments in various countries in which Strukton is operating. Projects have been discontinued or temporised in a limited number of cases. Though the revenue was held back in the month April, the revenue up to and including May 2020 was equal to the same period in 2019. The recurring operational result up to and including May 2020 is positive. The covenants were fully met in this period.
- Given the nature and size of Strukton's assets, the risk of special depreciations is limited.
- In several countries including the Netherlands, Belgium and Italy, Strukton has made use of support measures to compensate for personnel expenses. The support measures are temporary.-
- For Financing and liquidity we refer to the sections Continuity of financing in the Report of the Supervisory Board and Cash Flow and Financing in the Message from the Board of Directors, and the explanations 14, 17 and 25 in the financial accounts.
- Working at home was (where possible) already an integrated part of Strukton's business operations before COVID-19. Processes and procedures are in place. The lockdown situations due to COVID-19 don't have substantial impact on these processes and internal control.

Though insecure, we do not believe that the COVID-19 virus will have a substantial negative impact on our financial condition or liquidity.

Inflation rate risk

The long-term contracts generally include indexations for the principal. Incidentally, the inflation rate risk is hedged based on an inflation rate swap.

Capital management

The Executive Board's policy is designed to maintain a strong equity position, enabling Strukton Groep to assure the trust of principals, creditors and the markets, fulfil requirements ensuing from bank covenants and ensure future development of the business activities. Capital consists of issued and paid-up capital, retained earnings, share premium reserve, hedging reserve, translation reserve, statutory reserve and an actuarial reserve.

Notes to the consolidated financial statements (x EUR 1,000)

01. Property, plant and equipment

	Land	Property	Plant and installations	Other equipment	Assets under construction	Total
As at 1 January 2018						
Cost		64,524	334,946	47,067	6,917	462,098
Cumulative depreciation and impairment		29,182	252,681	38,510	-	321,379
Carrying amount		**35,342**	**82,265**	**8,557**	**6,917**	**140,719**
2018						
Carrying amount as at 1 January 2018	**7,637**	**35,342**	**82,265**	**8,557**	**6,917**	**140,719**
Acquisitions	-	60	485	49	-	594
Investments	-	16	20,457	3,992	(1,666)	22,798
Disposals	-	5	487	22	-	514
Impairments	-	-	-	-	-	-
Depreciation and amortisation	1	1,969	19,000	2,771	-	23,741
Translation differences	-	-	(353)	(4)	(15)	(372)
Deconsolidation	-	-	-	-	-	-
Other changes	-	2	(7)	132	2,550	2,676
Carrying amount as at 31 December 2018	**7,636**	**33,446**	**83,360**	**9,933**	**7,785**	**142,161**
As at 31 December 2018						
Cost	8,643	64,597	355,041	51,214	7,785	487,281
Cumulative depreciation and impairment	1,007	31,151	271,681	41,281	-	345,120
Carrying amount	**7,636**	**33,446**	**83,360**	**9,933**	**7,785**	**142,161**
2019						
Carrying amount as at 1 January 2019	**7,636**	**33,446**	**83,360**	**9,933**	**7,785**	**142,161**
Effect of changes to accounting principles	-	-	(3,544)	-	-	(3,544)
Carrying amount as at 1 January 2019 (revised)	**7,636**	**33,446**	**79,816**	**9,933**	**7,785**	**138,617**
Acquisitions	-	-	-	-		-
Investments	-	168	19,479	2,364	(515)	21,496
Disposals	-	8	371	12	-	391
Impairments	-	-	-	-	-	-
Depreciation and amortisation	1	1,891	18,611	2,899	-	23,401
Translation differences	-	-	(164)	0	5	(158)
Deconsolidation	-	-	-	-	-	-
Other changes	(10)	(7)	(47)	(74)	-	(138)
Carrying amount as at 31 December 2019	**7,625**	**31,708**	**80,103**	**9,313**	**7,276**	**136,025**
As at 31 December 2019						
Cost	8,633	64,750	370,395	53,492	7,276	504,545
Cumulative depreciation and impairment	1,008	33,042	290,292	44,179	-	368,521
Carrying amount	**7,625**	**31,708**	**80,103**	**9,313**	**7,276**	**136,025**

The 2019 investments mainly relate to the Rail Systems segment.

The item Machines and installations includes:
- Machines and installations for production
- Equipment used in the realisation of works
- Office inventories, computer systems, telecom systems etc.

The majority of Property, plant and equipment items serve as collateral to banks and/or other providers of loan capital. This collateral was provided mainly in the context of the committed bank facilities.

The depreciation terms are based on expected economic life.
- Commercial property 25 years
- Land not (paved areas are subject to depreciation)
- Machines and instruments 2 to 6 years
- Assets under construction not
- Other 3 to 10 years

Notes to the consolidated financial statements (x EUR 1,000)

02. Right-of-use assets

2019	Land	Property	Plant and installations	Cars	Other	**Total**
Carrying amount as at 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**
Effect of changes to accounting principles	3,253	36,939	6,504	34,623	21	81,340
Carrying amount as at 1 January 2019 (revised)	**3,253**	**36,939**	**6,504**	**34,623**	**21**	**81,340**
Acquisitions	-	-	-	-	-	-
Additions	115	1,672	17,257	14,340	22	33,406
Contract terminations	-	-	-	-	-	-
Contract modifications	-	-	-	-	-	-
Revaluations	(11)	4,211	-	9	-	4,209
Impairments	-	-	-	-	-	-
Depreciation and amortisation	1,070	11,135	2,967	14,317	16	29,505
Translation differences	1	131	-	22	-	154
Deconsolidations	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Carrying amount as at 31 December 2019	**2,288**	**31,818**	**20,794**	**34,677**	**27**	**89,605**

The depreciation periods are based on the lease contract term:

- Company buildings 5 - 10 years
- Land 5 - 10 years
- Machines and instruments 4 years
- Cars 5 years
- Other 3 years

Some of the assets that are leased are sub-leased to third parties. The agreements have been reviewed and classified as operating leases. The total revenue from these subleases during 2019 amounts to EUR 0.3 million.

The payment obligations corresponding with the lease contracts are recognised in current debts and non-current liabilities. For more information relating to these lease liabilities, please refer to section 15 Lease liabilities'.

Notes to the consolidated financial statements (x EUR 1,000)

03. Intangible assets

	Goodwill	Other intangible assets	Total
As at 1 January 2018			
Cost	95,836	89,558	185,394
Cumulative depreciation and impairment	51,499	78,521	130,020
Carrying amount	**44,337**	**11,037**	**55,374**
2018			
Carrying amount as at 1 January 2018	**44,337**	**11,037**	**55,374**
Acquisitions	935	6,041	6,976
Investments	-	2,051	2,051
Disposals	-	-	-
Impairments	30	-	30
Depreciation and amortisation	2	4,464	4,466
Translation differences	(227)	(22)	(249)
Other changes	1	(767)	(766)
Carrying amount as at 31 December 2018	**45,014**	**13,875**	**58,889**
As at 31 December 2018			
Cost	96,545	96,860	193,405
Cumulative depreciation and impairment	51,531	82,985	134,516
Carrying amount	**45,014**	**13,875**	**58,889**
2019			
Carrying amount as at 1 January 2019	**45,014**	**13,875**	**58,889**
Acquisitions	-	1	1
Investments	-	1,553	1,553
Disposals	-	-	-
Impairments	3	-	3
Depreciation and amortisation	-	3,263	3,263
Translation differences	(100)	(2)	(102)
Other changes	-	8	8
Carrying amount as at 31 December 2019	**44,911**	**12,172**	**57,083**
As at 31 December 2019			
Cost	96.445	98.420	194.865
Cumulative depreciation and impairment	51,534	86,248	137,782
Carrying amount	**44,911**	**12,172**	**57,083**

Strukton Groep performs an annual impairment test on the capitalised goodwill of cash generating units. The value in use is based on the discounted cash flow method, which is based on unlimited economic life. The cash flows are based on the five-year business plans prepared by the relevant business unit. This is based on stabilisation and limited growth in the sub-segments. The management's expectation is based on historical data, order portfolios, assessments and external information. The business plans applied do not include any acquisitions. For each cash generating unit, a discount rate, the WACC (weighted average cost of capital) is determined, based on a representative peer group.
The forecast is based on the cash flows before tax.
The cash flows are discounted at a gross WACC (pre-tax WACC). The WACC applied for 2019 sets out the IFRS 16 impact. In accordance with IAS 36.44, the forecast years were abstracted from expansion investments.

Goodwill per cash-generating unit		**31-12-2019**	**31-12-2018**
Strukton Worksphere bv	Netherlands	20,999	20,999
Strukton Rail AB	Sweden	4,631	4,718
Strukton Rail Västerås AB	Sweden	687	700
Siebens Spoorbouw BVBA	Belgium	294	294
Terracon Molhoek Beheer bv	Netherlands	3,831	3,831
GBN Groep bv	Netherlands	153	153
Strukton Milieutechniek bv	Netherlands	1,441	1,441
Van Rens bv	Netherlands	148	148
Strukton Civiel Zuid bv	Netherlands	5,971	5,971
Promofer S.r.l.	Italy	580	580
Costruzioni Linee Ferroviarie S.p.A.	Italy	5,542	5,542
A1 Electronics Netherlands bv	Netherlands	628	628
Buca Electronics bv	Netherlands	6	9
		44,911	**45,014**

The key assumptions and the quantification method for each cash generating unit are:

	Strukton Worksphere bv	Strukton Rail AB (Sweden), Strukton Rail Västerås AB (Sweden)	Terracon Molhoek Beheer bv	Grondbank Nederland/ Milieu-techniek/ Van Rens	Strukton Civiel Zuid bv	Costruzioni Linee Ferroviarie S.p.A.	Siebens Spoorbouw BVBA	Promofer S.r.l.
WACC (before taxes)								
Financial year 2018	12.8%	13.5%	13.0%	11.9%	12.0%	17.4%	14.4%	17.0%
Financial year 2019	11.2%	11.2%	11.2%	11.2%	11.0%	14.8%	12.1%	14.7%
Average annual sales growth business plan period								
Financial year 2018	(1.2%)	1.0%	(0.2%)	2.8%	2.4%	(1.1%)	3.8%	0.1%
Financial year 2019	(4.6%)	2.8%	5.4%	9.0%	3.2%	(0.1%)	3.8%	2.0%
Sales growth residual value period								
Financial year 2018	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Financial year 2019	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

The table below shows the impact on the realisable values in millions of euros in the impairment test for the sensitive cash-generating units for changes in the assumptions if the other assumptions remain unchanged.

	Strukton Worksphere bv	Strukton Rail AB (Sweden), Strukton Rail Västerås AB (Sweden)	Terracon Molhoek Beheer bv	Grondbank Nederland/ Milieu-techniek/ Van Rens	Strukton Civiel Zuid bv	Costruzioni Linee Ferroviarie S.p.A.	Siebens Spoorbouw BVBA	Promofer S.r.l.
WACC + 1%								
Financial year 2018	(7.0)	(6.6)	(1.0)	(0.7)	(1.9)	(4.5)	(0.2)	(0.2)
Financial year 2019	(8.1)	(10.3)	(1.2)	(0.9)	(4.2)	(7.9)	(0.3)	(0.2)
WACC - 1%								
Financial year 2018	8.7	8.1	1.3	0.9	2.5	5.3	0.3	0.2
Financial year 2019	9.9	10.3	1.5	1.1	5.1	9.0	0.3	0.2
No perpetual growth								
Financial year 2018	(2.0)	(1.8)	(0.4)	(0.2)	(0.8)	(0.9)	(0.0)	(0.0)
Financial year 2019	(2.5)	(3.6)	(0.4)	(0.3)	(2.0)	(1.4)	(0.6)	(0.1)

Strukton Worksphere bv

The test was performed on future cash flows within the Netherlands. The outcome of the calculation of the realisable value is above the Company's book value by EUR 48.7 million including the goodwill recognised. If the adjustment in the key variables is improbably high, the realizable value will still not drop below the Company's book value. Strukton Groep therefore has not implemented any impairment to Strukton Worksphere bv's goodwill in this financial year.

Strukton Rail AB (Sweden), Strukton Rail Västerås AB (Sweden)

The projects, assets and personnel of Strukton Rail Västerås AB were transferred to and merged with Strukton Rail AB after the acquisition on 8 January 2014. The impairment test was therefore based on the consolidated statements of Sweden. The test was performed on the future cash flows within Sweden.
The outcome of the calculation of the realisable value is above the Company's book value by EUR 64.6 million including the goodwill recognised. If the adjustment in the key variables is improbably high, the realizable value will still not drop below the Company's book value. Strukton Groep has not implemented any impairment to Strukton Rail AB and Strukton Rail Västerås AB's goodwill in this financial year.

Terracon Molhoek Beheer bv

The test was performed on the future cash flows in the Netherlands. The outcome of the calculation of the realisable value is above the Company's book value by EUR 0.9 million including the goodwill recognised. If the WACC is increased to above 11.9 , the realisable value will drop below the Company's book value. Strukton Groep has not implemented any impairment to Terracon Molhoek's goodwill in this financial year.

Strukton Milieutechniek bv

The test was performed on the future cash flows in the Netherlands. The outcome of the calculation of the realisable value is above the Company's book value by EUR 6.7 million including the goodwill recognised. If the adjustment in the key variables is improbably high, the realizable value will still not drop below the Company's book value. Strukton Groep has not implemented any impairment to Strukton Milieutechniek bv's goodwill in this financial year.

Strukton Civiel Zuid bv

The test was performed on the future cash flows in the Netherlands. The outcome of the calculation of the realisable value is above the Company's book value by EUR 34.6 million including the goodwill recognised. If the adjustment in the key variables is improbably high, the realizable value will still not drop below the Company's book value. Strukton Groep has not implemented any impairment to Strukton Civiel Zuid bv's goodwill in this financial year.

Costruzioni Linee Ferroviarie S.p.A.

The test was performed on the future cash flows in Italy. The outcome of the calculation of the realisable value is above the share in the Company's book value by EUR 13.4 million including the goodwill recognised. If the WACC is increased to above 16.6 , the realisable value will drop below the Company's book value. Strukton Groep has not implemented any impairment to Costruzioni Linee Ferroviarie S.p.A.'s goodwill in this financial year.

Sensitivity analysis

If the gross WACC is 1% point higher than set out above, the cash value of the total cash flows will decrease by approximately EUR 33.1 million. If the gross WACC is 1 point lower than set out above, the cash value of the total cash flows will increase by approximately EUR 39.7 million. Without factoring in a growth rate, the cash value of the total cash flows will decrease by approximately EUR 10.8 million.

04. Investment property

	2019	2018
As at 1 January 2019		
Cost	6,046	6,044
Cumulative depreciation and impairment	1,096	991
Carrying amount	**4,950**	**5,053**
Movements during the financial year		
Carrying amount as at 1 January 2019	**4,950**	**5,053**
Acquisition of subsidiaries	-	-
Investments	-	-
Disposals	-	3
Impairments	-	-
Depreciation and amortisation	105	105
Translation differences	-	-
Deconsolidation	-	-
Other changes	19	5
Carrying amount as at 31 December 2019	**4,864**	**4,950**
As at 31 December 2019		
Cost	6,065	6,046
Cumulative depreciation and impairment	1,201	1,096
Carrying amount	**4,864**	**4,950**

As at 31 December 2019, the fair value of the investment properties amounts to EUR 4.9 million (2018: EUR 5.0 million). This value is based on the valuation reports prepared by certified experts.
Over 2019, Strukton Groep received EUR 0.5 million for the management of the properties (2018: EUR 0.4 million).
The depreciation periods are based on the expected useful life.

- Foundation / skeleton / other 50 years
- Roofs / heating / ventilation 15 years
- Frames / exterior walls / gas / electrics / lifts 25 years

05. Associates and joint ventures

	Operations	Main registered office	Strukton's share 31-12-2019	Strukton's share 31-12-2018
GBN Artificial Grass Recycling bv	Artificial turf recycling	Utrecht	55%	
Eurailscout	Rail infrastructure maintenance	Utrecht	50%	50%
Tubex	Foundation works	Oostburg	50%	50%
DMI GmbH	Concrete injection and sealing works	Berlijn		50%
Aduco Holding bv	Civil engineering activities	Haarlem	25%	25%
APA bv	Production and sale of road construction products	Amsterdam	25%	25%
APRR bv	Production and sale of road construction products	Rotterdam (NLD)	25%	25%
Bituned bv	Trade oil and other bituminous products	Reeuwijk	50%	50%
NOAP BV	Production and sale of road construction products	Heerenveen	50%	50%
Dual Inventive bv	Services and products for rail works	Oisterwijk	50%	50%
Fast Consortium LLC	Construction of Riyadh metro	Riyad	18%	18%
Exploitatiemaatschappij A-Lanes A15	Management and maintenance of infrastructure and civil works	Nieuwegein	50%	33%
R Creators bv	DBFMO for de Knoop government offices	Utrecht	80%	80%
Strukton Arrigoni SpA	Construction activities and construction materials	Santiago	50%	50%

Strukton Groep has joint control of Fast Consortium LLC with the other consortium parties. Major operational decisions are subject to unanimity.

2018	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Balance	Balance proportional to share	Revenue from contracts with customers	Result after taxes	Result after taxes proportional to share	Unrealised gains and losses	Overall result after taxes	Cash and cash equivalents	Finance income	Finance costs	Corporate income tax liability	Dividend	Depreciations
Dual Inventive bv	2,992	6,640	1,342	550	7,740	3,870	1,302	1,036	518	-	1,036	582	-	(4)	(270)	-	816
A1 Electronics																	
Netherlands bv	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eurailscout Inspection																	
& Analysis bv	14,628	24,994	9,760	9,398	20,464	10,232	6,384	(188)	(94)	-	(188)	8,632	26	(376)	(1,208)	-	4,412
Tubex bv	1,930	1,586	1,680	176	1,660	830	4,092	(92)	(46)	-	(92)	(78)	-	10	(34)	-	144
DMI Geräte GmbH	4,610	94	1,594	-	2,660	1,330	7,190	880	440	-	880	1,876	2	2	376	1,700	60
Aduco Holding bv	5,288	1,894	1,424	764	4,994	1,249	12,729	828	207	-	828	668	-	(31)	(383)	1,132	569
APA bv	6,575	4,001	2,525	785	7,266	1,817	22,426	1,960	490	-	1,960	1,651	-	(1)	650	1,200	404
APRR bv	4,914	4,577	1,299	855	7,337	1,834	23,228	1,404	351	-	1,404	727	-	(1)	476	600	868
Bituned bv	5,979	84	2,126	73	3,864	1,932	42,047	760	380	-	760	2,524	4	-	238	600	26
NOAP bv	36	-	-	-	36	18	-	34	17	-	34	-	-	-	-	-	-
Fast Consortium LLC	263,351	3,169	210,275	3,362	52,884	9,498	703,434	27,198	4,885	-	27,198	24,791	-	-	6,299	10,195	3,684
Exploitatie Maatschappij																	
A-Lanes A15 bv	20,469	258	13,208	-	7,519	2,506	44,121	-	-	-	-	3,958	-	1	-	-	69
R Creators bv	718	64,762	6,080	57,292	2,108	1,686	5,569	780	624	-	780	19	2,673	1,900	178	-	-
Strukton Arrigoni SpA	-	-	1,800	-	(1,800)	(900)	-	(3,958)	(1,979)	-	(3,958)	-	-	-	-	-	-
Other						3,367			1,324	(89)							
TOTAL						**39,269**			**7,117**	**(89)**							

2019	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Balance	Balance proportional to share	Revenue from contracts with customers	Result after taxes	Result after taxes proportional to share	Unrealised gains and losses	Overall result after taxes	Cash and cash equivalents	Finance income	Finance costs	Corporate income tax liability	Dividend	Depreciations
Dual Inventive bv	4,504	7,428	2,276	644	9,012	4,506	4,590	1,222	611	-	1,222	3,260	-	(4)	(328)	-	950
GBN Artificial Grass																	
Recycling bv	4,617	2,602	4,219	-	3,000	1,650	3,340	-	-	-	-	4,099	-	-	-	-	39
Eurailscout	19,288	23,258	12,786	11,618	18,142	9,071	31,970	(2,234)	(1,117)	-	(2,234)	11,910	(380)	(274)	176	-	4,314
Tubex bv	3,600	1,422	2,566	192	2,264	1,132	8,010	368	184	-	368	(150)	-	28	88	-	218
Aduco Holding bv	5,782	2,374	2,127	933	5,096	1,274	11,597	1,143	286	-	1,143	1,250	-	33	334	1,044	152
APA bv	8,304	4,079	3,230	277	8,876	2,219	26,015	2,809	702	-	2,809	2,273	3	-	778	1,200	450
APRR bv	6,414	3,710	3,209	219	6,696	1,674	20,010	758	190	-	758	(827)	-	3	243	1,400	816
Bituned bv	5,023	69	1,640	75	3,377	1,689	76,262	1,111	556	-	1,111	5,366	2	-	710	1,600	38
Fast Consortium LLC	376,096	2,428	322,791	3,257	52,477	9,425	718,054	11,001	1,976	-	11,001	28,619	-	-	3,079	14,204	4,081
Exploitatie Maatschappij																	
A-Lanes A15 bv	17,360	211	10,053	-	7,518	3,759	15,580	-	-	-	-	2,883	-	-	-	-	59
R Creators bv	476	61,878	(193)	60,822	1,725	1,380	4,096	215	172	-	215	-	2,211	2,138	109	-	-
Other						2,305			(1,220)	-							
TOTAL						**40,083**			**2,339**	**-**							

The item Other in 2018 and 2019 concerns several relatively small, non-consolidated participating interests of the road construction companies and Strukton International.

The movement in the value of associates was as follows:	**2019**	**2018**
As at 1 January (revised)	**39,269**	**36,867**
Exchange rate differences	(16)	-
Increase due to increase of share	3,497	2,018
Decrease due to decrease of share	133	1,327
Result on current year	2,339	7,117
Dividend paid	7,412	4,839
Other movements	2,539	(567)
As at 31 December	**40,083**	**39,269**

Actual and unrealised gains and losses of the associates:	**2019**	**2018**
Actual result	2,339	7,117
Unrealised result	-	(89)
Total result	**2,339**	**7,028**

This increase is mainly due to the new participation in GBN Artificial Grass Recycling bv (EUR 1.7 million) and the increased participation in Exploitatiemaatschappij A-lanes A15 bv EUR 1.3 million). Most of the result is generated by the Fast Consortium LLC (EUR 2.0 million). Most of the dividends were paid out by DMI GmbH (EUR 3.0 million) and Fast Consortium LLC (EUR 2.6 million). The other movements mainly consist of impairment of non-consolidated participations not recognised in the result.

06. Other financial non-current assets

	Non-current receivables	PPP receivables	Investments in equity instruments	Non-current Financial derivatives	Total
As at 1 January 2018	**13,361**	**2,159**	**1,810**	**385**	17,715
Investments	-	-	-	-	-
Disposals	-	-	-	-	-
Acquisition of subsidiaries	-	31,956	-	-	31,956
Loans granted	5	-	-	-	5
Repayments on loans	1,391	443	-	371	2,205
Translation differences	-	-	-	-	-
Deconsolidation	-	-	-	-	-
Interest accruals	-	817	-	-	817
Movement in fair value	-	-	-	-	-
Other changes	(10)	444	-	-	434
As at 31 December 2018	**11,965**	**34,933**	**1,810**	**14**	**48,722**
As at 1 January 2019	**11,965**	**34,933**	**1,810**	**14**	**48,722**
Effect of changes to accounting principles	1,196				1,196
As at 1 January 2019 (revised)	**13,161**	**34,933**	**1,810**	**14**	**49,918**
Investments	-	-	-	-	-
Disposals	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
Loans granted (increase of PPP receivable)	103	22,647	-	-	22,750
Repayments on loans	5,123	453	-	14	5,590
Translation differences	-	-	-	-	-
Deconsolidation	-	-	-	-	-
Interest accruals	-	2,145	-	-	2,145
Movement in fair value	-	-	-	-	-
Other changes	(301)	265	-	-	(36)
As at 31 December 2019	**7,840**	**59,537**	**1,810**	**-**	**69,187**

The PPP receivables concern fees to be received pursuant to concession agreements in the Netherlands. The term of the various PPP receivables is approximately 25 years. Most of the amount of such receivables has a term longer than five years. Given the character of the contract parties, the credit risk is estimated at nil. (See also note 25).

The expansion of PPP receivables in 2018 due to the acquisition of subsidiaries is related to the acquisition of the remaining 50 share in MEET Strukton Holding bv (formerly StruktonHurksHeijmans Holding bv) from Hurks and Heijmans. In 2019, the PPP receivables relating to MEET Strukton Holding bv will increase further by EUR 17.7 million as a result of the completion rate.

The 10 investment in Voestalpine Railpro bv is recognised in Investments in equity instruments. This investment is allocated irrevocably to fair value via the unrealised gains and losses (FVOCI), as in the Group's opinion, this concerns a strategic investment. In 2019, the Group received a EUR 0.3 million dividend from Voestalpine Railpro bv (2018: EUR 0.4 million).

07. Deferred tax assets and liabilities

	Receivables		Liabilities		Balance	
	31-12-2019	**31-12-2018**	**31-12-2019**	**31-12-2018**	**31-12-2019**	**31-12-2018**
Property, plant and equipment	694	695	2,083	1,131	(1,389)	(436)
Intangible assets	-	-	1,923	2,137	(1,923)	(2,137)
Construction projects in progress / trade receivables	2,362	2,772	2,063	2,087	299	685
Financial derivatives	8	10	-	181	8	(171)
Value for tax purposes of recognised tax loss carried forward	30,515	32,260	-	-	30,515	32,260
Service anniversary commitments	43	41	-	-	43	41
Pension commitments	8,810	6,095	-	-	8,810	6,095
Group companies	-	3,324	-	-	-	3,324
Other	320	158	164	106	156	52
Total	**42,752**	**45,355**	**6,233**	**5,642**	**36,519**	**39,713**

Movements 2018 relating to the balance of tax assets and liabilities

	Balance as at 01-01-2018	Recognised in tax expense 2019	Recognised in unrealised the results	Other movements	Balance as at 31-12-2018
Property, plant and equipment	(3,023)	2,587	-	-	(436)
Intangible assets	(2,594)	457	-	-	(2,137)
Projects in progress	(1,791)	2,476	-	-	685
Financial derivatives	(706)	37	498	-	(171)
Service anniversary commitments	70	(29)	-	-	41
Pension commitments	5,755	(30)	370	-	6,095
Group companies	4,054	(730)	-	-	3,324
Other	-	52	-	-	52
	1,765	4,820	868	-	7,453
Value for tax purposes of recognised tax loss carry forward	37,706	(4,260)	(1,186)	-	32,260
Total	**39,471**	**560**	**(318)**	**-**	**39,713**

Movements 2019 relating to the balance of tax assets and liabilities

	Balance as at 01-01-2019	Recognised in tax expense 2019	Recognised in unrealised the results	Other movements	Balance as at 31-12-2019
Property, plant and equipment	(436)	(953)	-	-	(1,389)
Intangible assets	(2,137)	214	-	-	(1,923)
Projects in progress	685	(386)	-	-	299
Financial derivatives	(171)	3	176	-	8
Service anniversary commitments	41	2	-	-	43
Pension commitments	6,095	(15)	2,730	-	8,810
Group companies	3,324	(3,324)	-	-	-
Other	52	104	-	-	156
	7,453	(4,355)	2,906	-	6,004
Value for tax purposes of recognised tax loss carry forward	32,260	(1,745)	-	-	30,515
Total	**39,713**	**(6,100)**	**2,906**	**-**	**36,519**

The value for tax purposes of tax loss carried forward in 2019 amounted to EUR 30.5 million (2018: EUR 32.3 million). This mainly concerns the measurement of negative pre-tax loss for the Dutch tax group in the financial years 2013, 2014, 2015 and 2018. Based on a management estimate of the future taxable results, the receivable was written down by EUR 5.0 million in 2019. The offsettable loss can be expected to be partially offset against future profits and the realisation of hidden reserves. This has been substantiated by means of business plans and realistic estimates by management. The losses are expected to be realised over a period of 8 years and therefore the majority of the tax asset is classed as long-term.

At the end of 2019, Strukton Groep had a total amount of EUR 78.7 million (2018: EUR 26.8 million) of off-balance offsettable losses. Various foreign participating interests have a total tax loss carry-forward of EUR 49.8 million (2018: EUR 26.8 million). For this amount, no deferred tax receivable was recognised as no future profit is expected.

The current portion of the value for tax purposes of the recognised tax loss carried forward as at 31 December 2019 amounts to EUR 0.2 million (2018: EUR 1.5 million).

The measurement of the Dutch deferred tax assets and liabilities factors in the change in the corporate income tax rates from 25.0 in 2019 to 21.7 in 2021.

08. Inventories

	31-12-2019	31-12-2018
Raw materials and consumables	11,770	13,097
Finished goods	2,978	3,281
Merchandise	5,337	3,297
Property	730	730
	20,814	**20,405**

The unsold property items concern land positions and expenses incurred for property development projects in progress. The write-down on inventories in 2019 was EUR 0.8 million, which mainly related to the category Goods for resale.

09. Trade and other receivables

	31-12-2019	31-12-2018
Trade receivables	270,075	305,038
Receivables from related parties	1,996	821
Other receivables and accrued income	135,208	177,330
	407,279	**483,189**

The other receivables and accrued income mostly concern instalments of work in progress for projects already completed. Furthermore, an item of EUR 19.5 mln (2018: EUR 53.0 million) is stated in Other receivables and accrued income; this pertains to prepayments to contractors in the context of the Riyadh metro project. Remaining receivables and accrued income concern receivables from combinations, prepaid taxes and social insurance, and various other types of prepaid amounts.
For risk management, see the accounting policies and for default risk, paragraph 25.

10. Projects in progress

	31-12-2019	31-12-2018
Cost, plus or minus realised result	4,896,633	4,652,482
Less: Billed instalments	4,836,953	4,624,982
	59,680	**27,500**
The result of Projects in progress is specified as follows:		
Positive balance projects in progress	213,996	222,819
Negative balance projects in progress	154,316	195,318
	59,680	**27,500**

The positive balance of work in progress includes all projects in progress where the costs incurred plus or less the actual result recognised exceed the billed instalments. The positive balance Work in progress is stated in current assets. The negative balance of work in progress includes all projects in progress where the costs incurred plus or less the actual result recognised are lower than the billed instalments. The negative balance of Work in progress is stated in current liabilities. Major long-term projects are generally financed with loan capital. This means the billed instalments on such projects exceed the costs incurred. In 2019, pre-financing on the Riyadh metro project in particular will decrease by EUR 45.0 million. The positive balance of projects in progress mainly consists of short-term projects.

11. Cash and cash equivalents

	31-12-2019	31-12-2018
Balance of cash and cash equivalents	**217,481**	232,277

Cash and cash equivalents comprise bank balances, deposits and cash balances. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management system are recognised in cash and cash equivalents in the cash flow statements. Bank overdrafts are subject to market interest rates.

The liquid assets include cash and cash equivalents of construction combinations amounting to EUR 139.7 million (2018: EUR 177.8 million) and funds received on frozen accounts amounting to EUR 0.6 million (2018: EUR 1.3 million). These funds are not at the Company's free disposal. The funds recognised in construction combinations concern funds in partnerships that are subject to contractual provisions governing restrictions on the liquid assets. The funds received in frozen accounts mainly concern deposits pursuant to the Chain Liability Act (G-accounts). The other liquid assets are fully at the Company's free disposal.

12. Group equity

	Issued and paid up capital	Share premium reserve	Translation reserve Translation reserve differences	Hedging reserve	Actuarial reserves	Retained profits	Undistributed earnings	Equity to be attributed to a shareholders' parent company	Minority interest	Total group equity
2018										
As at 1 January 2018	**2,269**	**39,000**	**(428)**	**(199)**	**(13,039)**	**179,044**	**(7,233)**	**199,414**	**36,760**	**236,174**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(241)	(241)
Appropriation of 2017 profit	-	-	-	-	-	(7,233)	7,233	-	-	-
Result after taxes	-	-	-	-	-	-	(4,496)	(4,496)	4,338	(158)
Unrealised results	-	-	50	(1,585)	(2,615)	(1,186)	-	(5,336)	179	(5,157)
Share premium	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	**2,269**	**39,000**	**(378)**	**(1,784)**	**(15,654)**	**170,625**	**(4,496)**	**189,582**	**41,036**	**230,618**
2019										
As at 1 January 2019	**2,269**	**39,000**	**(378)**	**(1,784)**	**(15,654)**	**170,625**	**(4,496)**	**189,582**	**41,036**	**230,618**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(40,328)	(40,328)
Appropriation of 2018 profit	-	-	-	-	-	(4,496)	4,496	-	-	-
Result after taxes	-	-	-	-	-	-	(19,970)	(19,970)	221	(19,749)
Unrealised results	-	-	144	(670)	(10,199)	5	-	(10,720)	-	(10,720)
Share premium	-	10,000	-	-	-	-	-	10,000	-	10,000
Dividend paid	-	-	-	-	-	-	-	-	-	-
Transactions with minority shareholders	**-**	**-**	**-**	**-**	**-**	**15,731**	**-**	**15,731**	**-**	**15,731**
As at 31 December 2019	**2,269**	**49,000**	**(234)**	**(2,454)**	**(25,853)**	**181,865**	**(19,970)**	**184,623**	**929**	**185,552**

Issued and paid-up capital
Strukton Groep's authorised share capital in 2019 consisted of 500 ordinary shares with a nominal value of EUR 4,538 per share (2018: ditto). Strukton Groep's issued share capital in 2019 consisted of 500 ordinary shares with a nominal value of EUR 4,538 per share (2018: ditto). All shares were issued and paid up.

Share premium reserve
On 14 June 2019, Strukton Groep received a EUR 10 million share premium payment from Oranjewoud nv. (2018: nil).

Translation differences reserves
The translation reserve covers all the gains and losses from the translation of Strukton Groep's net investments in foreign subsidiaries.

Hedging reserve
The hedging reserve consists of the accumulated change in the fair value of hedging instruments before the hedged transaction actually takes places, or if the hedged position has not been terminated as yet.
The hedging reserve relates to the measurement of swaps in the special purpose companies in which PPP projects are performed and in which Strukton Groep participates. Additionally, currency forward contracts were closed in 2014 and 2016 in the context of the Riyadh metro project, hedging the currency risk on future USD cash flows. In 2019, the reserve was decreased by an amount of EUR 0.7 million (2018: decrease by EUR 1.6 million), which was mainly due to ineffectiveness of forward exchange contracts.

Actuarial reserve
The actuarial reserve consists of the accumulated movement of the net present value of pension liabilities due to changes to the actuarial assumptions. In 2019, the actuarial reserve was decreased by EUR 10.2 million (2018: decrease by EUR 2.6 million). This decrease is mainly due to a decrease in the discount rate in Sweden, resulting in an increase in the pension liability.

Retained earnings
No dividends were distributed in 2019 (2018: ditto). The EUR 15.7 million increase relates to the book profit made on the acquisition of CLF's minority shares.

Capital base
The Group equity including the subordinated loan decreased by EUR 30.8 million compared with 2018, from EUR 241.6 million to 210.8 million. There was no movement on the subordinated loan during 2019.

13. Minority interests
The minority interests mainly consist of the minority interest of the Italian railroad construction company, Construzioni Linee Ferroviarie S.p.A. On 15 January 2019, Strukton Rail Italy S.r.l. expanded its share in Costruzioni Linee Ferroviarie S.p.A. from 60 to 100 .

As at 31 December 2019, the value of the non-controlling interests is limited and consists of relatively small entities (overview in note 35).

14. Non-current liabilities

	31-12-2019	31-12-2018
Liabilities for financing property development	1,851	2,024
Bank loans	32,425	15,274
Financial derivatives	-	-
Lease commitments	-	4,251
Non-recourse PPP financing	170,736	172,226
Other non-current liabilities	7	7
	205,019	**193,782**
Long-term portion	203,450	182,562
Short-term portion	1,569	11,220
	205,019	**193,782**

The repayment schedule for the non-current debt is as follows:

2018	< 1 year	1-5 years	> 5 years	**Total**
Liabilities for financing property development	172	1,852	-	2,024
Bank loans	8,036	5,746	1,492	15,274
Financial derivatives	-	-	-	-
Lease commitments	2,613	1,635	3	4,251
Non-recourse PPP financing	399	34,119	137,708	172,226
Other non-current liabilities	-	-	7	7
	11,220	**43,352**	**139,210**	**193,782**

2019	< 1 year	1-5 years	> 5 years	**Total**
Liabilities for financing property development		1,679	-	1,851
Bank loans		30,346	1,035	32,425
Financial derivatives		-	-	-
Lease liabilities		-	-	-
Non-recourse PPP financing		26,686	143,696	170,736
Other non-current debt		-	7	7
	1,569	**58,711**	**144,738**	**205,019**

For more information relating to the interest rate and currency risks, please refer to section 25 Financial instruments and section 'Financial risk management' in the Accounting Policies.

	Debts financing property project	Bank financing	Financial derivatives	Lease liabilities	Non-recourse PPP financing	Other LL	Total
As at 1 January 2019	**2,024**	**15,274**	**-**	**4,251**	**172,226**	**7**	**193,782**
Effect of changes to accounting principles	-	-	-	(4,251)	-	-	(4,251)
As at 1 January 2019 (revised)	**2,024**	**15,274**	**-**	**-**	**172,226**	**7**	**189,531**
Acquisition of subsidiaries	-	-	-	-	-	-	-
Long-term loans taken out	-	21,007	-	-	-	-	21,007
Redemption of long-term loans	(173)	(3,860)	-	-	(2,011)	-	(6,044)
Impact of share price fluctuations	-	-	-	-	-	-	-
Acquisition / sale of subsidiaries	-	-	-	-	-	-	-
Other changes	-	4	-	-	521	-	525
As at 31 December 2019	**1,851**	**32,425**	**-**	**-**	**170,736**	**7**	**205,019**

The increase in bank financing relates to Rail Italy.

15. Lease liabilities

The movement in the value of lease liabilities during 2019 was as follows:

	Lease liabilities
As at 1 January 2019	**-**
Effect of changes to accounting principles	82.043
As at 1 January 2019 (revised)	**82.043**
Acquisition of subsidiaries	-
Long-term loans taken out	-
Interest accrual	1.386
Repayments on loans	(30.604)
Impact of share price fluctuations	144
Acquisition / sale of subsidiaries	-
Revaluation	4.209
New lease contracts	33.289
Other changes	1.183
As at 1 January 2019	**91.650**
Short-term component of lease liabilities	32.155
Long-term component of lease liabilities	59.495

Revaluations

This concerns the revaluations of the lease liabilities in the context of IFRS 16. These revaluations are mainly due to changes in the lease term and processing indexations during 2019.

Land

Most of the land lease contracts have a short term (5 to 10 years). Renewal options are set out in these contracts to ensure operational flexibility. If both the lessor and the lessee wish to extend or not terminate the contracts, the contracts are usually automatically renewed on the basis of the same conditions. The majority of the contracts are indexed annually on the basis of the consumer price index (CPI). The lease contracts do not impose covenants, but the leased assets may not be used as collateral for loans.

Commercial property

Most of the commercial property lease contracts have a short term (5 to 10 years). Renewal options are set out in these contracts to ensure operational flexibility. If both the lessor and the lessee wish to extend or not terminate the contracts, the contracts are usually automatically renewed on the basis of the same conditions. The majority of the contracts are indexed annually on the basis of the consumer price index (CPI). The lease contracts do not impose covenants, but the leased assets may not be used as collateral for loans.

One company building is sub-leased. This contract is classed as a financial leasing contract. The lease term of the sub-lease is equal to the lease term of the main contract. The leases expire on 31 December 2022. After this date it is not possible to renew the current lease. The consideration received for 2019 amounts to EUR 0.3 million. The leases are indexed annually on the basis of the consumer price index (CPI).

Movements in the lease receivable and cash flows relating to the finance lease are as follows:

As at 1 January 2019	**-**
Effect of changes to accounting principles	1,195
As at 1 January 2019 (revised)	**1,195**
Fee received	311
Interest revenue	14
Closing balance as at 31 December 2019	**898**

2019	Carrying amount	cash flows	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Lease receivables	898	932	155	155	311	311	-

Machines and installations

The lease contracts do not impose any covenants, but the leased assets may not be used as collateral for loans. When valuing the machines and installations on 1 January 2019, purchase options were valued at a total amount of EUR 0.3 million. No renewal options are set out in these contracts.

Cars

The leases of the cars have a maximum term of 5 years. If the mileage is higher than contractually agreed, this leads to an adjustment of the lease term to less than 5 years. If the lease term is adjusted, this also results in an adjustment of the lease rate. No indexations and variable payments are set out in these lease agreements. Furthermore, it is not possible to extend the lease term beyond the maximum term of 5 years.

Amounts recognised in the income statement

Payments made relating to short-term lease contracts and leases for low-value assets are recognised as an expense in the income statement on a straight-line basis. This also applies to variable interest expenses that are not index-linked. Short-term lease contracts are lease contracts with a lease term of 12 months or shorter and mainly concern the lease of equipment and cars. Low value assets mainly include the lease of printers and small mechanical tools.

The following amounts are recognised in the income statement:

Depreciation on right of use of assets	29,505
Interest on lease contracts	1,386
Expenses relating to short-term lease contracts	15,364
Expenses relating to low-value assets not recognised in expenses relating to short-term lease contracts	172
Expenses relating to variable lease payments not recognised when determining the lease liabilities	-
Income from sub-leasing rights of use	325

Carrying amounts and contractual cash flows

2019	Carrying amount	Contractual cash flows	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Lease liabilities	91,650	96,886	17,968	14,907	26,877	31,076	6,058

The total cash outflow for lease contracts in 2019 was EUR 30.7 million.

16. Provisions

Summary of the movements in 2018:	Restructuring provision	Pension provision	Service anniversary liabilities	Capital liabilities	Provision onerous contracts with customers	Other provisions	**Total**
As at 1 January 2018	**603**	**50,705**	**4,260**	**265**	**18,107**	**1,712**	**75,652**
Consolidation/Deconsolidation	-	-	-	-	-	-	-
Exchange rate differences	(17)	(1,683)	-	-	-	-	(1,699)
Transfer	1,861	5,541	206	-	57,875	2,283	67,765
Withdrawal	769	-	-	-	40,524	-	41,293
Release	25	-	-	-	3,612	105	3,742
Addition of interest to provisions	-	-	-	-	-	-	-
Other changes	-	4	-	6,857	4,979	(25)	11,815
As at 1 January 2018	**1,653**	**54,567**	**4,466**	**7,122**	**36,825**	**3,865**	**108,498**
Long-term portion	-	54,567	4,157	7,097	23,255	3,865	92,941
Short-term portion	1,653	-	309	25	13,570	-	15,557
	1,653	**54,567**	**4,466**	**7,122**	**36,825**	**3,865**	**108,498**

Summary of the movements in 2019:	Restructuring provision	Pension provision	Service anniversary liabilities	Capital liabilities	Provision onerous contracts with customers	Other provisions	**Total**
As at 1 January 2019	**1,653**	**54,567**	**4,466**	**7,122**	**36,825**	**3,865**	**108,498**
Consolidation/Deconsolidation	-	-	-	-	-	-	-
Exchange rate differences	5	(637)	-	-	-	-	(632)
Transfer	2,692	15,543	41	502	14,602	1,185	34,565
Withdrawal	1,285	-	-	-	12,028	-	13,313
Release	446	-	-	-	5,376	-	5,822
Addition of interest to provisions	-	-	-	-	-	-	-
Other changes	(136)	-	-	(122)	-	(19)	(277)
As at 1 January 2019	**2,483**	**69,473**	**4,507**	**7,502**	**34,023**	**5,031**	**123,019**
Long-term portion	-	69,473	4,226	7,502	31,303	3,827	116,331
Short-term portion	2,483	-	281	-	2,720	1,204	6,688
	2,483	**69,473**	**4,507**	**7,502**	**34,023**	**5,031**	**123,019**

The EUR 15.5 million increase of the pension provision is mainly due to a decrease in the discount rate in Sweden, resulting in an increase in the pension liability.
The provision for service anniversaries relates to a bonus paid out upon completing a certain number of service years. The amount and date of paying out this bonus depends on the entity employing the employee, as different companies apply different schemes. The main risk that Strukton Groep incurs on this provision is the interest rate risk.

The actuarial calculation of the service anniversary commitment is based on an annual discount rate of 0.60 (2018: 1.25). The discount rate is based on the current effective market yield of high-grade corporate bonds.

Provision for onerous contracts with customers

The Onerous contracts provision with customers amounts to EUR 34.0 million (2018: EUR 36.8 million). This provision represents the amount of the onerous contract result to be realised based on progress of the project. This provision mainly concerns the Rail Systems segment. Of the full Onerous contracts with customers provision, a total of EUR 2.7 million has a current character (2018: EUR 13.6 million).

Pension commitments

The pension plans of the pension funds listed below apply to the numbers of active participants of Strukton Groep's operating companies as at 31 December 2019:

- Sector Pension Fund Construction (1,386)
- Sector Pension Fund Concrete Product Industry (19)
- Sector Pension Fund Metal and Engineering (1,613)
- Railroad Pension Fund (1,700)
- Pension fund for the transport sector (11)
- Delta Lloyd (71)
- Alecta pension insurance plan, Sweden, ITP scheme (382)
- Alecta pension insurance plan Sweden SAFLO scheme (677)
- Axa pension insurance for Strukton Railinfra nv, Belgium (50)
- Fondo TFR Pension Fund Italy (345)

The pension plans in the Netherlands are subject to the provisions of the Pension Act. As set out in the Pension Act, the pension plans must be fully funded and operate independently from the Company based on a separate legal entity. Various sector-wide pension funds and insurers manage the different pension plans. Strukton Groep has no additional responsibilities for the administration of these plans.

Defined contribution plans

The above-mentioned top four pension plans concern sector-wide pension fund plans. The basic pension of the participants of these funds is covered by group schemes, with several employers participating in a fund pursuant to mandatory participation. These are based on an indexed career average plan, and are therefore classed as a defined benefit plan. As these funds are not equipped to provide the statutory information regarding the proportional share of Strukton Groep in the pension liabilities and fund investments, the defined benefit plans are actually recognised as defined contribution plans. Strukton Groep is subject to mandatory contribution of the pre-agreed premiums for these plans. Strukton Groep is not permitted to claim refund of excess premiums, and is not liable for extra deposits to cover any deficits, excepting that adjustment of future premium levels is allowed. The portion of the basic pension exceeding group plans (the top-up portion) is administered by external parties, which concerns defined contribution plans.

The funding ratio of the sector pension funds is as follows:

	31-12-2019	31-12-2018
Sector Pension Fund Construction	114.1%	113.6%
Sector Pension Fund Concrete Products Industry	103.1%	97.3%
Sector Pension Fund Metal and Engineering	98.8%	99.4%
Railroad Pension Fund	111.1%	110.3%
Alecta Pension Insurer (Sweden)	148.0%	142.0%

Defined benefit plans

A provision was created for five pension plans that can be qualified as a defined benefit plan.

	31-12-2019	31-12-2018
Strukton Rail AB (Sweden)	59,276	45,269
Strukton Railinfra NV (Belgium)	1,546	1,214
Strukton Civiel Noord & Oost bv (Netherlands)	3,288	3,130
Strukton Civiel Zuid bv (Netherlands)	3,022	2,820
Costruzioni Linee Ferroviarie S.p.A. (Italy)	2,341	2,134
	69,473	**54,567**

The increase in the 2019 pension provision is mainly due to a decrease in the discount rate in Sweden, resulting in an increase in the pension liability.

Strukton Rail AB (Sweden)

The pension scheme for the Strukton Rail AB (Sweden) employees born before 1978 concerns a defined benefit plan. All active participants to this plan are participating in the Sweden Pension Plan ITP2. The other two current plans concern the plans Sweden pension Plan Balfour Beatty and Sweden Pension Plan KPA. These two plans have only inactive participants of the former Balfour Beatty and the former Svensk Banproduktion. The three plans are administered by PRI, a pension insurer. The total liabilities at year-end 2019 amounted to EUR 59.3 million (2018: EUR 45.3 million). For this purpose, the pension commitments were stated at present value based on IAS 19. The calculation is performed by a qualified actuary. The liability must be financed by the Company. The pension payment is carried out by the organisation Alecta. The risk of the Company's bankruptcy is insured with PRI. In the context of this insurance, guarantees were issued to PRI amounting to SEK 110 million (EUR 10.5 million). Alecta applies different principles for the calculation of the liability than PRI. This is why Alecta's calculated provision is higher. Strukton annually pays a premium to PRI for this so-called 'estimated redemption cost',

Strukton Rail nv (Belgium)

The pension insurance for the employees of Strukton Rail nv in Belgium is a defined benefit plan. The pension provision is funded with an insurance contract.

Strukton Civiel Noord & Oost bv (Netherlands)

An indexation commitment for the pension scheme was recognised for Strukton Civiel Noord & Oost bv. The indexation provision is funded with an insurance contract administered by Nationale Nederlanden. No new rights are accrued in this pension scheme.

Strukton Civiel Zuid bv (Netherlands)

An indexation commitment for the pension scheme was recognised for Strukton Civiel Zuid bv. The indexation provision is funded with an insurance contract which is administered by Delta Lloyd.

Costruzioni Linee Ferroviarie S.p.A. (Italy)

Costruzioni Linee Ferroviarie S.p.A. provides its employees with a defined benefit plan, Fondo TFR – Pension Fund, for which an amount of EUR 2.3 million (2018: EUR 2.1 million) was reserved in the Company balance sheet. The pension provision in Italy is not financed externally and must be financed by the Company.

Principles

The identified material principles for the calculation of the pension provisions are inflation, the discount rate and the mortality tables. Inflation is an indirect principle. Salary growth and pension growth are direct principles derived from this inflation rate.

	31-12-2019	31-12-2018
Discount rate	0.9 - 1.5%	1.5 - 2.5%
Inflation	1.75 - 2%	1.5 - 2%

The following mortality tables were applied:

Belgium	MR/FR (1993 Belgium mortality table)
Italy	ISTAT 2013 M/F
Sweden	DUS14
The Netherlands	Forecast table AG2018

Breakdown

The pension liabilities and pension assets are based on actuarial calculations as at 31 December. The composition and movements in the pension liabilities and pension assets for the defined benefit plans for Strukton Rail AB (Sweden), Strukton Railinfra nv (Belgium), Strukton Civiel Noord & Oost bv (Netherlands), Strukton Civiel Zuid bv (Netherlands), and Costruzioni Linee Ferroviarie S.p.A. (Italy) are set out on the next page.

Breakdown:	31-12-2019	31-12-2018
Pension assets (fair value)	3,104	2,366
Pension liabilities (cash value)	72,577	56,933
Negative difference	**69,473**	**54,567**
Changes:		
Balance pension assets as per 1 January	**2,366**	**2,280**
Acquisition of subsidiaries	-	-
Forecast return on investments	376	372
Pension contributions	1,020	942
Pensions in payment	(1,127)	(1,204)
Actuarial gain or loss on investments	469	(24)
Other movements	-	-
Balance pension assets as per 31 December	**3,104**	**2,366**
Pension liabilities as at 1 January	**56,932**	**52,985**
Acquisition of subsidiaries	-	-
Entitlements to be granted in financial year	2,425	2,323
Interest expenses	1,534	1,626
Pensions in payment	(1,127)	(1,204)
Actuarial gain or loss on liabilities	13,363	2,915
Exchange rate differences	(632)	(1,679)
Other movements	84	(34)
Balance pension liabilities as per 31 December	**72,579**	**56,933**
Balance actuarial results as per 1 January	**19,859**	**16,920**
Opening balance correction	-	-
Acquisition of subsidiaries	-	-
Depreciation actuarial results	-	-
Actuarial gain or loss on liabilities	12,929	2,939
Actuarial (gain) or loss on investments	-	-
Share price development	-	-
Other movements	-	-
Balance actuarial results as per 31 December	**32,788**	**19,859**

	2019	2018
Pension expense components pursuant to defined benefit plans		
Entitlements to be granted in financial year		2,323
Interest expenses		1,626
Forecast return on investments		(372)
Other		(34)
Total pension cost taken to the income statement		**3,543**

The expected contribution to the pension plan in 2020 amounts to EUR 3.7 million (2019: EUR 3.7 million). The costs of the pension plan will be paid in full by Strukton. For the pension plans in Sweden (which together account for 85.3 of the total provision), the actuarial loss equals EUR 12.1 million, of which EUR 12.0 million loss is caused by the lower discount rate. The main categories of fund investments as a percentage of the fair value of the total fund investments are as follows:

	2019	2018
Bonds	0%	0%
Cash and cash equivalents	0%	0%
Other fund investments	100%	100%

As virtually all pension plans are financed on the basis of an insurance contract, the assets consist of the insurer's guarantee that certain pensions will be paid out in the future. The value of these assets is the current present value of these guaranteed pay-outs.
An allocation to different asset classes is not applicable. This is why these assets are presented under Other fund investments.

Sensitivity analysis

If the discount rate were to increase by 1 percentage point while all other assumptions remained constant, the present value of the pension commitments would fall by EUR 17.8 million. In the event of a fall of 1 percentage point in the discount rate and constant conditions in all other respects, the present value of the pension commitments would rise by EUR 23.4 million. For the three plans in Sweden, these effects are equivalent to a decrease by EUR 12.2 million or an increase by EUR 16.2 million respectively.

If the inflation rate were to further increase by 0.25 percentage point, while all other assumptions remained constant, the present value of the pension commitments would increase by EUR 2.9 million. In the event of a decrease in the inflation rate by 0.25% point, without any other factors changing, the cash value of the pension liabilities would decrease by EUR 2.8 million. For the three plans in Sweden, these effects are equivalent to an increase by EUR 2.8 million or a decrease by EUR 2.6 million respectively.

If the participants to the three Swedish plans would be assumed to live one year longer than assumed, the liabilities would increase by approximately 4.8 .

Future cash flows

The forecast cash flows for the three Swedish pension schemes are indicated below. The duration of the ITP2 scheme is equal to 24.0 years (2018: 24.0 years; for the closed KPA schemes, a duration of 20.6 years applies (2018: 21 years).

Period	EUR in millions
2020	0,5
2021	0,6
2022	0,7
2023	0,8
2024	0,9
2025-2029	5,7

17. Trade and other payables

	31-12-2019	31-12-2018
Trade payables	281,213	288,390
Amounts due to related parties	4,722	2,798
Taxes and social insurance contributions	41,443	44,820
Pension contributions	2,074	2,241
Short-term portion of non-current liability	1,569	11,220
Other liabilities and deferrals	142,667	161,675
	473,686	**511,144**

The Other liabilities and deferrals consist largely of invoices still to be received for completed work, and payable holiday allowances and leave days due. Furthermore, the item Other liabilities and deferrals includes payable positions of joint operations to partners and consortium members.

18. Revenue from contracts with customers

Specification of revenue categories	2019	2018
Projects for third parties	1,347,260	1,247,565
Service maintenance and concessions	459,840	484,627
Revenue from stock	7,800	7,161
Other	40,332	39,764
	1,855,231	**1,779,117**

Projects for third parties

Projects for third parties consist of the following activities:

- Renewal and new construction of rail systems
- Design, realisation and management of infrastructure projects
- Design, development and realisation of technical systems and buildings in the Netherlands

The performance obligation is proportionately based on the progress of the project. Invoicing is based on instalment schedules related to the progress of the project. Applying instalment schedules means that fulfilment of the performance obligation is not synchronised with payments. If production is higher than invoiced amounts, a contract asset is recognised. If invoiced amounts are higher than production, a contract liability is recognised. In the case of works under direct management, the works are invoiced upon completion of the works. Invoices are generally paid between 30 and 60 days of sending the invoice. Some contracts include prepayment clauses.

Service maintenance and concessions

Service maintenance and concessions consists of the following activities:

- Maintenance and management of rail networks and rail systems
- Maintenance of infrastructure projects
- Maintenance and operation of technical systems and buildings in the Netherlands

The performance obligation is fulfilled in proportion to progress in production. Service maintenance and the concessions are invoiced on a monthly basis in accordance with the contractual agreements. Maintenance contracts are invoiced at the end of the month. Invoicing at the end of the month means that fulfilment of the performance obligation is not synchronised with payments. With invoicing in arrears, a contract asset is recognised. If variable considerations are part of the contract, these are periodically measured and these are part of the transaction price. Some contracts include prepayment clauses ensuring an amount is paid before delivering the maintenance service.

Supplementary information regarding the revenue from contracts with customers recognised in the reporting year is given below.

Revenue that was integrated in the credit balance of projects in progress at the start of the period:	2019	2018
Revenue from projects for third parties	53,896	117,984
Revenue from service maintenance and concessions	14,307	3,775
Revenue from sales inventories	-	-
Other revenue	-	-
	68,203	**121,759**

Recognised revenue from performance obligations fulfilled fully or in part in previous periods:	2019	2018
Revenue from projects for third parties	2,525	2,031
Revenue from service maintenance and concessions	2,910	-
Revenue from sales inventories	-	-
Other revenue	-	-
	5,435	**2,031**

Projects within the construction sector may take longer than one year, or may be carried from one calendar year to the next. The forecast revenue from contracts with customers regarding unfulfilled performance obligations (ongoing projects or projects awarded) are as follows as at 31 December:

	2019	2018
Within 1 year	1,445,069	1,327,033
After more than one year	1,407,625	1,615,629
	2,852,694	**2,942,662**

For a further explanation to the Revenue from contracts with customers, please refer to sections 25, Financial instruments and 34, Information per segment.

19. Cost of raw materials and consumables, equipment and outsourced work

Cost of raw materials and consumables used, equipment and outsourced work relate to external expenses directly allocated to the production process.

20. Personnel expenses

	2019	2018
Wages and salaries	402,486	383,149
Social insurance	75,817	74,087
Defined contribution plans	37,864	37,046
Defined benefit plans	3,667	3,543
Service anniversary payments	24	204
	519,858	**498,029**

A number of group companies have defined benefit plans (see note 16).

21. Other operating costs

In 2019, government grants to a total of EUR 0.5 million were received. An amount of EUR 0.5 million was taken to the result in 2019 (2018: EUR 1 million). The relevant subsidies were deducted from the corresponding expenses.

22. Financial income and expenses

Finance income	2019	2018
Third-party interest income	3,361	2,947
Sub-lease interest income	14	-
Interest accruals on financial non-current assets	2,145	817
Result on investments in equity instruments	285	362
Translation gains	747	378
Results on currency forward contracts	-	149
Movements in derivatives	-	-
	6,552	**4,653**
Finance costs		
Third-party interest expenses	8,243	8,180
Lease liabilities interest expenses	1,386	-
Non-recourse PPP financing interest expenses	6,199	3,785
Translation losses	-	58
Results on currency forward contracts	348	-
Movements in derivatives	-	-
	16,176	**12,023**
Balance of finance income and costs	**(9,625)**	**(7,370)**

The interest expenses of non-recourse PPP financing mainly concern the RIVM building project. Financial income and expenses do not include changes in the fair value of financial non-current assets.

23. Taxes

	2019	2018
Immediate taxation	10,066	10,154
Deferred tax	6,100	(560)
	16,166	**9,594**

The corporate income tax is different from the amount theoretically due when applying the weighted average tax rate (25.0) that is applicable to the results of the consolidated group companies. The difference can be specified as follows:

	2019	2018
Result before tax	**(3,583)**	**9,436**
Nominal corporate income tax Dutch rate	(896)	2,359
Revaluation offsettable loss to higher corporate income tax %	-	5,340
Effect of different tax rates in various countries	570	1,102
Exemption of participation	(585)	(1,771)
Withholding tax	877	411
Adjustment with respect to previous years	1,641	620
Impairment of deferred tax asset	5,000	-
Deductible and non-deductible losses	7,713	983
Object exemption	-	-
Other including non-deductible expenses	1,846	550
Effective tax rate	**16,166**	**9,594**
Effective tax rate (%)	(451,2%)	101,7%

In 2019, the corporate tax liability amounts to EUR 16.2 million (2018: EUR 9.6 million).

24. Workforce

Average number of full-time equivalents (FTEs)	2019			2018		
	The Netherlands	Abroad	**Total**	The Netherlands	Abroad	**Total**
Rail systems	1,741	2,006	3,747	1,703	2,024	3,727
Civil infrastructure	1,147	40	1,187	1,229	43	1,272
Technology and buildings	1,717	-	1,717	1,697	-	1,697
	4,605	**2,046**	**6,651**	**4,629**	**2,067**	**6,696**

During the course of 2019, the group employed an average of 6,651 (2018: 6,696) FTEs, of which 2,046 (2018: 2,067) worked outside the Netherlands. At year-end 2019, the number of FTEs amounts to 6,610 (2018: 6,691). On balance, the average number of FTE's decreased by 45 in 2019. The decrease in FTEs is mainly due to Strukton Rail in Sweden, Strukton International in Chile and Strukton Civiel in the Netherlands. The male/female ratio is 90 : 10 .

25. Financial instruments

Maximum credit risk	31-12-2019	31-12-2018
Financial lease receivables	-	-
Other non-current receivables	110,129	92,253
Bonds	-	-
Deposits	-	-
Account receivables	272,071	305,859
Other receivables	358,451	416,015
Cash and cash equivalents	217,481	232,277
Used for hedging:		
interest rate swaps	-	-
inflation swaps	-	-
forward exchange contracts	-	14
	958,131	**1,046,417**

The majority (88.5) of the maximum credit risk consists of various current receivables (accounts receivable and other receivables) and cash and cash equivalents (2018: 91.2).

Distribution trade receivables	31-12-2019	31-12-2018
Netherlands	121,165	150,210
Euro-zone	88,911	90,148
Rest of Europe	48,131	45,830
Other	13,864	19,671
	272,071	**305,859**

The majority (77.2) of the Trade receivables outstanding are in the Euro zone (2018: 78.6).

Aged debtor listing	31-12-2019		31-12-2018	
	Gross	Provisions	Gross	Provisions
Not yet due	144,757	1,128	154,640	1,643
Due 31-60 days	48,135	494	59,616	1,789
Due 61-90 days	20,461	1,101	28,797	1,412
Due 91-180 days	47,928	1,508	23,523	1,817
Due 181-365 days	7,839	138	8,774	735
Due more than 1 year	11,833	4,513	44,095	6,190
Total	**280,953**	**8,882**	**319,445**	**13,586**
Net trade receivables		272,071		305,859

In 2019, the share of trade receivables with amounts payable decreased to 48.5 (2018: 51.6).

Movement in provision for bad debts	2019	2018
As at 1 January	13,586	16,423
Acquisition of subsidiaries	0	15
Additions	935	1,508
Withdrawn	4,961	1,131
Release	682	2,717
Deconsolidation	-	-
Exchange rate differences	(3)	(8)
Other movements	7	(504)
As at 31 December	**8,882**	**13,586**

Liquidity risk

				31-12-2019		31-12-2018	
	Currencies	Nominal interest	Maturity date	Nominal value	Carrying amount	Nominal value	Carrying amount
Non-current liabilities							
Bank loans	EUR	1,90%	2020-2028	31,381	31,381	7,238	7,238
Mortgage loan	EUR	2,00%	2021	1,679	1,679	1,852	1,852
Non-recourse PPP financing	EUR	3,30%-4,51%	2020-2041	170,383	170,383	171,827	171,827
Derivatives	EUR			-	-	-	-
Other liabilities	EUR			133,571	133,571	109,590	109,590
Subtotal				**337,013**	**337,013**	**292,145**	**292,145**
Current liabilities							
Debts to financial institutions	EUR		2020	55,348	55,348	60,191	60,191
Other liabilities	EUR		2020	638,853	638,853	730,947	730,947
Subtotal				**694,201**	**694,201**	**791,138**	**791,138**
Total				**1,031,214**	**1,031,214**	**1,083,283**	**1,083,283**

The majority (67.3) of the liabilities is current, consisting of various trade payables and amounts owed to banks and financial institutions (2018: 73.0%).

In the context of the bank loans, collateral was provided to banks. Most of the assets were pledged.

Carrying amounts and contractual cash flows

2018	Carrying amount	Contractual cash flows	< 6 months	6-12 months	1-2 years	2 - 5 years	> 5 years
Non-derived financial liabilities							
Subordinated loans	11,000	11,000	-	-	-	-	11,000
Bank loans	15,274	16,283	4,748	3,515	4,714	1,510	1,796
Mortgage loans	2,024	2,225	20	20	40	2,145	-
Non-recourse PPP financing	172,226	257,057	7,490	10,579	20,162	52,510	166,316
Trade and other payables	818,253	818,253	409,126	327,301	81,825	-	-
Debts to financial institutions	60,191	60,191	60,191	-	-	-	-
Derivative financial liabilities	64	64	60	4	-	-	-
	1,079,032	**1,165,073**	**481,635**	**341,419**	**106,741**	**56,165**	**179,112**

2019	Carrying amount	Contractual cash flows	< 6 months	6-12 months	1-2 years	2 - 5 years	> 5 years
Non-derived financial liabilities							
Subordinated loans	11,000	11,000	-	-	-	-	11,000
Bank loans	32,425	34,363	839	877	11,084	20,443	1,120
Mortgage loans	1,851	1,905	104	103	1,698	-	-
Non-recourse PPP financing	170,736	256,336	10,273	11,283	37,906	31,173	165,702
Trade and other payables	759,818	759,818	379,909	303,927	75,982	-	-
Debts to financial institutions	55,348	60,191	60,191	-	-	-	-
Derivative financial liabilities	37	37	37	-	-	-	-
	1,031,214	**1,123,650**	**451,352**	**316,190**	**126,669**	**51,616**	**177,822**

The derivative financial liabilities in 2019 concern currency forward contracts concluded in 2014 and 2016 for the Riyadh metro project. As at 31 December 2019, the value of the derivatives is not material.
The subordinated loan in 2019 relates to a loan granted by Oranjewoud nv in 2017 at a 5 interest rate and a term of 55 years. The interest is only due if a positive result is achieved in the year in question. The total cash flow over 55 years may amount to EUR 41.3 million.

Foreign currency risks

Most of Strukton Groep's activities are carried out within the Euro zone. The activities of subsidiaries outside the Euro zone are mostly carried out within the currency zone of the relevant country. Relating to transactions denominated in foreign currencies, the policy sets out that the net position should be fully hedged with foreign currency forward contracts. In 2014 and 2016, the Company closed forward exchange contracts for the Riyadh metro project, hedging the currency risk on future cash flows in USD. The translation risk on share capital and loans provided to subsidiaries outside the Euro zone is not hedged. Strukton Groep's currency risk relates to its foreign subsidiaries in Scandinavia and in Riyadh (Saudi Arabia).
The total equity of these foreign subsidiaries amounted to EUR 6.6 million negative at year-end 2019 (2018: EUR 19.1 million positive).

Exchange rates	Average exchange rate		Spot rate at reporting date	
	2019	**2018**	**2019**	**2018**
DKK	0.134	0.134	0.134	0.134
NOK	0.102	0.104	0.101	0.100
SEK	0.094	0.097	0.096	0.098
USD	0.893	0.847	0.890	0.873
AUD	0.621	0.633	0.625	0.617
SAR	0.237	0.226	0.238	0.232
CLP	0.001	0.001	0.001	0.001
VEF	0.000	0.000	0.000	0.000

A 10 increase of the euro compared with these exchange rates at year-end would have decreased the equity capital by EUR 0.1 million during the reporting year (2018: EUR 2.5 million). A 10 increase of the euro compared with these exchange rates at year-end would have increased the equity capital loss by EUR 1.7 million during the reporting year (2018: EUR 0.6 million). A 10 decrease of the euro compared with these exchange rates at year-end would have had a similar reverse effect.

Interest rate risk	**31-12-2019**	**31-12-2018**
	Carrying amount	Carrying amount
Fixed-interest instruments		
Financial assets	59,537	34,933
Financial liabilities	296,661	193,775
	(237,124)	**(158,842)**
Variable-interest instruments		
Financial assets	217,481	232,277
Financial liabilities	55,348	60,191
	162,133	**172,086**

An increase by 100 base points in the interest rate would have decreased the equity and the profit on the reporting period by EUR 0.4 million (2018: EUR 0.2 million decrease). This is subject to presuming that all other variables would have remained constant. A decrease in the interest rate by 100 base points would have had a similar reverse effect. This interest rate risk does not include the effect of derivatives.

Interest rate and inflation rate swaps

An increase in the interest rate by 100 base points creates a positive change in the financial derivative amounting to EUR 0.4 million. The entire amount of EUR 0.4 million will be recognised in the result.
A decrease in the interest rate by 100 base points creates a negative movement in the financial derivative amounting to EUR 0.5 million. The entire amount of EUR 0.5 million will be recognised in the result.

Carrying amounts versus fair values

	Carrying amount		Fair value	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Financial assets				
Non-current receivables	7,840	11,965	7,840	11,965
PPP receivables	59,537	34,933	77,139	33,232
Associates	1,810	1,810	1,810	1,810
Financial derivatives	-	14	-	14
Trade and other receivables	407,279	483,189	407,279	483,189
	476,466	**531,910**	**494,068**	**530,209**
Financial liabilities				
Liabilities for financing property development	1,679	1,852	1,679	1,852
Bank loans	31,381	7,238	31,381	7,238
Financial derivatives	-	-	-	-
Non-recourse PPP financing	170,383	171,827	219,979	174,764
Lease liabilities	91,650	1,638	91,650	1,638
Other non-current liabilities	7	7	7	7
Trade and other payables	473,686	511,144	473,686	511,144
Debts to financial institutions	55,348	60,191	55,348	60,191
	824,133	**753,897**	**873,730**	**756,834**

The measurement of the financial instrument Derivatives is based on details provided by the banks, and is assessed based on comparing market figures.

Hierarchy in fair values

Strukton Groep applies the following hierarchy in determining and stating financial instruments, to be discerned into different valuation methods:

- Level 1: listed (non-adjusted) share prices in active markets for identical assets or liabilities
- Level 2: other methods in which all variables have a significant impact on the recognised fair value and are detectable directly or indirectly
- Level 3: methods in which variables are applied that have a significant impact on the recognised fair value, but are not based on detectable market data

Hierarchy in fair values

	31-12-2018			
	Total	Level 1	Level 2	Level 3
Financial assets valued at their fair value:				
PPP receivables	33,232	-	-	33,232
Financial derivatives	14	-	14	-
	33,246	**-**	**14**	**33,232**
Financial liabilities valued at their fair value:				
Financial derivatives	-	-	-	-
	-	**-**	**-**	**-**

	31-12-2019			
	Total	Level 1	Level 2	Level 3
Financial assets valued at their fair value:				
PPP receivables	77,139	-	-	77,139
Financial derivatives		-		-
	77,139	**-**	**-**	**77,139**
Financial liabilities valued at their fair value:				
Financial derivatives	-	-	-	-
	-	**-**	**-**	**-**

26. Cash flow statement

	2019	2018
The cash and cash equivalents can be specified as follows:		
Cash and cash equivalents	217,481	232,277
Debts to financial institutions	(55,348)	(60,191)
Debts to financial institutions with a financing character	40,000	40,000
	202,133	**212,086**

The cash flow of disposable cash and cash equivalents amounted to EUR 11.1 million negative in 2019. The cash flow in 2019 was significantly and negatively affected by the acquisition of the minority interest in CLF (EUR 22.6 million) and the increase of the PPP receivable relating to MEET RIVM CBG (EUR 19.9 million). These negative cash flows were partially offset by a share premium payment (EUR 10 million) and higher bank borrowings (EUR 17.1 million).

27. Off-balance-sheet commitments and security provided

Contingent liabilities

Contingent liabilities are liabilities ensuing from past events, the existence of which is confirmed only by one or more uncertain future events outside the entity's control actually occurring. Liabilities are also classified as contingent liabilities if it is unlikely that settlement of the liability will require an outflow of resources embodying economic benefits or if the liability amount cannot be determined with sufficient reliability.

FIOD

In early 2019, the Dutch Fiscal Intelligence and Investigation Service (FIOD) raided various Strukton locations. The raid was based on a suspicion that specific companies of Strukton Groep and some of its (former) employees were involved in corruption and forgery in being awarded an order for the Riyadh metro project.

As far as we know, there are no circumstances or business operations at Strukton that justify a FIOD raid. We therefore hope that the investigation, in which we provide our full cooperation, will be completed as soon as possible and that the findings will then be shared with us in order to close this file. Once this has been completed, we will continue to work on our good reputation.

We started an internal investigation immediately after the raid, led by the management. We have assessed the list of information confiscated by the FIOD for any indications of irregularities. From this investigation, we have not found anything that could indicate any non-compliance with the applicable legislation and regulations. The Supervisory Board instructed an independent external legal expert to assess the quality of the internal investigation. This independent expert concluded that the internal investigation was conducted adequately and with due care, and that there was no concrete indication of any non-compliance as suspected by the FIOD.

No new developments can be reported as to the FIOD investigation. During 2019, the FIOD digitally provided their report based on which they initiated the raid. At the beginning of 2020, they also digitally provided us with the information they took during the raid. We have established that this information does not impart new insights nor calls for further investigation as to the reason for the raid on 15 February 2019.

Although Strukton's management has confidence in the outcome of its internal investigation, the outcome of the FIOD's investigation is uncertain and could potentially lead to the company being penalised.

Guarantees and liabilities

Strukton Groep and/or its subsidiaries are severally liable for all debts of VOF firms (general partnerships, construction combinations) in which it holds direct participations. No liabilities are recognised in the annual financial statements in this respect.
Strukton Groep issued guarantees for loans closed by its operating companies and associates up to an amount of EUR 5.0 million (2018 closing balance: EUR 5.0 million). As at 31 December 2019, bankers had issued guarantees and letters of intent up to a total amount of EUR 282.5 million (year-end 2018: EUR 326.7 million). These guarantees mainly concern commitments pursuant to projects in progress, maintenance commitments relating to delivered work and investment commitments.

Corporate income tax

The Dutch Tax Authorities are performing an audit of the Riyadh metro project to check the transfer prices applied and the profit distribution between the Netherlands and Saudi Arabia. This audit focuses on old years, but the outcome will also apply to future years. Based on this audit, the Tax Authorities have taken the preliminary view that similar commercial parties operating under the same circumstances would have agreed a different distribution of profits. However, the Tax Authorities have expressed their wish to come to a solution acceptable to both parties, determining the transfer prices to be applied for the project. In order to arrive at an acceptable solution, the tax authorities and Strukton entered into further consultations, with Strukton seeking the support of an external tax consultant. We have not created a provision for this issue in our annual financial statements. Based on the double taxation treaty between the governments of the Kingdom of the Netherlands and the Kingdom of Saudi Arabia, which includes a provision regarding corresponding corrections and a provision regarding a mutual consultation procedure, we assume that the countries involved will come to an extrajudicial agreement without any detrimental effects for Strukton.

Lease liabilities not yet commenced

The lease liabilities that have not yet commenced relate to lease agreements that have already been concluded but for which Strukton cannot yet make use of the underlying assets. These agreements do not fall within the scope of IFRS 16 and are included in the off-balance sheet commitments and collateral provided. The summary below shows the expected cash outflows for these agreements. The overview of lease liabilities and operating lease liabilities is set out in the context of the comparative figures as at 31 December 2018. The section on the newly applied standards includes a reconciliation between the off-balance sheet commitments and securities provided and the impact of IFRS 16 on the balance sheet as at 1 January 2019.

At the end of 2019, the Company did not have any investment commitments.

Lease liabilities not yet commenced

Total cash flow	< 1 year	1-2 years	2-5 years	> 5 years
1,220	696	524	-	-

Lease liabilities	31-12-2019	31-12-2018
Up to one year	-	14,015
Between 1 and 5 years	-	29,140
Longer than 5 years	-	3,859
	-	**47,014**
Operating lease liabilities		
Up to one year	-	24,121
Between 1 and 5 years	-	37,758
Longer than 5 years	-	658
	-	**62,537**
lInvestment commitments		
Contractual commitments relating to:		
- acquisitions of property, plant and equipment	-	4,567
	-	**4,567**

Other

As at year-end 2019 and 2018, the Group was a party in a number of legal proceedings, most of which had a limited scope. In May 2018, we received a Court decision in material legal proceedings in the Middle East, against which decision the Group has appealed. The Group has not recognised a provision for such claims. Based on a detailed analysis and supported by the opinion of external attorneys, it seems unlikely that this will result in an outflow of funds. The Group has several legal instruments at its disposal. However, if the eventual ruling is not in favour of the Group, this may lead to a significant outflow of funds.

28. Transactions with related parties

Identification

On 29 October 2010, Strukton Groep nv became part of Oranjewoud nv. Oranjewoud nv holds all shares in Strukton Groep nv. As at year-end 2019, 98.47 of the shares in Oranjewoud nv are held by Sanderink Investments bv. Sanderink Investments bv is fully owned by Stichting Administratiekantoor Sanderink Investments of Gerard Sanderink. The shares in Oranjewoud nv are listed at the official Market of Euronext nv in Amsterdam.
The following can be classed as related parties: Oranjewoud nv and its subsidiaries, associates and investments, Sanderink Investments bv and its subsidiaries, associates and joint ventures, the Supervisory

Board members of Oranjewoud nv, the Supervisory Board members of Strukton Groep nv, the Executive Board of Oranjewoud nv, the Executive Board of Strukton Groep nv, the Executive Board of Sanderink Investments bv, Mafo bv and Stichting Administratiekantoor Sanderink Investments bv of Mr G.P. Sanderink.

Transactions with Executives and managers in key positions

Managers in key positions include all persons authorised and responsible for directly or indirectly planning, managing and exercising influence on the activities of the entity. In the reporting year 2019, Strukton Groep nv had three Statutory Directors. These are also the identified managers in key positions. The remuneration of managers in key positions can be specified as follows:

	31-12-2019	31-12-2018
Short-term employee benefits	836	739
Allowances after termination of employment	-	25
Other long-term employee benefits	-	-
Severance pay	-	-
Share-based payments	-	-
	836	**764**

Strukton Groep nv pays a management fee to Sanderink Investments bv for one of the Directors.

Transactions with Supervisory Board members

On 20 December 2017, a Supervisory Board was appointed at Strukton Groep nv level. No remunerations were provided to the Supervisory Board members in the financial year 2019.

Other transactions with related parties

Transactions with subsidiaries, associates and joint operations are conducted at arm's length at conditions comparable to third party transactions. Deliveries totalling EUR 0.0 million were made to Oranjewoud nv in the financial year 2019 (2018: EUR 2.3 million). The total amount of purchases from Oranjewoud nv in 2019 amounted to EUR 1.6 million (2018: EUR 8.8 million).
Deliveries totalling EUR 1.8 million were made to Antea bv in the financial year 2019 (2018: EUR 0.0 million). The total amount of purchases from Antea bv in 2019 amounted to EUR 7.3 million (2018: EUR 0.0 million). Deliveries totalling EUR 0.8 million were made to Centric bv in the financial year 2019 (2018: EUR 0.0 million). The total amount of purchases from Centric bv in 2019 amounted to EUR 3.0 million (2018: EUR 0.0 million). Deliveries totalling EUR 0.0 million were made to Sanderink Investments bv in the financial year 2019 (2018: EUR 0.7 million). The total amount of purchases from Sanderink Investments bv in 2019 amounted to EUR 0.1 million (2018: EUR 2.8 million).

At year-end, the following receivables and liabilities exist due to transactions with related parties:

The interest on Oranjewoud nv's subordinated loan amounts to 5 .

	Oranjewoud nv	Sanderink Investments bv	Antea bv	Centric bv
Current receivables	1	-	1,917	78
Current debt	2	6	4,471	243
Loans, funds provided	-	-	-	-
Loans, funds borrowed	11,000	-	-	-

29. Subsequent events

COVID-19

The COVID-19 outbreak has rapidly developed in 2020, resulting in a high number of infections. The measures taken by governments to control the pandemic are having an impact on economic activity. Strukton has taken various measures to assess and mitigate the impact of COVID-19. It has also implemented health and safety measures (social distancing and working from home) for its employees, and measures to secure the supply of materials necessary for our production processes.

The impact on our activities and results is currently limited. The government in the Netherlands designated the public transport, healthcare and transport sectors as essential service sectors. Strukton works on vital technical infrastructure such as railroads, road infrastructure, hospitals and other healthcare institutions. In order to help minimise the impact of COVID-19 on society, it is important to both principals and Strukton to ensure the continuation of the works as much as possible. This applies to most of the countries in which Strukton operates. We are confronted with a broader decline in activities only in Italy and Belgium, where Strukton is more focused on projects.

In the first five months of 2020 revenue is equal to the same period in 2019. The developments lead to a positive recurring operational result in the first five months of 2020. Whether the revenue and profitability will improve in the remaining months of 2020, will depend on the period during which the areas where we are active will be exposed to the COVID-19 virus and on the extent to which government measures will be extended or scaled back. Though insecure, we do not believe that the COVID-19 virus will have a material negative impact on our financial condition or liquidity.

Strukton will continue to monitor the measures issued by governments and agencies while focusing as much as possible on continuing operations in the best and safest way possible without endangering the health of its employees.

Financing

In May 2020, an additional share premium amounting to EUR 20 million was paid by Oranjewoud nv. In June 2020, Strukton Groep extended the current financing by 6 months until October 13, 2021. The facility was set to EUR 80 million as of that date. Long-term refinancing is planned for 2021.

30. Services pursuant to concessions and PPPs

Strukton's group companies participated in six special purpose companies for PPP concession projects in 2019. These companies have entered into a concession agreement for providing services. All agreements are based on a public-private partnership (PPP). These are referred to as DBFM(O) contracts - Design, Build, Finance, Maintain and Operate.
Companies over which Strukton Groep is able to (jointly) exercise full control are recognised as associates. If Strukton Groep cannot exercise joint control, the Company is recognised as an investment.
The following applies to all concession agreements:

- The concession payments depend on the availability of equipment or accommodation;
- Insofar as the fees concern the provision of support and other services, they are recognised in proportion to the delivery of the services;
- The concession agreements contain provisions for indexation, and certain elements of the agreements can be amended with reference to a benchmark;
- Strukton Groep itself does not own the installation or accommodation;
- The volatility of revenues and results is limited;
- The concession agreements do not allow for renewal.

School buildings
Strukton Groep has a 20 stake (2018: 9) in Talentgroep Montaigne bv. The concession agreement is a DBFM contract for the construction, maintenance and operation of a school building for the Montaigne Lyceum in The Hague. The concession commenced in 2004 and runs until 2034.
Strukton Groep has a 10 stake (2018: 10) in SPC ISE bv. The concession agreement is a DBFMO contract for the construction, maintenance and operation of a school building for the International School in Eindhoven. The concession commenced in 2011 and runs until 2043.

Public buildings
Strukton Groep has a 6 stake (2018: 6) in DUO2 bv. The concession agreement is a DBFMO contract for the construction, maintenance and operation of the shared accommodation for the Education Executive Agency (DUO) and the regional office in Groningen of the Dutch Tax and Customs Administration. The concession commenced in 2008 and runs until 2031.

During the reporting year 2018, Strukton Groep has acquired the remaining 50 of its share in MEET Strukton Holding bv (formerly StruktonHurksHeijmans Holding bv) from Hurks and Heijmans. This means that Strukton Groep is the full owner of MEET Strukton Holding bv since 8 June 2018. The concession agreement concerns a DBFMO contract for the construction, maintenance and operation of the new housing of RIVM (National Institute for Public Health and the Environment) and CBG (the Dutch Medicines Evaluation Board) at Utrecht Science Park. The concession commenced in 2014 and runs until 2043.

Since July 2015, Strukton Groep has an 80% stake in the consortium R Creators Holding bv. The concession agreement is a DBFMO contract for the redevelopment of the De Knoop government office building. This project involves a combination of partial demolition, renovation and expansion at the premises of the former Knoopkazerne barracks in order to realise a combined office and meeting centre with approximately 30,000 m2 of gross surface area for the national government. The realisation phase started in the spring of 2016 and the national government building has been commissioned in early 2018. Upon commissioning, the 20-year maintenance and operation phase started.

Infrastructure
Strukton Groep has a 4.8 stake (2018: 4.8) in A-Lanes A15 bv. The concession agreement is a DBFM contract for the construction and maintenance of sustainable infrastructure solutions for the Maasvlakte–Vaanplein section of the A15 motorway, which will ensure maximum traffic flows and safety both during and after completion of the construction. The concession commenced in 2010 and runs until 2035.

The respective special purpose companies received non-recourse finance. No repayment or interest guarantees have been issued by Strukton Groep. At year-end 2019, the order book of these PPP projects amounts to EUR 610.3 million (2018: EUR 493.5 million). This order book relates to design, construction, maintenance and operations.

31. Assets and liabilities held for sale

In 2018 and 2019, no assets and liabilities were held for sale.

32. Acquisitions

Acquisitions of non-controlling interests and joint ventures
On 15 January 2019, Strukton Rail Italy S.r.l. expanded its share in Costruzioni Linee Ferroviarie S.p.A. from 60 to 100 . Costruzioni Linee Ferroviarie S.p.A. designs, builds, maintains and innovates railroad, metro and tram lines. In the reporting year 2018, Costruzioni Linee Ferroviarie S.p.A. had 312 employees and realised a EUR 135.1 million revenue in 2018.

33. Joint operations
Some of Strukton Groep's activities are carried out in either temporary or permanent joint operations. The consolidated annual financial statements state the following items, corresponding with Strukton Groep's interest in the revenue, assets and liabilities of the individual joint operations:

	31-12-2019	31-12-2018
Assets		
Non-current assets	938	207
Current assets	110,342	175,558
	111,281	**175,765**
Liabilities		
Non-current liabilities	1,577	914
Current liabilities	178,860	235,170
	180,437	**236,084**
Balance of assets and liabilities	**(69,156)**	**(60,319)**
	2019	**2018**
Revenue	232,586	287,604
Costs	226,289	277,773
	6,297	**9,831**

The lower position of current assets and current liabilities of the joint operations compared with the financial year 2018 is mainly due to the Riyadh metro project. The decrease in both the revenue and costs is also due to this project.

34. Information per segment
Operating segments are reported in accordance with the internal reports to the Group Board of Directors. The Group Board of Directors assesses the operating activities from a combination of sectors and geographical zones, defining the operational segments Rail Systems, Civil Infrastructure and Technology and Buildings. No aggregation of operating segments was implemented.

The poor performance on a number of maintenance contracts in the Netherlands and a major contract in Denmark have led to a disappointing operational result of the Rail Systems segment. On the other hand, Strukton Rail Italy and Sweden realised an excellent result. Projects and maintenance contracts in the Netherlands also made a great contribution to the result. Strukton Rolling Stock operates at a loss.

The Civil Infrastructure segment has realised a better result than in 2018 due to a EUR 4.5 million release in the provision for onerous contracts. The results of the regional companies and specialisms are generally stable.

The operational result of the Technology and Buildings segment is slightly above the previous reporting year. Management and maintenance work have made an excellent contribution to the result. Furthermore, the work on OVT (Public Transport Terminal) in The Hague has been finalised, which has made a positive contribution to the result. Progress of new construction for the RIVM and CBG is excellent: the PPP project is on schedule for completion in late 2021.

Breakdown by segment

2018	Rail Systems	Civil infrastructure	Technology and buildings	Eliminations	Total
Revenue from projects	517,186	546,170	184,208	-	1,247,565
Revenue from maintenance	302,016	741	181,871	-	484,627
Revenue from sales inventories	-	7,161	-	-	7,161
Other revenue	8,476	28,997	2,291	-	39,764
Total revenue from contracts with customers (external)	**827,678**	**583,069**	**368,370**	**-**	**1,779,117**
Total revenue from contracts with customers between segments	7,979	13,404	8,416	(29,798)	-
Operational result (EBITDA)	31,601	7,347	6,200	-	45,148
Depreciation and amortisation	17,584	4,960	1,334	-	23,878
Amortisation	3,581	883	-	-	4,464
Operating result (EBIT)	10,435	1,505	4,866	-	16,806
Total assets	668,765	375,158	428,504	(158,523)	1,313,903
Total financial assets	50,374	25,000	52,618	(40,001)	87,991
Total liabilities	559,563	293,873	389,408	(118,522)	1,124,322
Total investments	15,698	6,660	440	-	22,798
Number of employees (closing balance)	3,817	1,291	1,751	-	6,859

2019	Rail Systems	Civil infrastructure	Technology and buildings	Eliminations	Total
Revenue from projects	614,745	517,993	214,522	-	1,347,260
Revenue from maintenance	268,937	(1,918)	192,821	-	459,840
Revenue from sales inventories	-	7,800	-	-	7,800
Other revenue	6,419	33,121	793	-	40,332
Total revenue from contracts with customers (external)	**890,100**	**556,996**	**408,135**	**-**	**1,855,231**
Total revenue from contracts with customers between segments	16,587	26,503	19,406	(62,495)	-
Operational result (EBITDA)	30,041	14,988	17,290	-	62,319
Depreciation and amortisation	34,118	11,426	7,470	-	53,014
Amortisation	2,429	834	-	-	3,263
Operating result (EBIT)	(6,506)	2,728	9,820	-	6,042
Total assets	736,213	332,376	457,709	(217,881)	1,308,417
Total financial assets	50,483	28,752	80,035	(50,000)	109,270
Total liabilities	646,072	225,621	419,984	(167,880)	1,123,796
Total investments	17,692	4,239	342	-	22,272
Number of employees (closing balance)	3,780	1,187	1,814	-	6,781

About EUR 247.3 million of the revenue from contracts with customers was received from a single external customer. This revenue is attributed to the Rail Systems segment.

Geographical breakdown

2018	The Netherlands	Italy	Sweden	Europe other	Middle East	Non-European other	Total
Revenue from projects	800,425	168,404	29,503	83,988	162,652	2,593	1,247,565
Revenue from maintenance	293,350	-	190,500	778	-	-	484,627
Revenue from sales inventories	7,161	-	-	-	-	-	7,161
Other revenue	35,932	1,790	-	2,047	-	(4)	39,764
Revenue from contracts with customers (external)	**1,136,867**	**170,194**	**220,003**	**86,813**	**162,652**	**2,589**	**1,779,117**
Total assets	744,418	269,936	123,625	56,398	115,477	4,048	1,313,903
Total financial assets	79,063	7,980	9,710	(8,763)	0	-	87,991
Total liabilities	699,836	186,673	73,049	49,319	106,862	8,584	1,124,322
Total investments	15,147	3,627	2,028	1,956	-	41	22,798

2019	The Netherlands	Italy	Sweden	Europe other	Middle East	Non-European other	Total
Revenue from projects	833,334	209,598	84,830	87,137	129,579	2,781	1,347,260
Revenue from maintenance	298,221	-	162,022	(403)	-	-	459,840
Revenue from sales inventories	7,800	-	-	-	-	-	7,800
Other revenue	40,263	-	-	70	-	-	40,332
Revenue from contracts with customers (external)	**1,179,618**	**209,598**	**246,852**	**86,804**	**129,579**	**2,781**	**1,855,231**
Total assets	779,551	297,572	133,473	43,876	52,476	1,468	1,308,417
Total financial assets	106,109	2,986	28,079	(27,155)	(1)	(748)	109,270
Total liabilities	772,884	191,364	59,923	45,328	48,028	6,268	1,123,796
Total investments	8,511	8,621	2,397	2,720	-	24	22,272

2018

Total revenue from contracts with customers to geographic market	Rail Systems	Civil infrastructure	Technology and buildings	Total
Netherlands	348,558	419,939	368,370	1,136,867
Italy	170,194	-	-	170,194
Sweden	220,003	-	-	220,003
Europe other	86,334	478	-	86,813
Middle East	-	162,652	-	162,652
Non-Europe other	2,589	-	-	2,589
	827,678	**583,069**	**368,370**	**1,779,117**

2019

Total revenue from contracts with customers to geographic market	Rail Systems	Civil infrastructure	Technology and buildings	Total
Netherlands	348,283	423,199	408,135	1,179,618
Italy	209,598	-	-	209,598
Sweden	246,852	-	-	246,852
Europe other	82,587	4,217	-	86,804
Middle East	-	129,579	-	129,579
Non-Europe other	2,781	-	-	2,781
	890,100	**556,996**	**408,135**	**1,855,231**

35. Overview of Group companies and associates

A. Group companies

The following companies are fully consolidated:

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Strukton Rail bv	Utrecht (NLD)	100	100
Strukton Rail Nederland bv	Utrecht (NLD)	100	100
Strukton Rail Short Line bv	Utrecht (NLD)	100	100
IWORKX bv	Utrecht (NLD)	100	100
Strukton Rolling Stock bv	Utrecht (NLD)	100	100
Strukton M&E bv	Maarssen (NLD)	100	100
Strukton Embedded Solutions	Utrecht (NLD)	100	100
Strukton Systems bv	Utrecht (NLD)	100	100
Strukton Rail Equipment bv	Utrecht (NLD)	100	100
Strukton Rail Asset Management bv (vh Strukton Rail Consult bv)	Utrecht (NLD)	100	100
Strukton Railinfra Projecten bv	Utrecht (NLD)	100	100
Strukton Rail Italy S.r.l.	Bologna (ITA)	100	100
Uniferr S.r.l.	Reggio Emilia (ITA)	100	60
Promofer S.r.l.	Rome (ITA)	100	100
FER RENT S.r.l.	Milano (ITA)	100	100
Costruzioni Linee Ferroviari S.p.A.	Bologna (ITA)	100	60
Strukton Rail Investment S.r.l.	Bologna (ITA)	-	100
CLF Albania SHPK	Tirane (ALB)	100	60
Construzioni Linee Ferroviari CLF C.A.	Caracas (VEN)	100	60
Sviluppo 2010 S.r.l.	Bologna (ITA)	100	60
S.I.F.EL S.p.A.	Spigno Monferrato (ITA)	100	60
Société d'Installations Ferroviaires et Electriques Maroc	Rabat (MAR)	100	60
Tecno Engineering System S.r.l.	Bologna (ITA)	100	60
AR.FER S.r.l.	Alessandria (ITA)	100	60
Strukton Rail Australia PTY Ltd.	Perth (AUS)	100	100
Strukton Rail International bv	Utrecht (NLD)	100	100
Nova Gleisbau AG	Baar (CHE)	100	100
Strukton Rail nv	Merelbeke (BEL)	100	100
Siebens Spoorbouw BVBA	Wilrijk (BEL)	100	100
Strukton Railinfra AB	Stockholm (SWE)	100	100
Strukton Rail AB	Stockholm (SWE)	100	100
RBS ban och signal AB	Stockholm (SWE)	100	100
Strukton Rail A/S	Copenhagen (DNK)	100	100
Strukton Rail Västerås AB	Stockholm (SWE)	100	100
SR Kraft AS	Oslo (NOR)	100	100
Strukton Rail Holding A/S (DK)	Taastrup (DNK)	100	100
Strukton Rail S-Bane A/S	Taastrup (DNK)	100	100
Strukton Rail North America Inc.	Wilmington. Delaware (USA)	100	100
THV Noordzuidlijn	Merelbeke (BEL)	100	100
Strukton Civiel bv	Utrecht (NLD)	100	100
Strukton Civiel Projecten bv	Utrecht (NLD)	100	100
GBN Holding bv	Utrecht (NLD)	100	-
GBN Groep bv	Utrecht (NLD)	100	100

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
GBN Immobilisatie	Utrecht (NLD)	100	100
Grondbank Stadskanaal bv	Utrecht (NLD)	100	100
Grind & Ballast Recycling Nederland bv	Utrecht (NLD)	100	100
A-Lanes Asset Management bv	Utrecht (NLD)	100	100
Terracon Molhoek Beheer bv	Werkendam (NLD) (NLD)	100	100
Terracon Funderingstechniek bv	Nieuwendijk (NLD)	100	100
Terracon International bv	Nieuwendijk (NLD)	100	100
Terracon Spezialtiefbau GmbH	Berlin (DEU)	100	100
Molhoek Aannemingsbedrijf bv	Nieuwendijk (NLD)	100	100
Strukton Engineering bv	Utrecht (NLD)	100	100
Strukton Prefab Beton bv	Utrecht (NLD)	100	100
Strukton Cviel Regio Noord & Oost	Oldenzaal (NLD) (NLD)	100	100
Strukton Civiel Noord & Oost bv	Oldenzaal (NLD) (NLD)	100	100
Reef GmbH	Gronau (DEU)	100	100
Strukton Civiel Regio West bv	Scharwoude (NLD) (NLD)	100	100
Strukton Civiel West bv	Scharwoude (NLD) (NLD)	100	100
Strukton Civiel West Materieel bv	Scharwoude (NLD) (NLD)	100	100
Strukton Civiel West Transport bv	Scharwoude (NLD) (NLD)	100	100
Ooms Producten bv	Scharwoude (NLD) (NLD)	100	100
Uniforn bv	Avenhorn (NLD)	100	100
Unihorn Astana Ltd. i.l. **	Astana (KAZ)	100	100
Strukton Milieutechniek bv	Utrecht (NLD)	100	100
Strukton Civiel Regio Zuid bv	Utrecht (NLD)	100	100
Strukton Civiel Zuid bv	Breda (NLD) (NLD)	100	100
Tensa bv	Nieuwendijk (NLD)	100	100
Reanco bv	Breda (NLD) (NLD)	100	100
Rasenberg Verkeer & Mobiliteit bv	Breda (NLD) (NLD)	100	100
Recycling & Overslag Breda (NLD) (NLD) bv	Breda (NLD) (NLD)	100	100
Van Rens bv	Horst (NLD)	100	100
Colijn Beton- en Waterbouw	Breda (NLD) (NLD)	100	100
Comb. Strukton Infratechnieken - Colijn - Reef vof	Utrecht (NLD)	100	100
Colijn-Rasenberg vof	Breda (NLD) (NLD)	100	100
RACO 59 vof	Breda (NLD) (NLD)	100	100
Avenue2 Infra vof	Nieuwegein (NLD)	100	100
Meppelerdiepsluis vof	Utrecht (NLD)	100	100
Combinatie Geo Grid vof	Utrecht (NLD)	100	100
Strukton Bouw bv *	Utrecht (NLD)	100	100
Strukton Bouw & Onderhoud bv *	Utrecht (NLD)	100	100
Strukton Van Straten bv	Eindhoven (NLD)	100	100
Strukton Revitalisatie en Ontwikkeling bv	Utrecht (NLD)	100	100
Strukton Gamma bv	Utrecht (NLD)	100	100
Strukton Delta bv	Utrecht (NLD)	100	100
C.V. Voorstadslaan	Utrecht (NLD)	100	100
La Mondiale NV	Etterbeek (BEL)	100	100
Strukton CSNS vof	Utrecht (NLD)	-	100
Het Spaarne vof	Utrecht (NLD)	100	100
Strukton Services bv	Utrecht (NLD)	100	100
Strukton Worksphere bv	Utrecht (NLD)	100	100
WorkSphere Beheer bv	Utrecht (NLD)	100	100

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Strukton Worksphere Bouw bv	Utrecht (NLD)	100	100
Strukton Worksphere België BVBA	Tongeren (BEL)	100	100
MEET RIVM CBG BV	Utrecht (NLD)	100	100
Strukton Integrale Projecten bv *	Utrecht (NLD)	100	100
SPC Management Services bv	Utrecht (NLD)	100	50
Strukton Finance ESCo's Holding bv	Utrecht (NLD)	100	100
RGG cluster zwembaden ESCo Invest bv	Utrecht (NLD)	100	100
RGG KPP ESCo Invest bv	Utrecht (NLD)	100	100
Strukton Assets bv	Utrecht (NLD)	100	100
MEET Strukton Holding bv	Utrecht (NLD)	100	100
MEET Strukton bv	Utrecht (NLD)	100	100
Strukton Management bv *	Utrecht (NLD)	100	100
Strukton Vastgoedbeheer en Facility Management bv	Utrecht (NLD)	100	100
Servica bv	Utrecht (NLD)	100	100
Servica Advies bv	De Meern (NLD)	100	100
Strukton Materieel bv *	Utrecht (NLD)	100	100
Strukton Vuka bv	Utrecht (NLD)	100	100
Strukton Elschot bv	Utrecht (NLD)	100	100
Molhoek - CCT bv (vh Ecorail bv)	Utrecht (NLD)	100	100
Strukton Infratechnieken bv	Utrecht (NLD)	100	100
Strukton Microtunneling bv	Maarssen (NLD) (NLD)	100	100
Canor Benelux bv	Utrecht (NLD)	100	100
Reanco Benelux bv	Utrecht (NLD)	100	100
Combinatie Stukton Zaanstad CSZ vof	Utrecht (NLD)	-	100
DUO2 vof	Maarssen (NLD) (NLD)	99	99
Strukton combinatie Rijswijk Delft Zd	Utrecht (NLD)	100	-
Strukton International bv	Utrecht (NLD)	100	100
Strukton International Sweden AB	Gothenborg (SWE)	100	100
Strukton International Denmark A/S	Copenhagen (DNK)	100	100
Strukton Immersion Projects bv	Utrecht (NLD)	100	100
Strukton Immersion Projects bv Turkije Branch	Istanbul (TUR)	100	-
Onderwatertechniek Nederland bv	Utrecht (NLD)	100	100
Strukton Specialistische Technieken bv	Utrecht (NLD)	100	100
Ooms PMB bv	Scharwoude (NLD) (NLD)	100	100
Strukton International Rail bv	Utrecht (NLD)	100	100
Strukton International Belgium nv	Merelbeke (BEL)	100	100
Strukton International Deutschland GMBH	Kleve (DEU)	100	100
Strukton Internacional Argentina SA	Buenos Aires (ARG)	100	100

The following companies are fully included in the consolidation with a minority interest:

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
A1 Electronics Netherlands bv	Almelo (NLD)	80	80
Buca Electronics bv	Almelo (NLD)	80	80

B. The following companies are partially consolidated:

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Tribase Computer and Netw Serv Vof	Utrecht (NLD)	33.3	33.3
Combinatie Hollandia – Strukton Systems Vof	Utrecht (NLD)	50	50
Strukton-Aarsleff JV I/S	Aarhus (DNK)	45	45
SITEC Consorzio Stabile ferr.	Bologna (ITA)	47.5	28.5
Exploitatie Maatschappij A-Lanes A15 bv	Nieuwegein (NLD)	50	33 1/3
A-Lanes Civil Vof	Nieuwegein (NLD)	45	45
HSL1 Hollandse Meren Vof	Utrecht (NLD)	14.5	14.5
Combinatie Strukton Betonbouw-Van Oord ACZ (Noord-Zuidlijn)	Utrecht (NLD)	75	75
Bouwcombinatie HSL4 Drechtse Steden Vof	Zwijndrecht (NLD)	15.7	15.7
Geluidschermen Combinatie HSL Vof	Zaandam (NLD)	15.7	15.7
Combinatie Zinktunnel Strukton/Van Oord ACZ	Utrecht (NLD)	50	50
Bouwcombinatie Strukton-Boskalis	Utrecht (NLD)	58	58
Avenue 2 Vof	Nieuwegein (NLD)	50	50
GWW Combinatie A2 Vof	Arnhem (NLD)	25	25
FC AV2 Vof	Nieuwegein (NLD)	50	50
Combinatie Versterken Bruggen Vof	Capelle a/d IJssel	50	50
Combinatie Strukton Ballast Maatvoering Vof	Zaandam (NLD)	-	50
Bouwcombinatie Kaam Vof	Weert (NLD)	-	7
Combinatie – SRS	Breda (NLD)	-	50
BPL Wegen	Rotterdam (NLD)	50	50
Combinatie Buitenring Vof (BPL Koepel)	Rotterdam (NLD)	33 1/3	33 1/3
Combinatie Spanstaal – Tensa Vof	Werkendam (NLD)	50	50
A-Lanes A15 Mobility Vof	Nieuwegein (NLD)	45	45
A-Lanes A15 JV Roads Vof	Nieuwegein (NLD)	45	45
Combinatie Van Gelder – Strukton Civiel Projecten Vof (IGO A1)	Elburg (NLD)	0	50
DUOS Vof	Oldenzaal (NLD)	50	50
A9V1	Utrecht (NLD)	50	50
Combinatie Natuurontwikkeling Maasplassen Vof	Vinkel (NLD)	50	50
Rions – Rasenberg	Sittard (NLD)	50	50
Hydraphalt vof	Scharwoude (NLD)	50	50
CE-Asfaltonderzoek vof	Scharwoude (NLD)	50	50
Combinatie Ooms Ballast MNO Vof	Scharwoude (NLD)	33 1/3	33 1/3
Zandexploitatie Westfriesland Vof	Scharwoude (NLD)	50	50
Grondbank West Brabant Vof	Utrecht (NLD)	50	50
Combinatie Dinteloord	Middelharnis (NLD)	50	50
Combinatie Ooms –Schadenberg	Scharwoude (NLD)	50	50

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Combinatie K.Dekker – Ooms Construction Muiden	Warmenhuizen	50	50
Ooms Construction – RDM Vof	Scharwoude (NLD)	50	50
Combinatie Zijkanaal D	Sliedrecht (NLD)	50	50
Combinatie Colijn/Rasenberg/van den Herik	Sliedrecht (NLD)	50	50
BNRA Gladheid vof	Leerdam (NLD)	50	50
Fast Riyadh Metro Alliance = Fast	Riyadh (SAU)	14.08	14.08
Construction Joint Venture (CJV)	Riyadh (SAU)	17.96	17.96
Track Joint Venture (TJV)	Riyadh (SAU)	8.08	8.08
Ooms PMB Gulf Asphalt Trading LLC	Abu Dhabi (ARE)	-	49
Arge Instandsetzung Reinbrucke Maxau	Karlsruhe (DEU)	50	50
Grondontwikkeling Beilen bv	Amsterdam (NLD)	50	50
Safire Services Vof	Eindhoven (NLD)	33.3	33.3
Bouwcombinatie Komfort vof	Utrecht (NLD)	50	50
Bouwcombinatie DC 16 vof	Utrecht (NLD)	50	50
Avenue 2 Vof	Nieuwegein (NLD)	25	25
Bouwcombinatie ISE DB Vof	Eindhoven (NLD)	91	91
Bouwcombinatie Strukton – De Nijs Vof	Utrecht (NLD)	-	50
La Linea Leiden cv	Rotterdam (NLD)	50	50
RGG cluster Zwembaden ESCo Exploitatie Vof	Utrecht (NLD)	50	50
Bouwcombinatie ICCS Vof	Utrecht (NLD)	-	50
SPARK Vof	Utrecht (NLD)	50	50
RCreators DBMO vof	Nieuwegein (NLD)	45	45
Exploitatie maatschappij DC16 bv	Nieuwegein (NLD)	50	50
Exploitatie maatschappij Komfort bv	Nieuwegein (NLD)	50	50
ProCUS vof	Utrecht (NLD)	50	50

C. The associates not included in the consolidation are:

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Strukton Finance Holding bv ***	Utrecht (NLD)	11.99	11.99
TalentGroep Montaigne Holding bv	Rotterdam (NLD)	20	8.97
TalentGroep Montaigne bv	Rotterdam (NLD)	20	8.97
ISE Holding bv	Utrecht (NLD)	10	10
SPC ISE bv	Eindhoven (NLD)	10	10
Duo2 Holding bv	Utrecht (NLD)	6	6
Duo2 bv	Utrecht (NLD)	6	6
A-Lanes A15 Holding bv	Nieuwegein (NLD)	4.8	4.8
A-Lanes A15 bv	Nieuwegein (NLD)	4.8	4.8
Profin BVBA	Gent (BEL)	50	50
Voestalpine Railpro bv	Hilversum (NLD)	10	10
Shandong SRCC Rail Transit Technology Co.Ltd.	Jinan (CHN)	45	45
Dual Inventive Holding bv	Udenhout (NLD)	50	50
Dual Inventive Nederland bv	Udenhout (NLD)	50	50
Dual Inventive Production bv	Udenhout (NLD)	50	50

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
Dual Inventive Technology Centre bv	Oisterwijk (NLD)	50	50
Dual Inventive Europe bv	Oisterwijk (NLD)	50	50
Dual Inventive Ltd	Sheffield (GBR)	37.5	37.5
Eurailscout Inspection & Analysis bv	Utrecht (NLD)	50	50
Erdmann Software GmbH	Görlitz (DEU)	25	25
Eurailscout France SAS	Paris (FRA)	48.7	48.7
Eurailscout Italy S.r.l.	Bologna (ITA)	50	50
New Sorema Ferroviaria S.p.A.	Brescia (ITA)	50	30
Frejus s.c.r.l.	Bologna (ITA)	27.99	16.79
Willow Rail PTY Ltd	New South Wales (AUS)	50	-
JPL Rail A/S	Ørje (NOR)	30	30
C2CA Technology bv	Utrecht (NLD)	50	50
GBN Artificial Grass Recycling bv	Utrecht (NLD)	55	-
BAG bv **	Maastricht (NLD)	20	20
Grondstoffen Recycling Weert (NLD) bv	Weert (NLD)	50	50
Nebeco bv	Ede (NLD)	-	50
Combinatie Verkeersmaatregelen A-Lanes Vof	Rotterdam (NLD)	50	50
Combinatie Ballast Nedam Infra Spec./Van Rens	Leerdam (NLD)	30	30
Noordelijke Asfaltproduktie (NOAP) bv	Heerenveen (NLD)	50	50
Nederlands Wegen Markeerbedrijf bv	Oosterwolde (NLD)	25	25
Lareco Holding bv	Hardenberg (NLD)	-	33 1/3
Sureco nv	Belgium	33 1/3	33 1/3
Aduco Holding bv	Ede (NLD)	25	25
Aduco Nederland bv	Ede (NLD)	25	25
Lareco Bornem nv	Antwerpen (BEL)	33 1/3	33 1/3
Tubex bv	Oostburg (NLD)	50	50
Hoka Noord-West Vof	's-Hertogenbosch (NLD)	50	50
Asfalt Productie Amsterdam bv (APA)	Amsterdam (NLD)	25	25
Asfalt Productie Rotterdam (NLD) Rijnmond (APRR) bv	Rotterdam (NLD).	25	25
BituNed bv	Reeuwijk (NLD)	50	50
MT Piling bv	Harmelen (NLD)	50	50
SolaRoad bv	Delft (NLD)	20	-
Microtunneling Equipment Exploitatie bv	Utrecht (NLD)	50	50
Rebru Vof	Utrecht (NLD)	50	50
GBB Grondbank Budel vof	Zeeland (NLD)	50	50
BNOC vof	Leerdam (NLD)	50	50
Combinatie Strukton Civiel / Oosterhof Holman	Oldenzaal (NLD)	50	-
Floow	Oldenzaal (NLD)	50	50
Fast Consortium LL	Riyadh (SAU)	17.96	17.96
Strukton LLC	Riyadh (SAU)	49	49
DMI Nederland bv	Weert (NLD)	50	50
DMI Geräte GmbH	Berlin (DEU)	-	50

Name	Statutory office	% Share in the issued capital 2019	% Share in the issued capital 2018
DMI Spezialinjektionen Süd GmbH	Berlin (DEU)	-	50
DMI International GmbH	Berlin (DEU)	-	50
DMI Injektionstechnik GmbH	Berlin (DEU)	-	50
DBS Spezialsanierungen GmbH	Forst (DEU)	50	50
Strukton Arrigoni SpA	Santiago (CHL)	-	50
Strukton Construction Trading WLL	Doha (QAT)	49	49
Petroserv Ltd./Strukton Construction and Trading WLL	Doha (QAT)	50	50
A-team vof	Utrecht (NLD)	50	50
La Linea Leiden Beheer bv	Rotterdam (NLD)	50	50
Venturium Beheer bv	Capelle a/d IJssel (NLD)	25	25
Ontwikkel- en Bouwcombinatie Laudy-Strukton Vof	Eindhoven (NLD)	-	50
ISE Exploitatie bv	Eindhoven (NLD)	34	34
A-Lanes Management Services bv	Nieuwegein (NLD)	25	25
R Creators Holding bv	Utrecht (NLD)	80	80
R Creators bv	Utrecht (NLD)	80	80

* For companies marked with *, Strukton Groep nv issued liability statements in accordance with Section 403 of Title 9 Book 2 of the Dutch Civil Code.

** In liquidation

*** The share capital of Strukton Finance Holding bv consists of different types of shares linked to the various investments in PPP projects. For all participations, the ratio is 80/20 (DIF/Strukton) with the exception of ISE Holding bv, which has a 90/10 ratio (DIF/Strukton), and Strukton Finance bv (Delfluent) and Komfort Holding B.V., where all tracker shares are held by DIF.

Company balance sheet before proposed profit appropriation (x EUR 1,000)

Assets

		31-12-2019		31-12-2018	
Non-current assets					
1.	Property, plant and equipment	8,737		9,478	
2.	Right-of-use assets	695		-	
3.	Financial non-current assets	399,077		375,911	
			408,509		385,389
Current assets					
4.	Receivables	26,529		17,265	
5.	Cash and cash equivalents	-		40	
			26,529		17,305
Total assets			**435,038**		**402,694**
Equity					
	Issued and paid-up capital	2,269		2,269	
	Share premium reserve	49,000		39,000	
	Other reserves	153,324		152,809	
	Undistributed result	(19,970)		(4,496)	
6.	**Total equity**		184,623		189,582
	Subordinated loans		11,000		11,000
7.	Provisions		1,344		1,338
8.	Non-current liabilities		40,320		40,000
9.	Current debts		197,751		160,774
Total liabilities			**435,038**		**402,694**

Company statement of income (x EUR 1,000)

	2019	2018
Overall result of investments / associates after deduction of taxes	(17,907)	1,838
10. Other results after tax	(2,063)	(6,334)
Result after taxes	**(19,970)**	**(4,496)**

Notes to the Company financial statements (x EUR 1,000)

On 29 October 2010, Strukton Groep nv became part of Oranjewoud nv. Oranjewoud nv holds all shares in Strukton Groep nv. As at year-end 2019, 98.47 of the shares in Oranjewoud nv are held by Sanderink Investments bv. Where reference is made in the Company financial statements to transactions with group companies, this means both relations between Strukton Groep nv and its subsidiaries and the relations with other group companies that are part of Oranjewoud nv and Sanderink Investments bv, and their related companies.

General principles for the preparation of the annual financial statements

Strukton Groep nv's annual financial statement is included in the consolidated annual financial statements. The company financial statement of Strukton Groep nv is prepared in accordance with the legal provisions set out in Title 9, Book 2 of the Dutch Civil Code. Within this context, the Company utilises the option provided by Section 2:362 sub 8 of the Dutch Civil Code to apply the same accounting policies to the Company financial statements as those applied to the consolidated financial statements. The group companies included in the consolidation are stated at net equity value in accordance with the accounting policies applicable to the consolidated IFRS annual financial statements of Strukton Groep nv. Associates in which significant control is held are also valued in accordance with these accounting policies as stated in the consolidated annual financial statements. The same applies to the accounting policies for determination of the result. Consequently, the shareholders' equity and the net result of Strukton Groep nv are equivalent to the amounts in the consolidated annual financial statement.

Accounting policies for the measurement and determination of results

The accounting policies applied for the measurement of assets and liabilities and the determination of the result applied in the Company financial statements are equivalent to the accounting policies applied in the consolidated financial statements. If no specific policies are mentioned, please refer to the policies mentioned in the consolidated financial statements of Strukton Groep nv. For a correct interpretation of Strukton Groep nv's company financial statements, please refer to Strukton Groep nv's consolidated annual financial statements.

01. Property, plant and equipment

	Country	Property	Plant and installations	Total
As at 1 January 2019				
Cost	2,250	27,022	2,081	31,353
Cumulative depreciations	452	19,342	2,081	21,875
Carrying amount	**1,798**	**7,680**	**-**	**9,478**
2019				
Investments	-	107	-	107
Disposals	-	-	-	-
Depreciation and amortisation	1	847	-	848
Other changes	-	-	-	-
Carrying amount 31 December 2019	**1,797**	**6,940**	**-**	**8,737**
As at 31 December 2019				
Cost	2,250	27,129	2,081	31,460
Cumulative depreciations	453	20,189	2,081	22,723
Carrying amount	**1,797**	**6,940**	**-**	**8,737**

The Group rents the majority of its industrial buildings to its subsidiaries. The Group has classified these leases as operating leases because not all risks and rewards of ownership are transferred.
Lease income recognised by the Group in 2019 was EUR 2.3 million (2018: EUR 2.3 million). These leases are subject to 12 months' notice. The Group expects to receive EUR 2.3 million annually.

02. Right-of-use assets

	Land	Property	Plant and installations	Cars	Other	Total
2019						
Carrying amount as at 1 January 2019	-	-	-	-	-	-
Effect of changes to accounting principles	-	912	-	16	-	928
Carrying amount as at 1 January 2019 (revised)	**-**	**912**	**-**	**16**	**-**	**928**
Acquisitions	-	-	-	-	-	-
Additions	-	-	-	132	-	132
Contract terminations	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Contract modifications	-	-	-	-	-	-
Depreciations	-	344	-	21	-	365
Translation differences	-	-	-	-	-	-
Deconsolidations	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Carrying amount as at 31 December 2019	**-**	**568**	**-**	**127**	**-**	**695**

The payment obligations corresponding with the lease contracts are recognised in current debts and non-current liabilities. For more information relating to these lease liabilities, please refer to section 8 Non-current liabilities'.

03. Financial non-current assets

	31-12-2019	31-12-2018
Associates in group companies	245,373	257,610
Non-consolidated associates	-	-
Receivables from group companies	122,135	82,459
Third-party receivables	3,234	3,202
Deferred tax receivables	26,525	30,830
	397,267	**374,101**
Investments in equity instruments	1,810	1,810
	399,077	**375,911**

An interest rate of 3.0 is charged on loans to group companies.

Movements in financial non-current assets in 2019 were as follows:

	Associates of group companies	Non-consolidated associates	Receivables from group companies	Third-party receivables	Deferred tax receivables	Investments in equity instruments	Total
As at 1 January 2019	**257,610**	**-**	**82,459**	**3,202**	**30,830**	**1,810**	**375,911**
Acquisition of subsidiaries	-	-	-	-	-	-	-
Extension	-	98	-	-	-	-	98
Disposal	-	-	-	-	-	-	-
Share in result	(17,907)	-	-	-	-	-	(17,907)
Dividends	-	(43)	-	-	-	-	(43)
Loans granted	-	-	42,676	37	-	-	42,713
Repayments	-	-	(3,000)	(5)	-	-	(3,005)
Depreciation	-	-	-	-	(5,000)	-	(5,000)
Other changes	5,670	(55)	-	-	695	-	6,310
As at 31 December 2019	245,373	**-**	**122,135**	**3,234**	**26,525**	**1,810**	**399,077**

The other movement in 2019 is due to the EUR 10.2 million increase in the negative actuarial reserve and the book profit made on the acquisition of CLF's minority shares (EUR 15.7 million).

04. Receivables

	31-12-2019	**31-12-2018**
Receivables from group companies	25,076	16,351
Tax and social security contributions	-	-
Other receivables and accrued income	1,453	914
	26,529	**17,265**

05. Cash and cash equivalents

These cash and cash equivalents are at the Company's free disposal.

06. Equity

	Issued and paid up capital	Share premium reserve	Translation reserve differences	Statutory reserve	Hedging reserve	Actuarial reserves	Retained profits	Undistributed earnings	Total equity
Equity as per 1 January 2018	**2,269**	**39,000**	**(428)**	**6,178**	**(199)**	**(13,039)**	**172,866**	**(7,233)**	**199,414**
Appropriation of 2017 profit	-	-	-	-	-	-	(7,233)	7,233	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
Result after taxes	-	-	-	-	-	-	-	(4,496)	(4,496)
Unrealised results	-	-	50	-	(1,585)	(2,615)	(1,186)	-	(5,336)
Total recognised income and expense for the reporting period	**-**	**-**	**50**	**-**	**(1,585)**	**(2,615)**	**(1,186)**	**(4,496)**	**(9,832)**
Change in statutory reserve	-	-	-	(1,335)	-	-	1,335	-	-
Share premium	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2018	**2,269**	**39,000**	**(378)**	**4,843**	**(1,784)**	**(15,654)**	**165,782**	**(4,496)**	**189,582**

	Issued and paid up capital	Share premium reserve	Translation reserve differences	Statutory reserve	Hedging reserve	Actuarial reserves	Retained profits	Undistributed earnings	Total equity
Equity as per 1 January 2019	**2,269**	**39,000**	**(378)**	**4,843**	**(1,784)**	**(15,654)**	**165,782**	**(4,496)**	**189,582**
Appropriation of 2018 profit	-	-	-	-	-	-	(4,496)	4,496	-
Deconsolidation	-	-	-	-	-	-	-	-	-
Result after taxes	-	-	-	-	-	-	-	(19,970)	(19,970)
Unrealised results	-	-	144	-	(670)	(10,199)	15,736	-	5,011
Total recognised income and expense for the reporting period	**-**	**-**	**144**	**-**	**(670)**	**(10,199)**	**15,736**	**(19,970)**	**(14,959)**
Change in statutory reserve	-	-	-	179	-	-	(179)	-	-
Share premium	-	10,000	-	-	-	-	-	-	10,000
Dividend paid	-	-	-	-	-	-	-	-	-
Equity as at 31 December 2019	**2,269**	**49,000**	**(234)**	**5,022**	**(2,454)**	**(25,853)**	**176,843**	**(19,970)**	**184,623**

The statutory reserve concerns profits and reserves of investments that are not at the Company's disposal for allocation. The remaining share capital is specified in the consolidated annual financial statements.

07. Provisions

	Carrying amount 01-01-2019	Transfer	Withdrawal	Release	Other	Carrying amount 31-12-2019
Tax provisions	1,311	-	-	-	2	1,313
Other provisions	27	4	-	-		31
	1,338	**4**	**-**	**-**	**2**	**1,344**

08. Non-current liabilities

	31-12-2019	31-12-2018
Non-current loans	-	-
Lease liabilities	320	-
Debts to group companies	40,000	40,000
Financial derivatives	-	-
Other	-	-
	40,320	**40,000**

09. Current debts

	31-12-2019	31-12-2018
Debts to financial institutions	31,078	40,048
Trade payables	848	735
Lease liabilities	380	-
Debts to group companies	140,232	100,162
Tax and social security contributions	19,100	13,779
Other liabilities and deferrals	6,113	6,050
	197,751	**160,774**

10. Other results after tax

	2019	2018
Other results after tax	(2,063)	(6,334)

In 2019, the tax asset of the tax group amounts to EUR 0.5 mln (2018: EUR 0.2 million liability). Additionally, the Other results consist of financial income and expenses, write-downs on deferred taxes and overheads. Strukton Groep nv formed an independent tax group with most of its domestic subsidiaries in 2019. Strukton Groep nv does not charge proportionate corporate income tax to its individual subsidiaries.

11. Off-balance-sheet commitments and security provided

Strukton Groep issued guarantees for loans closed by its operating companies and associates up to an amount of EUR 5.0 million (2018 closing balance: EUR 5.0 million). As at 31 December 2019, bankers had issued guarantees and letters of intent up to a total amount of EUR 300.5 million (year-end 2018: EUR 328.7 million). These guarantees mainly concern liabilities pursuant to projects in progress and maintenance commitments relating to delivered work.

Remuneration Supervisory Board and Board of Directors members

For an overview of the remuneration of Supervisory Board and Board of Directors members, please refer to the consolidated annual financial statements.

Auditor's fees

As the financial information regarding the auditor's fee is included in Oranjewoud nv's annual financial statements, the Company decided against disclosure, pursuant to Article 2:382a, paragraph 3 of the Dutch Civil Code.

12. Dividend proposal

The proposal is for the General Meeting of Shareholders to refrain from paying out dividends and to deduct the full result from the general reserves (2018: result deducted from the general reserve).

13. Subsequent events

For events after balance sheet date, please refer to the consolidated annual financial statements.

Utrecht, 14 July 2020

The Group Executive Board:	The Supervisory Board
G.P. Sanderink (Chairman)	H.G.B. Spenkelink (Chairman)
E.A. Hermsen	W.G.B. te Kamp

Other information

Statutory profit distribution

The provisions relating to profit appropriation are set out in Article 33 of the Articles of Association. The provisions set out that the result is at the disposal of the General Meeting of Shareholders.

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Glossary

24Safe	The safety policy within Strukton is set out in a programme entitled 24Safe. Its mission is: Focusing on safety together.
CBG	College ter Beoordeling van Geneesmiddelen (Medicines Evaluation Board)
Compliance	Fulfilling the minimum requirements of the applicable legislation and regulations; observing or implementing the standards.
D&c	Design & Construct
Dbmo	Design, Build, Maintain & Operate
Dbfmo	Design, Build, Finance, Maintain & Operate
EBIT (operating result)	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation **(operational result)**
Ertms	The train safety system developed by the European Union (European Rail Traffic Management System), with the aim of simplifying trains running between different countries without changing to different safety systems.
Esco	Energy service company, a company that guarantees certain energy savings for a building owner based on applying various measures. usually based on a performance contract.
EUR	Euros
Invested equity	Equity plus the loans made available and the balance of withdrawals from and deposits into current accounts.
IF	Injury Frequency index. The number of accidents resulting in sick leave divided by the number of contractual working hours.
IFRS	International Financial Reporting Standards, the standard international accounting principles for preparing annual financial statements for all listed companies within the European Union.

Lmra	Last Minute Risk Analysis, a quick risk assessment completed just before starting the work. This serves to check if all risks are recognised and if the control measures in place will be sufficient.
QESH	Quality, Environment, Safety, Occupational Health
Order book	Works awarded but not yet completed
OVT	Openbaar Vervoer Terminal (Public Transport Terminal)
Pmb	Polymer Modified Bitumen
PPP (Pps)	Public-Private Partnership
PPP concession project	Public-private partnership, where a government body awards a long-term contract to a private consortium for the design, realisation, financing, management and maintenance and often also facilities services for a project.
PULSE	Platform for predictive and risk-driven management and maintenance.
RIVM	Rijksinstituut voor Volksgezondheid en Milieu (National Institute for Public Health and the Environment)
Social return	Contributing to increasing the employment participation of people at a distance from the labour market
Capital adequacy rate (%)	The ratio of shareholder's equity and loan capital
Strukton All Right	Strukton All Right is the title of Strukton's policy of acting with integrity.
SPC	Special Purpose Company, a special purpose vehicle specifically incorporated for the management of a PPP project.
Working capital	Current assets excluding available cash and cash equivalents, minus non-interest bearing current liabilities.

Construction of the new building for RIVM/CBG.

Photo: Willy Damen

14 Colophon

Strukton Groep nv

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https://strukton.com/en/about-us/finance

This is a translation of the formal financial statements, which were originally drafted in Dutch.
The English-language version of the financial statements has not been audited. The Dutch version, including audit opinion, is available on our Dutch website (https://strukton.com/nl/about-us/finance).

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