



ANNUAL REPORT **2018**



Bicycle bridge N35, Zwolle



HEIJMANS AT A GLANCE

Our mission: building a healthy society

Our strategy: Better, smarter, sustainable

	BETTER	<ul style="list-style-type: none">• Safety• Risk management & process improvement• Quality of the organisation
	SMARTER	<ul style="list-style-type: none">• Digitalisation• Production technology
	SUSTAINABLE	<ul style="list-style-type: none">• Energy• Materials• Space

Our core values: result-orientation, ownership, collaboration

The Heijmans N.V. annual report for 2018 is available in digital format via the Heijmans website:

www.heijmans.nl

Contacts: Marieke Swinkels-Verstappen,
mswinkelsverstappen@heijmans.nl and
Robert Koolen, rkoolen@heijmans.nl

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*This annual report is also published in Dutch.
In case of differences between the Dutch and the
English version, the first shall prevail.*

Reporting methodology and period

Sustainability-related disclosures are presented in line with the Global Reporting Initiative (GRI Standards, Core option). Where possible, Heijmans uses the same terminology used in ISO 26000 and the Integrated Reporting Framework of the IIRC. The report covers the reporting period 01-01-2018 through 31-12-2018.

The Global Reporting Initiative GRI standards were used as a basis for this report. Heijmans also used the supplement for the Construction sector. Information is derived from consolidated data in company systems. The selection of performance indicators is based on a materiality analysis, which is in turn based on aspects including social and substantive relevance and the extent to which the organisation can have an impact on said aspects. You can find more information on the reporting methodology in the appendix on page 219.

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The Report of the Executive Board as referred to in Part 9 of Book 2 of the Dutch Civil Code comprises sections 2, 5, 6 and 7, with the exception of 7.1 'Report of the Supervisory Board'.



Fenixlofts, Rotterdam



1

Foreword

Message from the CEO

For the first time in several years, all of Heijmans' business areas made a positive contribution to our operating result. Last year we managed to sustain the recovery we started in 2017, partly thanks to the market conditions. But we also worked hard in our own organisation to put our chosen strategy into action and to refine and sharpen the focus of this strategy where necessary. We are not there yet, but we are well on our way to resuming our position as 'that trendsetting company in the construction sector.' This is also clear to our clients, our procurement partners and our financial stakeholders and we saw their faith in our company become even stronger in the year under review.

Sound basis

As in the previous year, in 2018 we focused on the recovery of our profitability combined with debt reduction. To realise these goals, we need to build and maintain a sound basis. That starts with winning contracts with healthy margins that match our competencies and our risk profile. For each project, we weigh whether the risks

are manageable and proportionate to the reward. We have made substantial progress on this front. The completion of the N23 and the A27/A1 to the full satisfaction of our clients is a clear demonstration that we have improved our risk and project management.

We were disappointed by the termination of the Wintrack II contract. We will continue on our chosen path, with a selective acquisition policy, geared towards contracts that suit us, with healthy margins and manageable risks. And we will not be afraid to see revenue pass us by, even if it means a reduction in our order book. Our decision to withdraw from the ViA15 process is a perfect example of this. We need a more balanced distribution of risks between principal and contractor to arrive at successful projects. That is the only road to sustainable profit for all stakeholders. We are continuing our dialogue with principals on this subject.

We consider safety as a part of our sound basis. Heijmans has made safety at work the foundation for our thinking and actions for many years now. We have also made good progress on that front, but unfortunately did not see our safety figures improve in 2018. We are not satisfied with that result. We will devote constant attention to safety in every aspect of our work to ensure we keep each other sharp. Every accident is one too many. We firmly believe that safety is non-negotiable: there are no half measures and there is no room for compromise. As a company and as a sector, we must target a zero tolerance policy: 'I work safely or I don't work at all'.

Better, Smarter and Sustainable

Over the past year, we used input from across the company to develop a strategic agenda for the period through 2023. This agenda is all about 'Better, Smarter and Sustainable'. On the Better front, we focus on all the aspects described above. This is how we will ensure that our foundation will remain sound. The basic premises of the 'Focus, Discipline, Excellence' initiative we launched in early 2016 will also remain in effect in the future.

"Heijmans aims to be a trendsetter when it comes to innovation, with a distinctive vision and comprehensive know-how and expertise."

On the 'Smarter' front, we envisage a development agenda for our company that focuses on digitalisation and production technology. Innovation is in our blood; it is a thread that runs throughout the Heijmans history. We aim to be a trendsetter in the field of innovation, with a distinctive vision, thorough know-how and expertise and with an eye on the challenges we face as a society in the Netherlands. We want to take the lead by finding ways to seamlessly combine digital construction and physical construction and by making our operations increasingly data-driven. One example of this, BeSense, is a smart solution aimed at improving working environments. With Bikescout, we make roads safer for cyclists. And with Heijmans Huismerk, Heijmans Wenswonen and Heijmans ONE, we are creating carefully thought out and well-designed products with our co-makers. We have industrialised the production process for these homes, cutting the production time and making sure they have a solid price-quality ratio. These homes are the answer to the explosive growth in demand for suitable homes. However, our concern now is whether the Netherlands can achieve the pace required to meet the growing need for new homes.

Heijmans sees Sustainable as a matter of 'don't subtract, but add'. For us, this is about energy, materials and space, and therefore value. We are developing and growing on fronts such as nature-inclusive building, climate adaptation and circularity. But also in terms of sustainable energy, which should not be limited to individual property level, but instead should be organised at area level. This is how we can make a structural contribution to a sustainable society. Where we work, we want to leave the environment in a better state than we found it. We see a particular challenge in the growing densification of cities. It takes specific know-how and expertise to help make this happen, while at the same time maintaining comfort, freedom of movement and spatial quality. Our response is our vision on area development and our expertise in complex city centre developments and the construction of buildings with a high level of mixed functionality. But we also need to develop new, high-quality residential areas outside or around cities if we want to offer everyone a suitable home. And where we build, we will also have to think about mobility: how do we make areas accessible, how do we build sustainable connections and keep the Dutch population moving? Another important component of our activities is ensuring that we maintain the quality of living environments. We work on that front, too, with a highly developed maintenance and management organisation and a growing number of service, maintenance and management contracts.

Healthy living environment

What are we doing all this for in the end? Our mission is to create a healthy living environment. Everyone wants to breathe healthy air, live in a pleasant neighbourhood, enjoy beautiful nature, work in a good workplace, get from A to B safely and efficiently and return home healthy at the end of the day. That is what we are working on. Heijmans focuses on the development, realisation and maintenance of a built environment that is good for people and nature, both literally and figuratively speaking. That is where we can make a real difference as a construction company.

For Heijmans, a healthy living environment also means healthy and sustainable operations with enthusiastic colleagues who do their work safely and with pleasure. That is a basic prerequisite for contributing to society. We believe in the importance of being a good employer and

we realise that we still have some ground to cover on that front. The enormous challenge we face to build sufficient and suitable new homes and other infrastructure, the overheated market conditions and shortages in the labour market mean we ask a lot of our people. But if you want to build a healthy living environment, you have to look to yourself first. We already invest considerable amounts in education and training, but we need to do more for the sustainable employability, health and welfare of our employees. This is how we keep each other fit at Heijmans and increase our added value, and this in turn makes Heijmans an attractive employer.

We can only tackle the enormous task ahead of us if we all work together. I greatly appreciate the efforts and skills of our people who realise the best results for our clients every single day. Together with our clients, our chain partners and all other parties that share our concern for the built environment, we work to create that healthy living environment step by step.

Ton Hillen

*Chairman of the Executive Board Heijmans N.V.
21 February 2019*





Heijmans, Rosmalen



Profile

Heijmans is a Dutch construction and development company, founded by Jan Heijmans in 1923. Heijmans was an innovator even back then, as it was one of the first companies to use bituminous road surfacing. In the post-war reconstruction boom, the company found plenty of opportunities for growth in the repair and laying of roads and airfields. In 1993, Heijmans listed on the Amsterdam stock exchange. Over the past 10 years, the company's strategic focus has been on creating added value based on the integrated nature of its various business units. Heijmans focuses on the Dutch market in three different areas: property development, residential and non-residential building, and infrastructure. The activities are divided into the business areas Property Development, Building & Technology and Infra.

A healthy living environment

Heijmans has one ultimate goal that lies at the heart of all our activities: creating a healthy living environment. That is what we work towards and that is what we stand for. Everyone wants to breathe healthy air, live in a pleasant neighbourhood, enjoy beautiful nature, work in a good workplace, get from A to B safely return home healthy at the end of the day. A healthy living environment. That is what we are working on. Heijmans focuses on a built environment that is good for people and nature, both literally and figuratively speaking. A healthy living environment to Heijmans also means healthy and sustainable operations. With fit colleagues who work safely and with pleasure. Providing a safe working environment for our employees and partners is a fundamental requirement for Heijmans.

Our vision

As a builder and developer, Heijmans improves the quality of the living environment. To this end, we deliver high-quality solutions for our clients and the clients of our clients. With this in mind, we are not finished once we have devised, designed and realised something. That is just the beginning. Our vision: if we want to do well for our clients, we must look through the eyes of the end-user. That is why the use phase – the optimum use of the built environment – is increasingly becoming the starting point of everything we develop, build and maintain. So we look very deliberately through the eyes of the user, whether they are a resident or home buyer, an employee, a visitor, a patient, an entrepreneur or a road user. Because we are convinced that if we do well for them, we can create the greatest added value for our principals.

Integrated proposition

Heijmans is a centralised organisation, which creates synergies and management targeted at 'Focus, Discipline and Excellence.' With that as a basis, Heijmans focuses on creating a healthy living environment and we have developed a strategic agenda that will help us to realise that ambition step by step. We have defined this strategic agenda in concrete terms as three pillars: 'Better, Smarter and Sustainable.'

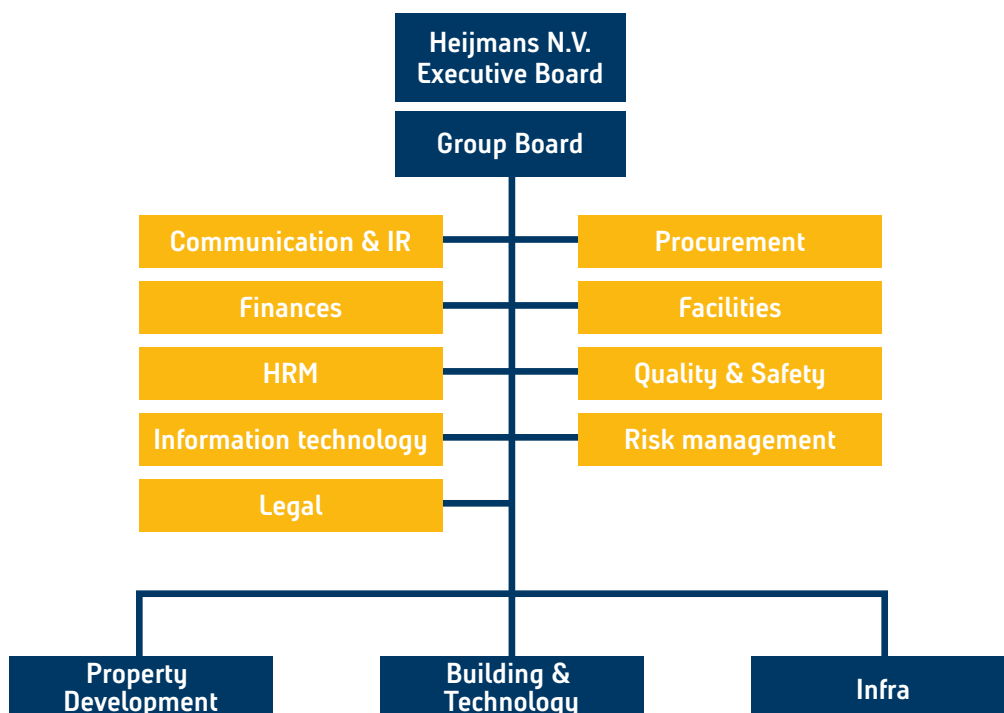
Heijmans offers its clients an integrated proposition by combining various specialisations, construction and development activities. This stretches from initial idea to realisation, maintenance and management;

from buildings and roads to area development. This proposition meets the growing demand from our clients for a combination of design, engineering, realisation, maintenance and service. When it comes to end-users, such as residential consumers, this combination of specialisations creates the possibility of tailoring end-products precisely to the needs and wishes of our customers.

The creation of a healthy living environment requires an integrated view. This is why Heijmans sees collaboration and direction based on an integrated agenda as strategically important. We target a high level of integration via the group board, which is responsible for day-to-day operational management. The group board comprises the members of the Executive Board, as well as the chairs of the three business areas, the Chief Risk Officer (CRO) and the Chief Human Resources Officer (CHRO).

Innovator and maker

Heijmans wants to be an innovative player, a market player that creates new opportunities with fresh ideas. But we also want to be a maker with both feet firmly on the ground. In addition to advice, ideas and solutions, the main thing we deliver is our strength in the actual construction. We make and deliver a tangible result. We play our role as the director of the construction chain on the basis of an explicitly integrated approach and our solid track record of experience. And Heijmans is also a reliable partner, thanks to its constant drive for improvement as well as risk and cost controls.



Focus on social challenge

In 2018, we combined our Residential Building and Non-Residential activities under a single management: the new business area Building & Technology. This new structure enables us to streamline and apply the joint know-how of various construction processes, while maintaining specific individual competencies and deployability. And the Building & Technology business area will also enable us to respond more effectively to the growth in large-scale inner city new-build projects.

After all, the Netherlands is expected to see structural shortage of homes in the coming years, with expected growth of more than one million households in the period to 2030. The majority of these new homes – an estimated 60% - will have to be built in urban areas. This will put enormous pressure on inner city areas, at a time when the available space is diminishing. This will result in continued densification of city populations and more high-rise urban construction. In addition, these developments all have to combine various functionalities, such as living, underground parking, commercial functions and sustainable and smart technologies. This high-rise urban construction challenge requires additional competencies and skills. Plus it is also important not to lose sight of mobility, as we need to ensure that cities are and remain accessible.

On top of this, we expect to see considerable growth in renovation and demolition-new-build projects in existing neighbourhoods as a result of changing social perspectives and, more specifically, the new mandatory energy label requirements due to come into force in 2030. By upgrading and renovating outdated homes, we can make considerable improvements to their energy performance. But the high levels of investment this requires is also increasing the demand for demolition-new-build projects. Heijmans is making use of its know-how of multi-functional building, the related technological expertise in the field of comfort, sustainability and smart technology. Together with our market and client know-how and expertise in the field of renovation and demolition-new-build projects for residential developments.

Property development

Heijmans' Property Development business area focuses on area development and property development of both large-scale and small-scale projects in inner-city and out-of-town areas. We act as the initiator, developer and seller of residential properties in the owner-occupier and rental segments, including government-regulated rental homes. We direct these activities from three centrally managed offices and a centrally managed commercial property development department. Heijmans' area development business responds to the need for an

integrated vision for area development and transformation. Heijmans acts as initiator, connector and developer and works with housing corporations and public sector bodies, residents and businesses. We do this for both new-build greenfield projects and for (inner city) transformation projects. Combining our high-grade know-how of area development into a single strong organisation means we can arrive at integrated total solutions that give areas a sustainable quality boost.

Building & Technology

The integration of our business activities in the field of Non-Residential and Residential Building has created a broad pallet of know-how and expertise in four areas: Residential Building, Non-Residential, Multi-functional high-rise residential construction and Services. Residential Building's core activity is to build various types of homes and it does this from five centrally managed regional offices. This business area's activities consist primarily of new-build projects, but also include the restoration, redevelopment and renovation of existing housing stock. This includes the transformation of buildings that have been given a new function. Residential Building works closely and in unison with Property Development. This synergy has resulted in residential concepts such as Heijmans ONE, Huismerk and Wenswonen. This integrated partnership has also led to the standardisation of the underlying operating processes and to cooperation with partners and procurement. This enables us to realise both inner-city transformation projects and more series-based new-build projects.

Non-Residential designs, realises and maintains high-grade electro-technical and mechanical installations. The integrated approach to construction and installation technology is our unique selling point. Non-Residential focuses on the healthcare market, education sector, commercial real estate for private parties and (semi) government bodies, industry, data centres, leisure and multi-functional high-rise residential construction.

Heijmans' new activity, Multi-functional high-rise residential construction, focuses on complex inner city new-build projects and buildings with a high level of mixed functionality. This can be a combination of homes and commercial functions, such as shops, food & beverage outlets and parking, but can also include social elements such as education and/or culture. The realisation of these types of projects consists of utilitarian shell construction combined with a residential building-related finishing phase. This activity requires the integration of expertise and specific know-how, which translates into a single, nationally-operating business unit with fixed teams.

In addition to new-build projects, maintenance and management are becoming increasingly important within our project portfolio. We have incorporated these activities in Services. New-build contracts are increasingly linked with long-term management and maintenance of both the building structure and the installations.

Infra

Heijmans Infra's activities focus on the laying, maintenance and improvement of infrastructure, with an emphasis on mobility, water and energy. Infra is active in mobility for road users and the road network and the design and construction of public spaces. This can involve roads and underground infrastructure, but may also encompass technology (such as lighting, camera and reference systems) in and around roads and public spaces. Infra is also active in civil engineering projects: location-linked infrastructure above and below ground, such as viaducts, tunnels, cables, pipelines, energy supplies, locks and water purification systems. Infra's focus is on the design, realisation, management and maintenance of the structures and buildings, as well as their technical installations.

Executive Board



**Mr. A.G.J. (Ton) Hillen (1961),
Chair of the Executive Board /
CEO**

Dutch. Mr. Hillen was appointed as a member of the Executive Board of Heijmans N.V. on 18 April 2012, reappointed on 13 April 2016 and appointed as CEO

on 1 December 2016. He has held various positions at Heijmans since 1992 and was Director of Property Development and Residential Building at Heijmans from 2008. Prior to joining Heijmans, Mr. Hillen was employed at BAM and Anton Obdeijn Projectontwikkeling. Additional positions: member of the supervisory board of Stichting Waarborgfonds Koopwoningen (SWK)



**Mr. J.G. (Hans) Janssen RC
(1967), Member / CFO**

Dutch. Mr. Janssen was appointed as a member of the Executive Board / CFO of Heijmans N.V. on 30 October 2017. Prior to joining Heijmans, Mr. Janssen was CFO at Mediq B.V. and held various financial positions at Unilever N.V.

various financial positions at Unilever N.V.

Supervisory Board



**Ms. P.G. (Pamela) Boumeester
(1958)**

Dutch. Ms. Boumeester was formerly managing director of NS Poort. She was appointed as a member of the Supervisory Board of Heijmans N.V. in April 2010. She was reappointed in

2014 and reappointed for an additional two years in 2018. She is due to step down in 2020.

Principal additional positions: member of the Supervisory Board of Ordina N.V., member of the Supervisory Board of Jaarbeurs Utrecht, non-executive director Global Via SA, Chair of Stichting Royal Haskoning and Chair of the Advisory Board of H&S Groep.



**Mr. R. (Rob) van Gelder BA
(1945)**

Dutch. Mr. Van Gelder was formerly Chairman of the Executive Board of Heijmans N.V. Prior to joining Heijmans, he was a board member at Koninklijke Boskalis Westminster N.V. for 20

years, with more than 13 of these as the chairman. He was appointed as a member of the Supervisory Board of Heijmans N.V. on 1 July 2010. He was reappointed in 2014 and reappointed for an additional two years in 2018. He is due to step down in 2020. *Principal additional positions:* Chairman of the Supervisory Board of Atlas Services Group.



**Mr. R. (Ron) Icke RA (1957),
Vice-Chair, Chair of the Audit
Committee**

Dutch. Mr Icke was formerly Chairman of the Executive Board of USG People N.V. He was appointed as a member of the Supervisory Board of Heijmans

N.V. in April 2008. He was reappointed in 2012 and 2016 and is due to step down in 2020. *Principal additional positions:* Chairman of the Supervisory Board of DPA Group N.V., Chairman of the Supervisory Board of ORMIT B.V., Chairman of the Supervisory Board of Domus Magnus Holding B.V., member of the Supervisory Board of VvAA Groep B.V., member of the Supervisory Board of Star Group B.V., board member of Stichting Administratiekantoor V.O. Zee, and board advisor Partou B.V.



Ms. M.M. (Martika) Jonk (1959)

Dutch. Ms. Jonk was formerly a legal consultant in Boston. Since 1992, she has been a lawyer/partner with CMS Derks Star Busmann. She was appointed as a member of the Supervisory Board in October 2018 for a term of more than four years. She is due to step down in 2023. Principal additional positions: member of the Supervisory Board N.V. Nederlandse Gasunie, member of the Supervisory Council of Catharina hospital in Eindhoven.



Mr. S. (Sjoerd) van Keulen (1946), Chair of the Remuneration Committee and the Selection and Appointments Committee

Dutch. Mr. van Keulen was formerly Chairman of the Executive Board of SNS REAAL N.V. He was appointed as a member of the Supervisory Board of Heijmans N.V. in April 2007. He was reappointed in 2011 and 2015 and is due to step down in 2019. Principal additional positions: member of the Supervisory Council of Stichting Het Wereld Natuur Fonds, member of the Supervisory Council of Stichting Natuur en Milieu, member of the board of Stichting Administratiekantoor Preferente Aandelen Randstad.



Mr. Sj.S. (Sjoerd) Vollebregt (1954), Chairman

Dutch. Mr. Vollebregt was formerly Chairman of the Executive Board of Stork B.V. and Fokker Technologies B.V. Prior to that, Mr. Vollebregt was employed at companies including Exel, Ocean, Intexo Holding and Royal Van Ommeren. He was appointed as a member of the Supervisory Board of Heijmans N.V. in April 2015 and appointed as Chairman in 2016. He is due to step down in 2019. Principal additional positions: non-executive director of Mylan N.V., Chairman of the Advisory Board of Airbus Defence and Space Netherlands, and Chairman of the Economic Board of Drechtsteden.



“Heijmans knows the meaning of due care”

Heijmans is involved in the quality of care in Heerenveen for the long term. Heijmans is responsible for the maintenance of all the installations at Orthoradius, the sports-orthopaedic expertise centre for the Northern Netherlands and a former out-patient clinic for the Tjongerschans hospital. Manager Saskia Faber has never regretted choosing Heijmans: “Tjongerschans has a long-term relationship with Heijmans. Our experiences have been very positive. These are skilled and expert professionals, clear in their agreements, committed to their work. They know the meaning of due care.”

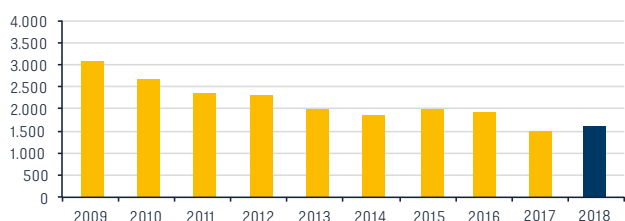
Saskia Faber
Manager Orthoradius



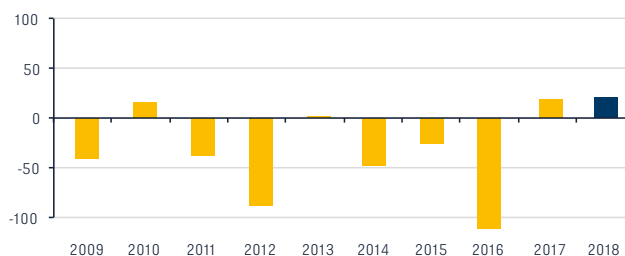
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Heijmans' 10 year record in key figures

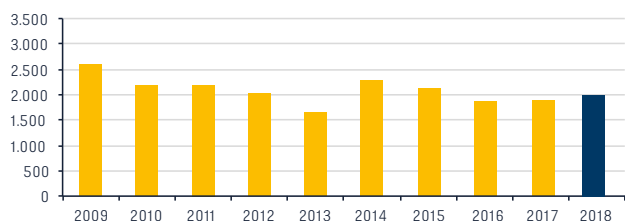
Revenue (in € x million)



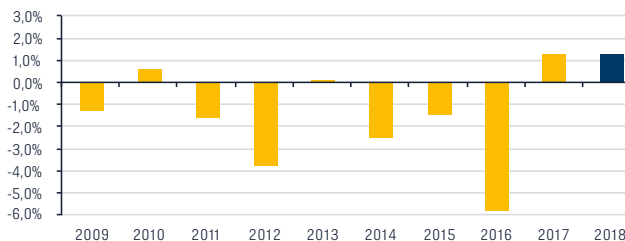
Result after tax (in € x million)



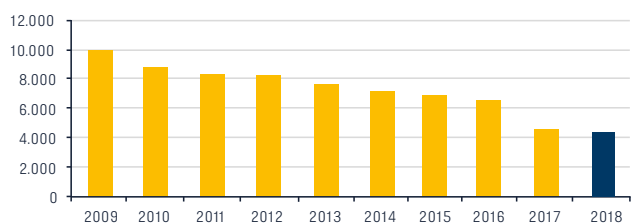
Order book (in € million)



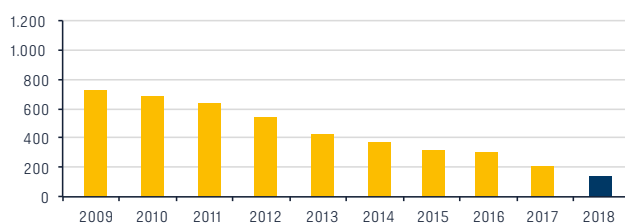
Net margin (in %)



Average number of employees



Average capital invested (in € million)



Key figures	2009	2010	2011	2012 ²	2013 ³	2014	2015	2016 ⁴	2017	2018
Result in € millions										
Revenue	3,079	2,680	2,361	2,318	2,001	1,868	1,979	1,884	1,487	1,579
Operating result	-6,5	48,4	-35,7	-87,2	11,9	-63,5	-29,0	-94,0	45,3	22,6
Result after tax	-40,4	15,7	-37,6	-87,7	1,9	-47,3	-27,3	-110,5	19,5	20,5
Capital in € millions										
Assets	1,853	1,600	1,554	1,366	1,203	1,205	1,190	1,056	771	776
Average invested capital	722	683	636	541	423	372	318	293	202	161
Equity capital	426	455	416	315	313	259	266	142	162	149
Net debt	223	178	103	149	66	31	10	146	-14	-31
Cash flow in € millions										
Operating	-5	74	-6	-45	-10	46	10	-68	21	27
Investment	30	-34	42	-26	-3	-10	-9	-22	91	-10
Financing	-183	-131	-19	8	8	-23	51	43	-116	-3
Cash flow	-158	-91	17	-63	-5	13	52	-47	-4	14
Ratios in %										
Return on average capital	-0,9	7,1	-5,6	-16,1	2,8	-17,1	-9,1	-32,1	22,5	14,1
Result after tax:										
- as % of equity	-9,5	3,5	-9,0	-27,8	0,6	-18,3	-10,2	-77,8	12,0	13,8
- as % of revenue	-1,3	0,6	-1,6	-3,8	0,1	-2,5	-1,4	-5,9	1,3	1,3
Solvency rate based on guarantee capital	26,6%	32,6%	31,0%	27,9%	31,5%	27,0%	26,1%	17,7%	26,9%	25,0%
No. of shares x 1.000										
At year-end	16.851	16.851	16.956	17.328	19.349	19.461	21.407	21.407	21.409	21.409
Average	12.504	16.851	16.917	17.191	18.111	19.420	20.661	21.407	21.408	21.409
Data per share¹ x € 1										
Equity	25,28	27,00	24,53	18,32	17,28	13,34	12,87	6,63	7,57	6,96
Operating result	-0,39	2,87	-2,11	-5,07	0,66	-3,27	-1,40	-4,39	2,12	1,06
Result after tax	-3,23	0,93	-2,22	-5,10	0,10	-2,44	-1,32	-5,16	0,91	0,96
Dividend	-	0,35	0,35	0,25	0,15	-	-	-	-	-
Share price information x € 1										
At year-end	12,21	15,05	8,19	7,05	10,51	8,95	8,18	5,52	9,71	8,00
High price	21,18	15,25	23,90	9,68	10,78	14,20	13,36	9,20	10,87	12,92
Low price	9,49	10,70	6,58	5,25	6,85	7,83	5,77	4,59	6,02	7,44
Other data										
Order book (* in € millions)	2.597	2.188	2.192	2.026	1.643	2.287	2.094	1.863	1.898	2.014
Employees (average number of FTEs)	9.980	8.839	8.384	8.242	7.617	7.198	6.808	6.412	4.520	4.483

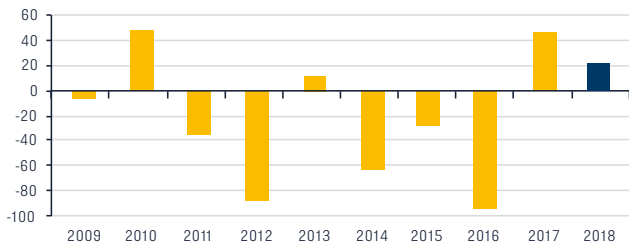
1. The data per share is expressed in terms of the weighted average number of ordinary shares. Dividend per share is based on the number of ordinary shares at year-end.

2. After adjustment due to a change in accounting policy for defined benefit plans (see the financial statements).

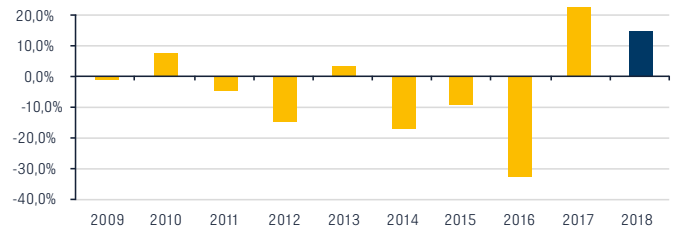
3. After adjustment due to a change in accounting policy for joint arrangements (see the financial statements).

4. The figures from the statement of profit or loss concern all activities (including discontinued operations). The figures in the statement of financial position are before the reclassification of discontinued operations to assets held for sale, with the exception of total assets. Net debt and order book are after reclassification of discontinued operations to assets held for sale.

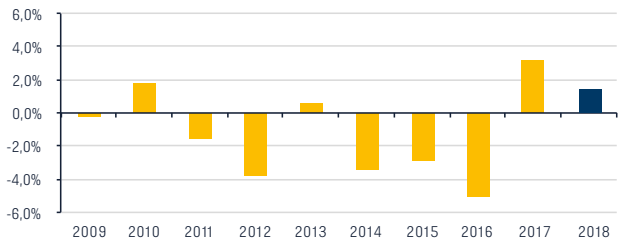
Operating result (in € million)



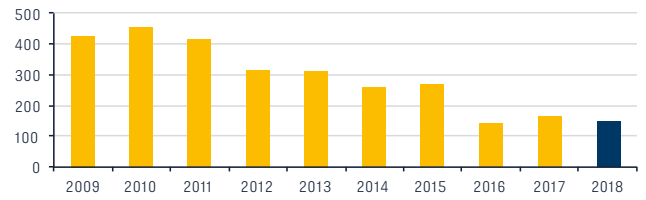
Return on average capital invested (in %)



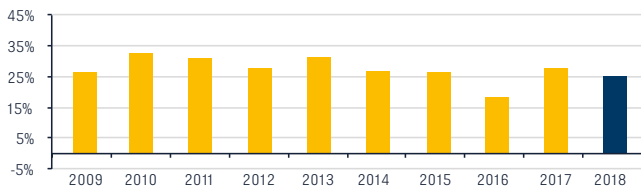
Operating margin (in %)



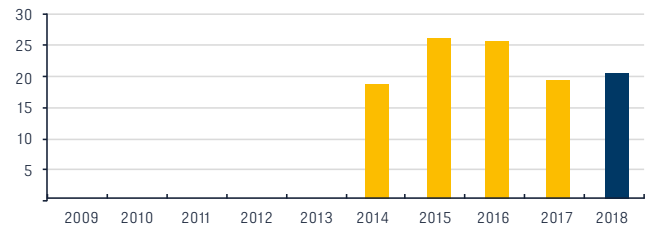
Equity (in € million)



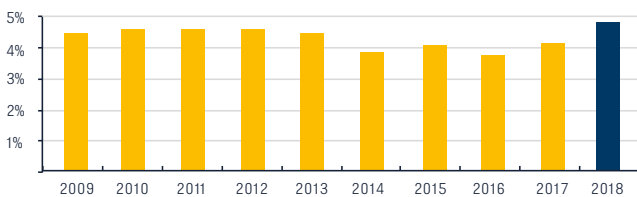
Solvency rate based on guarantee capital (in %)



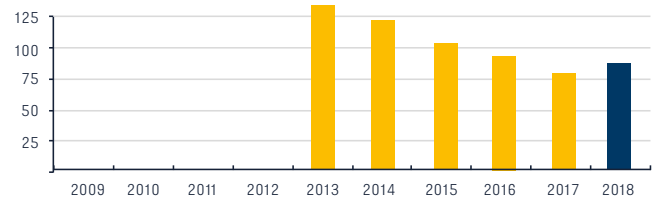
Total amount of residual material (in tonnes) *



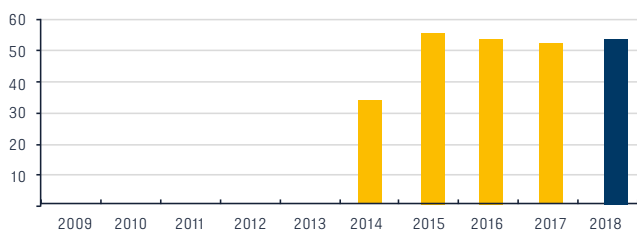
Absenteeism (in %)



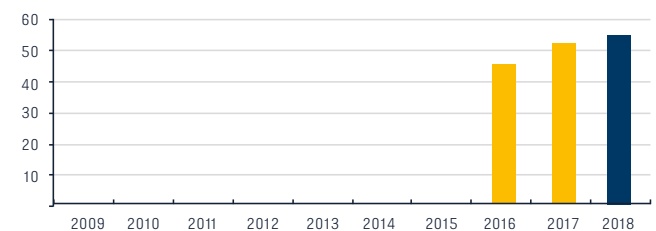
Number of accidents (incl. sub-contractors) *



CO₂-emissions scope 1 + 2 (in tonnes) *



Procurement spend preferred suppliers (in %) *



* We do not have data going back 10 years for these key figures. We are reporting these figures for the years for which data is available. Any changes in definitions in the reporting period are explained in more detail in the KPI statement in the appendices.



Project manager Wouter Palm (left) and work planner Pieter Swart (right) at Spoorsingel Midden, Tiel





"Sustainable in small steps"

Two developers from housing corporations in the Noord Brabant province are discussing their sustainability plans for the future: Philip de Koning of BrabantWonen and Rob van der Westen of TBV. They have greater expectations of gradually increasing the sustainability of their homes than of NOM (Nul-op-de-Meter or zero on the meter) renovations, due to the costs, nuisance for tenants and the circularity. "We prefer to take one small step at a time. You never regret those investments."

Philip de Koning, developer BrabantWonen
Rob van der Westen, developer TBV



Heijmans ONE, Sneek



The Heijmans share

The Heijmans share

The composition of the share capital of Heijmans N.V. as at 31 December 2018 was as follows:

Shares (x 1,000)	Authorised share capital		Issued capital	
	2018	2017	2018	2017
Ordinary shares	35.100	35.100	21.409	21.409
Cumulative financing preference shares B	7.000	7.000	4.510	4.510
Protective preference shares	8.000	8.000	-	-
	50.100	50.100	25.919	25.919

Ordinary shares

The shares are held by the Heijmans Share Administration Trust (SA Trust). The par value per ordinary share is € 0.30. The SA Trust had issued 21,409,162 depositary receipts for shares as at 31 December 2018, which are listed on NYSE Euronext in Amsterdam. The voting rights on ordinary shares are vested in the SA Trust. Each ordinary share entitles the holder to 30 votes. Holders of depositary receipts for shares wishing to vote at a shareholders' meeting are granted an unconditional proxy by the SA Trust.

The movements in the number of ordinary shares and depositary receipts for shares, together with a summary of the key figures per ordinary share/depositary receipt, are presented in the table below.

Shares (x 1,000)	2018	2017	2016	2015	2014
In issue on 1 January	21.409	21.407	21.407	19.461	19.349
Issue of share capital	-	-	-	1.946	
Stock dividend	-	-	-	-	103
Matching shares Share Matching Plan	-	2	-	-	9
In issue on 31 December	21.409	21.409	21.407	21.407	19.461
Average in issue for the year	21.409	21.408	21.407	20.661	19.420
Earnings per share* (in €)	0,96	0,91	-5,16	-1,32	-2,44
Dividend per share (in €)	-	-	-	-	-
Pay-out ratio %	-	-	-	-	-

* Per average issued share

Heijmans N.V. is listed on Euronext Amsterdam. The data relevant to the stock market listing are presented in the table below:

Heijmans market listing	2018	2017	2016	2015	2014
Closing price (in €)	8,00	9,71	5,52	8,18	8,95
High price (in €)	12,92	10,87	9,20	13,36	14,20
Low price (in €)	7,44	6,02	4,59	5,77	7,83
Dividend yield at closing price (in %)	-	0,0%	0,0%	0,0%	0,0%
Market capitalisation at year-end (in € millions)	171	118	118	175	174
Average daily turnover (in no. of shares)	138.608	171.892	171.892	161.793	82.132

Cumulative financing preference shares B

On 28 June 2002, Heijmans issued 6,610,000 cumulative financing preference shares B at a price of € 10 per share. As at 18 September 2015, there were 4,510,000 cumulative financing preference shares B outstanding. The par value per ordinary share is € 0.21. These shares are not quoted on a stock exchange, and no depositary receipts are issued for them. The dividend is revised every five years. For the financial year 2018, the yield was 7.9%, payable each year within 14 days following the General Meeting of Shareholders. As of 1 January 2019 until the following review date (1 January 2024), a yield of 7.21% has been agreed. In the interim, this yield will be reduced by 100 base points (1%) as soon as the outstanding capital in cumulative financing preference shares B is halved compared to the amount that was outstanding at year-end 2018, this being € 45,100,000. The company has the right to repurchase or cancel these financing preference shares B at any time. Redemption elements are applicable under certain circumstances during the newly agreed review period.

Issued share capital and equity holdings

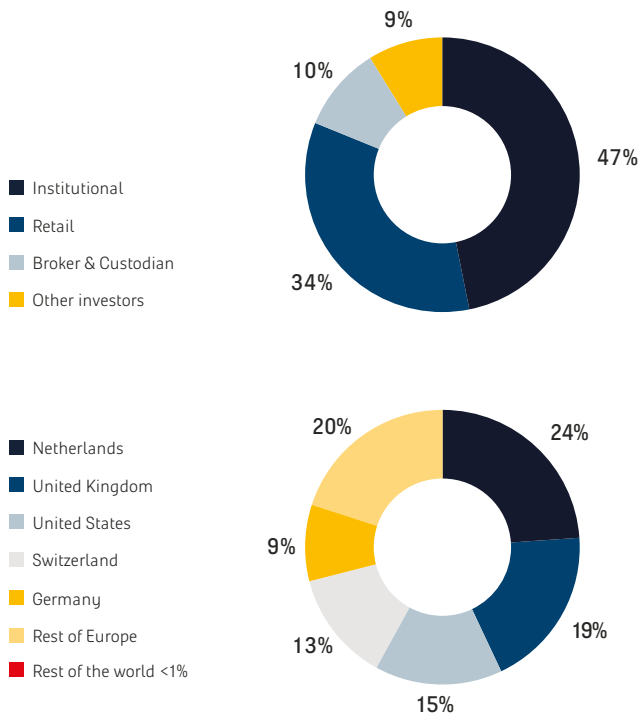
The issued share capital and associated voting rights were last changed in 2017, as a result of an issue of (depository receipts for) shares related to the granting of matching shares to the members of the Executive Board. One cumulative financing preference share B entitles the holder to 1,278 votes. Ordinary shares entitle holders to 30 votes per share. The composition of the issued capital and associated voting rights as at 31 December 2018 was as follows:

	Issued capital		(Potential) Voting right (%)	
	Number	% (based on nominal value)	Number	%
Ordinary shares	21.409.169	87,1%	642.275.070	99,1%
For which depository receipts issued	21.409.162	87,1%	642.274.860	99,1%
For which no depository receipts issued	7	0,0%	210	0,0%
Depository receipts	21.409.162	87,1%	642.274.860	99,1%
Cumulative preference shares	4.510.000	12,9%	5.763.780	0,9%
Total year-end	25.919.169	100,0%	648.038.850	100,0%

To the extent the Company is aware, and also on the basis of the WMZ (Dutch Major Holdings in Listed Companies Disclosure Act) register maintained by the Netherlands Authority for the Financial Markets (AFM), the following investors held an interest of 3% or more in Heijmans as at 31 December 2018:

Holdings in Heijmans	31 December 2018		31 December 2017	
	Capital (%)	Potential voting right (%)	Capital (%)	Potential voting right (%)
Kempen Capital Management N.V.	6,4%	0,4%	6,4%	0,4%
NN Group N.V.	6,4%	0,4%	6,4%	0,4%
ASR Vermogensbeheer	5,5%	6,2%	5,5%	6,2%
JP Morgan Asset management Holdings Inc.	4,5%	5,1%	<3%	<3%
Quaero Capital SA	4,2%	4,7%	5,0%	5,7%
Unionen	3,3%	3,7%	3,3%	3,7%
River and Mercantile Asset Management LLP	3,2%	3,6%	<3%	<3%
Janus Henderson Investors	< 3%	< 3%	4,3%	4,9%
	33,4%	24,3%	30,9%	21,4%
Other holdings	66,6%	75,7%	69,1%	78,6%
Total	100,00%	100,00%	100,00%	100,00%

Based on the information provided by banks and custodians and information services, the distribution of share ownership can be broken down as follows:



* Figures are indicative as at August 2018

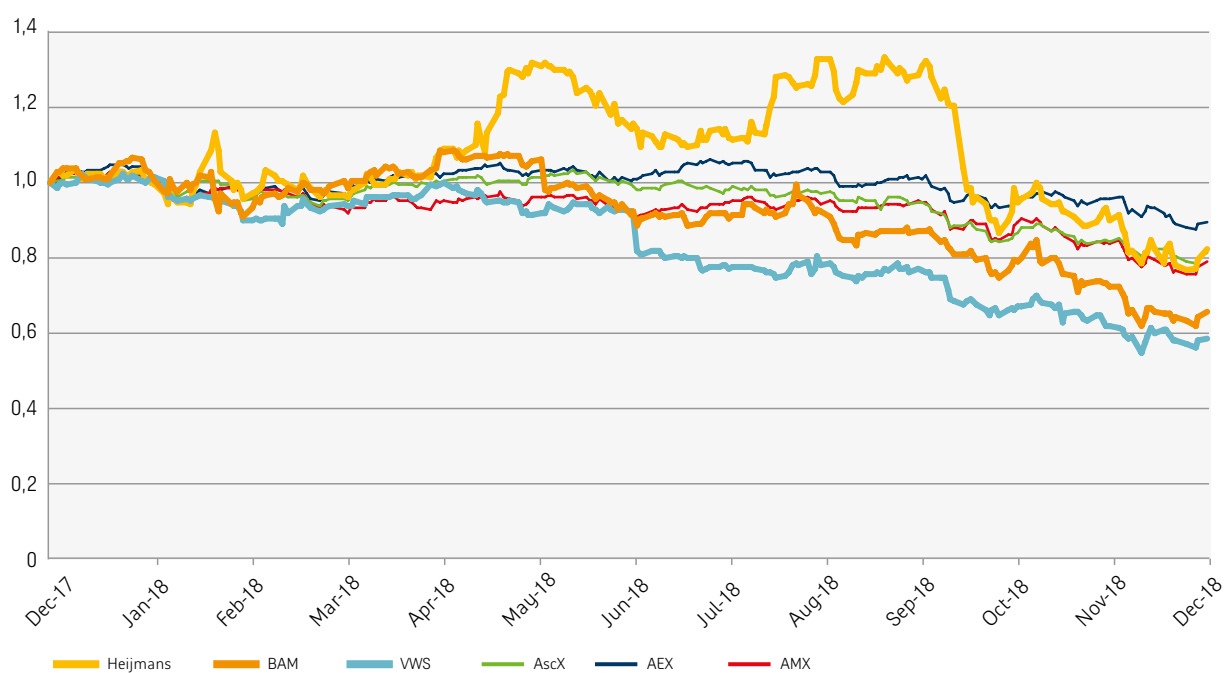
In the year under review, the (estimated) shareholdings of institutional investors probably remained stable at 47% (2017: 48%).

An estimated 24% of the depositary receipts for ordinary shares are held by institutional investors in the Netherlands. This figure is lower than at year-end 2017 (32% in the Netherlands). An estimated 95% of the depositary receipts for ordinary shares held by private investors are held in the Netherlands.

Share price development

The closing price for the ordinary share was € 8.00 at year-end 2018. This represents a decline of 17.6% compared to the closing price for the 2017 financial year (€ 9.71), which was a slightly better performance than the AScX Index, which fell by 18.8% in the same period. The share price fluctuated sharply in the period from mid-May through to the end of October. The media reports regarding the termination of the contract for the WinTrack II project in combination with the overall sentiment on the stock exchange resulted in a decline in the share price. The figure on the next page shows the price movements of Heijmans shares in 2018 compared to the AScX Index, as well as compared to the other listed Dutch construction companies, BAM and Volker Wessels.

Movements in Heijmans share relative to AScX index and peers (closing price 2017 = 100%)



Financial schedule 2019

The following (publication) dates have been set for 2019:

Date	Event	Time
10 April 2019	General Meeting of Shareholders	14.00 hours
10 May 2019	Trading update	Pre-market
21 August 2019	Publication interim results 2019	Pre-market
30 October 2019	Trading update	Pre-market



“Every street tells its own story”

It's like a huge box full of varied building blocks that keeps growing and can be adapted to suit the place and time; architect Trude de Vroomen and her colleagues at architecture and design firm Inbo enjoy working on the designs for the Heijmans Huismerk homes. And that means they are ready within the agreed schedule and budget. “The key question is: How do you work together to make sure that this is a nice place to live. And that every street has its own identity.”

Trude de Vroomen
architect Inbo





Overnight work, A12 Veenendaal - Ede - Grijsoord



How Heijmans creates value

5.1 A healthy living environment

Our mission is to create a healthy living environment. This ultimate goal determines everything we do. And this is how we help to find solutions for the various challenges we face as a society. After all, everyone wants to breathe healthy air, live in a nice neighbourhood, enjoy beautiful nature, work in a good workplace, get from A to B safely and efficiently and return home safely at the end of the day.

As a trendsetting party in the construction sector and a pragmatic, innovative player with an integrated approach, Heijmans wants to take its responsibility as a director in the construction chain. We want to be and stay ahead through constant improvement and by taking full advantage of opportunities in process standardisation. Failure costs are too much of a given right across the construction chain and predictability still leaves a lot to be desired. Initiatives for improvements are often scattered in nature and frequently initiated at project level. We can all make major gains by combining know-how, improving collaboration and developing

learning ability beyond the confines of individual projects.

Heijmans wants to provide smart solutions with innovative ideas, products and services. Solutions that make a contribution to the resolution of key issues society is facing today and will face tomorrow. We want to take full advantage of the opportunities created by digital building and data-driven development, realisation and management, so we can constantly improve our services to our clients.

The construction sector can make a positive mark on the future, starting with the structure and design of the built environment. Heijmans wants to make the difference through sustainable design with a view to alternative and decentralised energy generation, the efficient use of energy, space and materials and the maximum in comfort and enjoyment. Our ultimate goal is to no longer remove value from the living environment but to add value to that environment.

From drawing board to maintenance and service

Heijmans differentiates itself by coming up with solutions in collaboration with its partners at the very start of the design process by using its integrated know-how and expertise to realise and maintain the resultant buildings and structures. By controlling risks and costs, Heijmans creates added value for both clients and users. The work starts at the drawing board and extends to management, maintenance and service. Heijmans combines know-how and creativity to devise innovative products and concepts that have a broad application. Heijmans' leadership role can be seen in product innovations such as Heijmans Huismerk, Heijmans ONE, bicycle safety concept Bikescout, BeSense, home control and various asphalt-related innovations.

We create added value through active chain management: we work with partners and use the various capital flows in the chain. Heijmans increasingly uses LEAN techniques, centralised and streamlined processes and systems. This operating model meets the demand from clients for integrated solutions that combine design and engineering, realisation, maintenance and management. The application and combination of all the required expertise creates added value for our clients.

Value creation model

This is how Heijmans creates value, not only for its stakeholders, but also for society as a whole. In 2018, we visualised our sustainable value creation process in a value creation model. We created this model on the basis of interviews with representatives from various fora, both within and outside Heijmans. We want to use the value creation model to provide stakeholders with insight into the broader context in which we operate. The model provides information in three columns about:

- The six primary sources of capital we are dependent on as input;
- Our operating model with the key trends in our sector and our own mission, vision and core values;
- The concrete results we deliver for stakeholders as output.

We want to use this value creation model to create value for society in the broadest sense of the word.

5.2 Stakeholder dialogue

In the normal course of its business, Heijmans deals with a broad playing field of contractors and clients, employees, shareholders and other capital providers, suppliers and subcontractors, the industry as a whole, public sector bodies, knowledge institutions and educational institutions, social groups and end-users. Heijmans interacts with all these groups intensively to stay up-to-date on trends and developments in the market and hear the views of specific stakeholders on what they consider important.

Each year, Heijmans organises a stakeholder dialogue to discuss its strategy and the main material issues. But this stakeholder interaction is also a fully continuous process with various instruments and meetings, and this was also the case in 2018. The Executive Board also took an active part in talks with various stakeholders, including the works council, analysts and clients.

• Client contact and evaluations

We are in constant touch with our clients in the course of our activities, from the tender stage through to delivery and after-care, and in the maintenance and management stages of our projects. We also devote considerable attention to the evaluation of our work with clients.

VALUE CREATION MODEL



Heijmans is at the start of the process of putting its 2023 strategy into action. We aim to use this strategy to create healthy living environments. This means:

- Vibrant towns and cities
- Suitable homes for everyone
- Safe, socially connected neighbourhoods
- Efficient mobility from A to B
- Good, safe connections to work and between residential areas
- Effective workplaces
- Good facilities in cities and towns
- Cleaner air and a healthy indoor and outdoor climate
- Beautiful, resilient green areas, also in cities

• Roadshows and conferences

Heijmans maintains contact with its shareholders and potential shareholders at various times throughout the year. These contacts are not confined to the General Meeting of Shareholders and regular meetings with major shareholders, as we also have individual discussions and meetings with existing and new shareholders at conferences.

• Analyst meetings

Heijmans has regular meetings with the analysts who follow our share and the company. We organise analyst meetings for the presentation of the annual and interim results and hold analyst calls when we publish our trading updates in the spring and autumn. Those interested can follow the full-year and interim analyst meetings live and interactively via a webcast.

- **Works council meetings**

Heijmans' Executive Board members have regular meetings with the company's works council. Employee representatives maintain a broad dialogue via a number of fixed works council committees on specific themes: Safety, Health, Welfare and the Environment, as well as communications, social matters, strategy and finance. Any insights these meetings yield are subsequently shared with the Executive Board.

- **Online media**

Clients, stakeholders and other interested parties can obtain information about Heijmans via the company's interactive website. This information ranges from project updates and Heijmans' view on relevant themes in society to the financial calendar and press releases. Heijmans is also active on YouTube, Twitter, Facebook, Instagram and LinkedIn, which allows us to maintain direct contact with our followers on those channels.

- **Capital providers and insurers**

Capital providers and insurers
Heijmans maintains intensive contacts with its capital providers and frequently explains the financial results to these parties. Heijmans also maintains contacts with credit insurers and guarantors.

- **Industry bodies**

Heijmans maintains regular contact with various construction industry organisations such as NEPROM, Bouwend Nederland and Uneto-Vni and participates in various consultation platforms.

5.3 Trends

As a trendsetting company in our industry, we want to be aware of the latest trends and developments. This enables us to respond proactively to these trends and developments and to ensure our propositions are the best possible response to the needs of society. Below you will find a brief summary of the main trends and developments that have an impact on our company. These correspond with the developments we included in the value creation model in the column 'Business model'.

Digitalisation

The world around us is becoming increasingly digital, especially the built environment. Sensor technology and the Internet of Things are helping to optimise processes and functions. Creating connections between objects and their usage data generates relevant data. This is true whether we are talking about a stretch of

asphalt, a piece of road, waste bins or lamp posts. And this also applies to homes or buildings, where sensors provide insight into usage, providing a basis for the smarter and more efficient use of resources. One example of this is BeSense, which Heijmans developed with cleaning company CSU and sensor manufacturer Clickey. This product facilitates smart building management based on data collected via motion sensors.

Pressure on the housing market

The growth in the economy and in employment goes hand in hand with increasing pressure on the housing market. The demand for both existing and new-build homes continues to grow. While in recent years that growth was primarily seen in the big cities and surrounding areas, we are now also seeing more noticeable growth in demand in outlying areas. Meeting the demand for homes will in any case require development both inside and outside cities. In dialogue with residential consumers, Heijmans has also learned that not everyone wants to live in a city. Houses in easily accessible residential areas (just) outside the city, with sufficient facilities remain the most desirable form of living for many consumers.

The current discrepancy between supply and demand has led to a major increase in house prices, particularly in urban areas. And there is substantial pressure on the capacity available. This also has an impact on the chain of suppliers and partners. These developments are putting pressure on the affordability of homes. In its project acquisition, Heijmans focuses on manageable growth. We opt for the continuity of long-term partnerships with a view to each other's added value. Working with fixed co-makers and procurement partners, whenever possible on the basis of standardised processes or products, helps us to make optimum use of the available resources.

Shared vision

The market was under a great deal of pressure for a long time during the crisis period. The combination of lower investments and a shrinking market resulted in pressure on margins and prices. To enable them to respond to the dynamics in demand, market parties have been forced to recognise the need to provide innovative products and services. However, the development of these innovative products is hampered by the growing risks resulting from market forces.

The sector has therefore joined forces and laid down their shared vision in the Market Vision (Marktvisie) document. In this document, principals, contractors, suppliers and sector bodies call for space. The space to once again find a

balance between supply and demand, room for a fair distribution of risks, and room for innovation. The document also stresses our shared interests and the marking down of risks. Principals and contractors alike are still searching for the right balance in the division of opportunities and risks. Now that the construction sector is back on the road to growth, construction companies - including Heijmans - are taking a close look at the tender requests principals are putting to the market. They are advocating a more balanced division of risks between principal and contractor. Heijmans maintains a selective acquisition policy and focuses on contracts that match our competencies, with healthy margins and manageable risks.

Energy transition

The need for a large-scale transition to sustainable energy is becoming more urgent in light of the targets set in the Paris climate agreement. The Dutch Act on Progress in the Energy Transition (Wet Voortgang Energietransitie - Wet Vet), which came into effect on 1 June 2018, has made the gas-free development and construction of new-build homes mandatory. The existing Energy Performance Coefficient (EPC) standard, which expresses a building's energy performance, will be succeeded in the coming years by the BENG (Bijna Energieneutraal Gebouw, or almost energy neutral building) standard. The latter outlines greater ambitions for new-build housing. The technologies, products and services required for the decentralised generation and delivery of sustainable energy are developing rapidly. In terms of large-scale application, we see a challenge in the technology for energy storage and in solutions that go beyond object level and facilitate sustainable energy at neighbourhood level. Sensor technology and data collection play a crucial role in this. However, the biggest challenge to the energy transition lies in making existing buildings more sustainable, which will require large-scale renovation and restructuring, based on an integrated area approach.

Circularity

The need to produce ever more effectively and more quickly is an innate part of technological and economic systems and puts persistent pressure on raw materials and resources. We are seeing a change in the thinking of policy makers and decision makers in the construction sector. There is a growing awareness that circularity is a necessary alternative to traditional construction concepts. Reuse is a key priority in this drive and we are seeing more and more closed systems and material flows. This has major consequences for the construction sector. The transition to circular thinking requires change and a considerable effort. At the same time, the different use of

resources is creating new opportunities. Truly circular thinking includes the entire lifecycle of the object to be built: from design for reuse through life-extending maintenance and the collection and reuse of residual materials. Digitalisation and standardisation are expected to give considerable impetus to circular thinking and actions in the construction sector.

We also have to adapt to trends and changing requirements in area development. For instance, car and bicycle sharing schemes are becoming more common in the big cities. This has an impact on the capacity utilisation of inner city parking garages. It is important to respond to these developments sustainably and responsibly in area development projects.

Commitments

The growth in the market has an impact on the availability of products and services in the chain. Heijmans is responding to this development with active chain management. We forge partnerships and are highly selective in terms of the partners we choose to work with. We prefer to work with fixed co-makers and procurement partners who share our view of quality and with whom we can develop and realise the best integrated solutions for our clients. The procurement policy Heijmans launched during the economic crisis is now paying off, due to the long-term commitments and joint product and services development. At the same time, this market growth is also increasing demand for labour. Heijmans is responding to this trend by offering a healthy and sustainable working environment, as well as growth opportunities and career perspectives. However, recruiting the right people remains a challenge, especially in technical and project execution roles. Collaborative alliances, the exchange of capacity and continued investments in human capital are therefore more important than ever.

5.4 Material aspects

We conducted a new materiality analysis in 2018 as part of the strategy process. Based on desk research, we have taken stock of the aspects that are material to Heijmans. We have taken into consideration trends in the sector and the issues relevant to clients, investors and other players in the construction sector. We subsequently invited a number of these stakeholders for substantive discussions of these aspects and to score them in terms of relevance.

We also asked a larger group of external stakeholders to assign a score to these aspects via a survey. Using the same method, a group of Heijmans' in-house sustainability experts also assessed the social impact Heijmans has on these material aspects. The process was then discussed in a steering group with representatives from all Heijmans business units. Finally, it was adopted in the group board under the leadership of the Executive Board. The result of this analysis is shown in the materiality matrix below.

MATERIALITY MATRIX 2018 AND MOST MATERIAL ASPECTS



● Material (part of the materiality analysis)

● Included in performance indicators overview (see appendices)

#	ASPECT
01	Work safely
02	Energy-neutral construction
03	Climate-proof building
04	Safe and healthy environment
05	Circular construction
06	Co-creation with chain partners
07	Transparent communications
08	Know-how development and retention
09	Deployment of smart technology
10	Training and development of employees

#	ASPECT
11	Being financially healthy
12	Human rights
13	Talent recruitment
14	Reduction company's own CO2 emissions
15	Work honestly and with integrity
16	Client-centric services
17	Privacy and cybersecurity
18	Employee engagement
19	Risk management
20	Development of local communities

Based on the dialogue with our stakeholders, the aspects 'risk management' and 'financial health' do not score highly in the matrix. Our analysis is that stakeholders believe Heijmans has definitely moved beyond the crisis and the issues related to problem projects. However, Heijmans' management is always fully aware of the crucial importance of risk management and financial control to the continuity of the company as a project-based operation. These aspects will therefore continue to be a high priority for the Executive Board and we will continue to focus closely on the related KPIs.

In this annual report, these aspects are discussed in the report of the Executive Board under 'Non-financial results' and 'Financial results'. These aspects are also included in the KPI Table in the appendices to this report.

5.5 Impact

In 2015, the United Nations adopted 17 Sustainable Development Goals (SDGs) and 169 sub-goals, aimed at ending poverty, inequality and climate change in 2023. Together, these goals constitute the international agenda for sustainable development and are promoted as such by governments, companies, NGOs and knowledge institutions.

We make an active contribution to the realisation of these goals and various sub-goals through our mission and our activities. In 2018, we conducted an SDG impact analysis to determine which of the 169 sub-goals we have the greatest impact on. We conducted desk research and interviewed various people both within and outside Heijmans. The table below shows the sub-goals and associated SDGs Heijmans has the greatest impact on. We explain how we contribute to the selected sub-goals in the appendices on page 232.

5.6 The Heijmans strategy

Following the transitional year 2017, in which Heijmans' biggest priorities were safeguarding continuity, debt reduction and recovery of profitability, as well as the de-risking of projects, 2018 was marked by a continuation on our chosen path and the determination of a long-term vision and planning. Based on analyses and the dialogue with our stakeholders, we formulated a clear strategy for the coming five years and we defined eight strategic thrusts.

This strategic agenda is not a complete change in direction. The strategy for the coming years combines various developments and initiatives we were already working on into a single integrated plan and brings these

WE HAVE OUTLINED HOW HEIJMANS CONTRIBUTES TO THE TWO MAIN SUB-GOALS FOR EACH OF THE FIVE MAIN SDGS.



to a higher level. We also defined our long-term ambition in greater detail. Our mission is: creating a healthy living environment.

To arrive at this strategic plan, we looked closely at the market, the world around us and our own company. We talked to stakeholders and took stock of trends and developments. Based on that analysis, we formulated three pillars as the guiding strategy for everything we do in the coming years: 'Better, Smarter and Sustainable.' Heijmans wants to make a lasting contribution to a healthy living environment by focussing on these three strategic priorities. We will continue the basic premises of our existing strategy 'Focus, Discipline, Excellent' in the pillar 'Better.' Sustainability was also a part of the focus in our vision 'building the spatial contours of tomorrow.' Focussing on sustainability will continue to increase in importance and we have expressed this in our third pillar 'Sustainable.' In the 'Smarter' pillar, we see many opportunities to differentiate ourselves in a positive way in the coming years and by doing so will be able to generate business for our company.

The group board has adopted the strategy, the Supervisory Board has assessed it and it has been discussed with the works council. This means that in effect we have defined our focus for the coming years.



Better

The objectives we previously defined in the strategic programme 'Focus, Discipline, Excellence' remain in force and will help us realise our ambition of continuous improvement. As a project-based company, we must remain vigilant when it comes to risks and actively target risk control and contract management. This pillar is therefore primarily the internal foundation for a healthy and stable company. However, safety, quality and reliable processes also contribute to the predictability of our services for clients.

SAFETY:

WE WORK SAFELY OR WE DO NOT WORK AT ALL!

Concrete goals:

- We won't be satisfied until we have 0 accidents
- IF < 1 in 2020

Safety is non-negotiable at Heijmans. Every accident is one too many. This is why we have a strict safety protocol: GO! (Geen Ongevallen, meaning No Accidents!). We have made solid progress in recent years in terms of improving safety awareness across the company. However, market growth and pressure on resources increased pressure on safety once again in the past year. Safety therefore remains the top priority in all our projects, so that everyone is fully aware of the principle: 'I work safely or I do not work at all.'

RISK MANAGEMENT AND PROCESS IMPROVEMENT: ALL PROJECTS ARE PREDICTABLE AND CONTRIBUTE TO PROFIT!

Concrete goals::

- We complete the implementation of GRIP
- We continue with LEAN as an improvement method

We are entrepreneurs: our work always carries a certain amount of risk. Our task is to strictly monitor those risks and take targeted action to manage them. The purpose of this is to improve the predictability of our projects and consequently the predictability of our operations. In addition to the working methods and protocols we use, living up to agreements is the primary condition for process improvement.

QUALITY OF THE ORGANISATION: WE ARE THE NUMBER ONE EMPLOYER IN OUR SECTOR!

Concrete goals:

- We reduce the number of employees who leave against our wishes by 50% every year
- We reduce the costs associated with absenteeism by 5% every year
- In 2020, all managers have completed a leadership training programme
- In 2020, we have a higher employee engagement score than in the previous year

If we want to continue to be the best for our clients, we also need recruit the best people and make those people excel. That is why we will continue to invest in the development, employability and vitality of our people. And why we devote specific attention to sharing pride and recognition, and to leadership and collaboration.

Smarter

We want to use innovative ideas, products and services to provide smart solutions that are in line with our expertise, and that make a contribution to solving the key issues of today and tomorrow. The built environment is increasingly interactive, driven by smart data-generating systems. This data helps us to constantly improve the services to our clients. But the construction process itself could also be smarter across the entire chain, by basing our thinking more on standards and industrialised processes. Heijmans has the ambition (to continue) to play the role of the director in the design, realisation, and management of the built environment and this is why we also want to play a role in smartification of the chain.

DIGITALISATION: DIGITAL CONSTRUCTION IS AS IMPORTANT TO US AS PHYSICAL CONSTRUCTION!

Concrete goals:

- Every project we work on has a digital twin in 2023
- In 2020, we have launched at least 10 new data-driven services on the market

Digitalisation is changing the construction sector fundamentally and we want to anticipate and respond to these changes. Everything we build is recorded in a single digital model. We can subsequently use this model to monitor and manage use. That means every object we design, realise and maintain will have a digital twin and there will be a growing connection between the physical and digital world. This development generates new data and opportunities but also new revenue models. We have already taken steps in the right direction with innovations such as SlimWonen, BikeScout and BeSense. In future, we will collect even more data from the built environment and translate that data into new insights, products and services.

PRODUCTION TECHNOLOGY:

WE WILL WORK MORE FREQUENTLY ON THE BASIS OF STANDARDISED PROCESSES AND PRODUCTS!

Concrete goals:

- In 2023, 50% of our construction is conceptual

We are targeting a change in our thinking: from thinking in unique projects to standardisation of processes (conceptual building), modular building and the use of smart logistics and technology on our building sites. This will also help us to prepare for the rising shortage in capacity, something we are already seeing in the market.

Sustainable

As a leading player in the sector, we also want to play a leading role in increasing the sustainability of the living environment. We can make a difference with sustainable designs that take into account alternative and decentralised energy sourcing, efficient (re)use of resources and the highest level of comfort and experience. In addition to this, we keep in mind the basic premises of our vision in the 'Spatial contours of tomorrow': focused on energy, materials and space. The end-goal is to stop removing value from the living environment and instead add to it by creating value.

ENERGY:

OUR PRODUCTION IS CO₂-NEUTRAL AND WE CREATE ENERGY-NEUTRAL SOLUTIONS FOR OUR CLIENTS!

Concrete goals:

- As of 2023, Heijmans is CO₂-neutral. We offset any residual value.
- In 2023, we can deliver 100% energy-neutral solutions for our clients

We ensure that the energy performance of the built environment is in line with the targets of the Paris climate agreement. We prefer to look at effective solutions at area level, because that is where we can make affordable changes with the maximum impact. At the same time, we want to be able to serve individual clients looking for an energy-neutral home, office or overpass. This will enable us to seize every opportunity for energy transition in the built environment. In addition, we are working on the structural reduction of our own footprint, beginning with our own CO₂ emissions. We will offset the remainder of our CO₂ emissions after 2023 to boost this effort. This will create an internal price for CO₂, which will be an added incentive to make every investment required in the coming years truly fossil fuel-free.

MATERIALS:**WE ARE TARGETING 100% CIRCULAR CONSTRUCTION IN 2023!****Concrete goals:**

- In all our quotes, we calculate the environmental performance, the so-called LCA score. In 2023, we will include that as standard in all our quotes to clients
- In 2021, all packaging in our construction projects will be 100% reusable or recyclable
- In 2023, all our houses will be 100% circular. In 2030, this will also apply to apartment buildings
- In 2023, we will use circular asphalt and concrete; in 2030, we will build 100% of our projects using these materials

We want to meet the requirements of our clients with solutions that have the smallest possible impact on the environment. That means we think about the materials we use and reuse, about the optimum life of our building works, and about renovation rather than of new build. And that starts at the drawing board. We are helping to increase awareness on this front, but we also take concrete steps to minimise impact. For instance, we will make our standard products, including our concept homes, circular. But we also want to continuously reduce the burden of polluting materials – such as asphalt, concrete and steel – and eventually replace these with cleaner alternatives. And we will use our influence in the chain to achieve this ambition. For instance, by rejecting packaging or making it recyclable and by choosing logistical solutions that prevent unnecessary transport movements.

SPACE:**OUR DEVELOPMENTS ARE BLUE, GREEN AND SAFE!****Concrete goals:**

- In 2023, all our area developments are awarded a Greenlabel A rating
- In 2023, all our interventions in the built environment result in an improvement in local biodiversity, climate adaptation and safety
- We will develop showcases in Leusden, Vlaardingen and Feyenoord City by creating super-healthy living spaces in these towns and cities

Building while simultaneously improving the quality of the natural environment: it is possible and we have already proven this in numerous locations. That is exactly why we want to use our expertise and experience in the field of ecology and water management at all the locations where we develop and build, both in newly developed areas and in existing ones. Because we are very much aware that we have to protect the Netherlands against water, heat and drought. Clean air, green and blue are essential if we are to create a healthy living environment. In principle, a healthy living environment is also a safe environment, both in physical and in social terms. This is why we continue to develop smart solutions for safe traffic and safe neighbourhoods.

Embed and integrate in our operations

The strategic agenda and related ambitions in the fields of 'Better, Smarter and Sustainable' apply to all our business areas. Each business area will translate these ambitions, with specific accents and propositions tailored to meet the needs of their own market segment and client base. An overall approach and the combination of activities and initiatives will create synergies and added value for the built environment. It is that integrated approach and a shared agenda that will enable us to make our contribution to a healthy living environment.



Having defined our strategy in 2018, we are now working to translate that strategic agenda into concrete measures and programmes for the year ahead. In the report of the Executive Board, we discuss targets and the progress we have made on the strategy in more detail. Putting the strategy into action in our operations includes concrete targets to ensure we safeguard execution. We have also made agreements in the field of governance. The Executive Board monitors the progress of the strategic agenda, together with the group board, which is responsible for the day-to-day operational management of the company. Heijmans has also appointed specific staff members within the organisation who are responsible for specific strategic thrusts.



"See nature as a public utility"

Creating nature reserves used to be a side-issue for builders and developers. As a result, a lot of nature reserves are difficult to reach from cities and villages. This is why Harry Boeschoten at the Dutch Forestry Commission (Staatsbosbeheer) is lobbying for a network of connected nature reserves. His mission is to connect every person in the Netherlands to that green network. "After all, nature is in the interests of society as a whole and contributes to our health."

Harry Boeschoten

Programme director Dutch Forestry Commission



Learn more about Harry's vision via heijmans.nl



Peter Mulling, service technician at the Dutch National Military Museum



Report of the Executive Board

6.1 2018 at a glance

Heijmans was satisfied with its performance in 2018. We are seeing persistent demand in the housing market and a recovery in the non-residential market. In the infra market, we are looking carefully at opportunities that suit us. As a leading party in the market, we made an active contribution to economic growth in the Netherlands and the translation of that growth into homes, working environments and mobility. We won various new contracts and are working on a large number of varied projects. Heijmans' success depends on the people who work at the company. After a number of turbulent years with far-reaching changes, Heijmans has now come into calmer waters. So now it is time to devote even more attention to the development of the people and competencies within the organisation. We outline the main developments in the year under review below.

Property development

Our Property Development activities performed well in 2018, with a strong position in the housing market, both in inner city area developments and in developments in the periphery of cities and outlying areas. There is persistent pressure on the housing market. On the one hand, we have huge demand and on the other we have short-term shortages in capacity at builders and sub-contractors and a shortage of planning capacity in the public sector. In addition to this, the number of locations available for development is limited and lengthy spatial planning procedures are slowing the process down. The shortages in the procurement market play a role in this as well, and are pushing up costs. We work with fixed procurement partners as much as possible and involve them in the process right from the tender and development stages so we can overcome that challenge. This allows us to respond to both the shortages in available resources and the increase in procurement prices. In addition to the considerable challenge of meeting the demand for new-build projects, we are also facing the growing need to transform/ renovate outdated inner city neighbourhoods. These often also involve issues in the field of energy transition, social cohesion, mobility and nature inclusivity. Heijmans is well positioned to respond to these developments thanks to its integrated know-how and expertise.

We are also seeing an increase in demand for offices in certain locations. This is partly to replace outdated offices and office concepts, but also in response to the current economic growth. Heijmans is responding to this and gradually expanding its commercial real estate activities and combining the required relevant expertise.

The transition to gas-free construction has been accelerated due to the government's decision to no longer issue permits for projects that are to be connected to a natural gas supply as of 1 July 2018. This has delayed new plans and a number of property development projects that were already in the planning stage have also been delayed by the required adjustments to gas-free building, which is putting additional pressure on housing demand. Solutions for gas-free construction are more expensive. Additional costs for the realisation of these solutions, together with rising construction costs, a shortage of resources and rising land costs due to the scarcity of development locations are putting additional pressure on the affordability of homes for residential consumers. We expect a positive stimulus from the upcoming expansion of borrowing capacity for energy-neutral homes combined with relatively low

interest rates. Heijmans aims to play a leadership role in this by developing gas-free solutions that go beyond object level and that are specifically aimed at providing gas-free solutions at area level. Heijmans sees gas-free construction as an opportunity to shape the greenification of the built environment on a structural basis.

Our Heijmans Wenswonen and Heijmans Huismerk concept homes are our response to the growing demand for quickly available and affordable homes. We continued to develop these concept homes in the year under review. Heijmans Wenswonen, which focuses on owner-occupied homes for private buyers, has been made 'smarter' thanks to the addition of a standard home control package for all owner-occupied homes. We also made our concept homes more sustainable by taking steps in the field of circularity and energy efficiency. Making our homes smarter also responds to many people's desire – and sometimes their need – to live at home for longer. Our 'Onbezorgd Wonen' (worry-free living) label is our targeted response to that trend.

Projects

In the year under review, we were involved in a large number of ongoing, prominent developments, both in inner city areas and in outlying areas, such as Haga in The Hague, Kanaleneiland in Utrecht, Noorderhaven in Zutphen, Vathorst in Amersfoort and Parijsch in Culemborg. We also saw the launch of a number of large area developments, such as Spaarndammerhart in Amsterdam, Nieuw Kralingen in Rotterdam and Vijfsluizen in Vlaardingen.

Heijmans also closed a number of new development contracts in the course of the year. For instance, Heijmans and de Maese announced the development of the Parc in Amstelveen. And we joined the development consortium that aims to develop and realise Feyenoord City. At the end of the year, Heijmans and housing corporation Staedion signed a contract to develop an urban development plan for the south-western section of The Hague in partnership with the city's municipal authority. Together, we want to restructure and renew the Zichten, Dreven and De Gaarden neighbourhoods with a commitment to at least maintain the current number of 1,200 government-regulated rental homes, while also adding at least 3,000 owner-occupier and liberalised rental sector homes.

Last year, Heijmans won and also started a number of new property development projects across the Netherlands, including Vestibule in Leidsche Rijn, the Havenkwartier in Rotterdam, PUUR op de Heide in Ede and Koningsoord in Berkel-Enschot. The sale of homes

has already started in some of these projects. The sale process has also started for the Land van Dico project in Uden, where we started preparations for the start of construction in the spring of 2019.

Collaboration

Heijmans Property Development has a high-quality team which has years of experience and know-how in the field of inner city transformations, large-scale and small-scale contracts on the periphery of cities and in outlying areas, as well as in the field of commercial property. This combination of expertise and know-how means we can offer our clients integrated solutions, which we both design and realise.

Heijmans' specific expertise in tackling inner city area developments in collaboration with housing corporations, investors and local authorities, will also give the company continuity on the development and realisation front in the coming years. The demand for diversity and densification, as well as the acceleration of the drive to meet the need for urban housing will result in an increase in one-on-one collaborations.

Building & Technology

In early 2018, we centralised all activities in multi-functional high-rise residential construction, residential building and non-residential projects and services in the business area Building & Technology. Building & Technology made a positive contribution to our results, thanks to marked growth in residential building activities and the targeted acquisition of non-residential projects. We also won and continued to build on long-term contracts in the field of service & maintenance.

Multi-functional high-rise residential construction

The formation of Building & Technology, and in particular the formation of the Multi-functional high-rise residential construction unit, is Heijmans' response to the demand for large-scale inner city new-build projects with a mixture of functionalities. Multi-functional high-rise residential construction went into operation in the second half of 2018. This area includes projects such as the ongoing transformation of the former Fenix warehouses in Rotterdam, with a mixture of apartments, commercial spaces and cultural space. Another example of this type of projects is the realisation of a new residential area, 'De Schoone Ley', with more than 600 homes, commercial facilities and a parking lot near the renovated Haga Hospital in the southern part of The Hague.

Residential Building

Heijmans' residential building activities recorded sharp

growth in turnover in 2018, close to 50% higher than the previous year. New property developments last year translated into an increase in residential construction projects. We are in a position to respond to the enormous demand for suitable housing in a tight market thanks to our Heijmans Huismerk and Heijmans Wenswonen concept homes, for which we cooperate with fixed co-makers and operate according to a standardised production process. These concept homes allow us to respond to the need for quality, comfort and affordability, while at the same time safeguarding a controlled process from development through to completion. In 2018, we completed 821 homes and started work on more than 1,000 homes.

Residential Building's production operated at full speed in 2018, on projects such as the residential complex on Bananenstraat in Rotterdam, residential construction in the Zuidpolder plan area in Eemnes, the construction of luxury homes for Buitenplaats van Ruytenburgh in Vlaardingingen and the homes Parijsch Zuid in Culemborg. Contracts for assisted living homes in Huizen, owner-occupied and rental homes in Zeewolde and the realisation of homes in Zevenhuizen and Pijnacker also contributed to the business area's high level of activity. In June, Heijmans signed an agreement with housing corporation Mitros for 121 social housing apartments in Leidsche Rijn in Utrecht. These homes will be gas free and highly energy efficient. And Heijmans will realise a residential complex for housing corporation Stadsgenoot and an adjacent hotel for Inntel Hotels on Oostenburgereiland in Amsterdam.

Last year, we saw renovation, maintenance and management activities increase their share of the overall residential building activities, driven by the demand to increase the sustainability of buildings and complexes. Some examples of ongoing projects in this segment include 174 homes in Alandsbeek in Leusden, 24 homes in Hoofddorp and 64 homes in Zoetermeer. We also completed the large-scale renovation of a residential care facility in Valkenswaard, where we realised a number of assisted living apartments. We were able to help meet the demand to increase the sustainability of the existing housing stock in the Netherlands by deploying our renovation expertise for a growing number of housing corporations. For instance, in 2018 we worked on the renovation and greenification of 1,000 homes for housing corporation Lefier in Groningen and of 500 homes in Sittard for ZOWonen.

Non-residential projects

At our non-residential activities, we are seeing that the



Drone team André Smits (left), Remko Gulickx (centre) and Stephan de Rooij (right), Heijmans Asphalt Plant Zwijndrecht

change in course is beginning to pay off. Our selective acquisition policy combined with the market recovery is driving growth with a manageable risk profile. Newly won projects include the redevelopment of the tax offices on Laan op Zuid in Rotterdam to create a central government office complex and the renovation and expansion of the installations in Paleis Het Loo. Both of those contracts also include long-term maintenance. As part of a consortium, Heijmans closed an agreement with the Japanese firm SEKISUI S-Lec for the expansion of its Roermond production facility.

We made good progress in the construction of the new court house in Amsterdam and the construction of the new offices for the European Medicines Agency (EMA). Heijmans also worked on the realisation of a number of high-grade data centres.

Services

We once again recorded growth in our Services business, which focuses on technical services – maintenance and management – both in terms of construction as well as technical installation. Heijmans is working for a number of clients in this field, including ministries, educational institutions and medical centres. Services has now shown stable growth with healthy margins for a number of years in succession. These activities will make a structural contribution to the continued development of Building & Technology. In the autumn of 2018, it was announced that Heijmans has been chosen as the preferred candidate in the Schiphol tender Main contracts 2019 for the Terminal 1 and 2 parcels, and associated piers. The detailed plans and final contracts were completed at the end of 2018 and the contract was signed at the end of January 2019. The activities will start in April 2019. With its BeSense innovation, Heijmans is responding to the need for smart, data-driven, sensor technology-based maintenance and management. We have already installed around 7,000 sensors at our clients' premises.

Infra

Unlike the other business areas, Infra does not target growth. Its higher priority remains the predictability of projects based on a tighter focus on core competencies and risk management. Heijmans aims to create the right balance in the order book between large-scale projects on the one hand and regional projects, asset management and specialist activities on the other. Infra made good progress on this front in 2018.

Projects

In early 2018, we began the preparations for the connection of Windpark Wieringermeer to the national electricity

grid. In the spring of the year under review, we successfully completed the large-scale maintenance work on the Polderbaan runway at Schiphol. In that same period, Heijmans won a contract from the province of Friesland for the widening of the N381 road between Donkerbroek and Oosterwolde. Heijmans also won the contract for the N280 Roermond, which involves the construction of a sunken section of road, a parallel structure and two overpass junctions. In the summer, we received the definitive contract for phase 1 of the expansion of the Apeldoorn – Azelo section of the A1 motorway and we won the contract for the maintenance of the primary inland shipping route Lemmer – Delfzijl. We reached a key milestone in the work on the A9 motorway at the end of June, when we successfully realised the availability certificate of the Gaasperdammer tunnel for the Dutch Ministry of Public Works and Water Management according to schedule.

Due to a difference of opinion, TenneT terminated the contract for Wintrack II in the autumn of 2018. The Heijmans-Europoles combination and TenneT have not yet reached an amicable settlement. In the third quarter of 2018, Heijmans wrote down € 10 million for unpaid invoices and costs and for the settlement of previously made commitments.

Heijmans reached agreement with the Province of Noord Holland for the joint completion of the construction of the Wilhelmina locks project. The work recommenced in early 2019. In addition, the consortium of Heijmans, BAM and TBI withdrew from the tender for the expansion of the A15 motorway near Nijmegen, known as ViA15. Based on the contractual terms related to the distribution of risks, Heijmans and its tender partners BAM and TBI concluded that this tender was not in line with their tender policy. The re-baseline phase of the Zuidasdok project is taking longer than expected. The ZuidPlus (Fluor-HOCHTIEF-Heijmans) consortium, in which Heijmans has a 15% interest, is in constructive talks with the principal to arrive at a re-baseline determination.

Heijmans is selected as preferred partner for the take-off and landing runway parcel in the tender Main contracts 2019 for Schiphol. The detailed plans and final contracts for this parcel were completed in late 2018 and the contract was signed in early 2019. The works are set to start in April 2019. In the fourth quarter of 2018, the N23 Westfriisaweg was opened to traffic. King Willem Alexander and Queen Maxima visited this project in the summer of 2018. Infrastructure and Water Management Minister Cora van Nieuwenhuizen officially opened the widened A27/A1 in November. Work on the Beatrixluis

lock project in Nieuwegein is at an advanced stage following the placement of the third and final lock chamber. Elsewhere, Heijmans worked on numerous smaller regional projects in 2018, such as the redevelopment of the Dardanellenstraat, part of the Distripark in Rotterdam, plus the redevelopment of the Quackplein in Nijmegen.

At the end of 2018, Heijmans and BAM explored opportunities to combine their existing asphalt plants in the Netherlands in a new joint asphalt company. The foundation of this joint venture requires approval from the relevant competition authorities. The two companies have submitted a joint request to the European Commission to have the transaction evaluated by the Netherlands Authority for Consumers and Markets (ACM). The foundation of a new asphalt company will enable the companies to combine their joint know-how, expertise and investments in innovations. Increasing sustainability in the asphalt chain is one of the joint ventures key priorities, from lowering CO₂ emissions through circularity and the re-use of raw materials and semi-finished products.

People and organisation

In 2018, we saw increased shortages in the labour market. There is a huge demand for personnel right across the construction sector and supply is under severe pressure. This applies to both young talents – apprentices and starters on the labour market – and to experienced professionals. This continued pressure on the labour market makes recruiting new people a major challenge. Although it was more difficult than in previous periods, Heijmans was nonetheless able to recruit a sufficient number of qualified employees in 2018. Heijmans' positive image as an employer makes us a more attractive employer in the market. In our recruitment efforts, we make deliberate choices in how we fill vacancies, which enables us to continue to renew our workforce and keep this in line with the development of the company. New technological developments also enable us to meet the demand for capacity in different ways, for instance by producing prefab components in a protected production department.

In addition to the volatility in the labour market, safety continues to demand our full attention. The government also drew greater attention to safety in the year under review. The recently published report from the Dutch Safety Board (OVV) on the collapse of the parking lot at Eindhoven Airport put the subject firmly back on the agenda in the construction industry.

6.2 Non-financial results

Heijmans wants to make a lasting contribution to a healthy living environment. This is why we measure our results not only in terms of key financial figures, but also in the progress we make in the fields of safety and sustainability. In terms of reporting our results and making those measurable, we are more advanced on the 'Better' and 'Sustainable' fronts, simply because we have been focusing on those areas for longer. After all, when it comes to 'Better' we are continuing the previous strategic programme 'Focus, Discipline, Excellence'. And on the 'Sustainable' front, we are continuing to build on our previous strategic thrust 'The spatial contours of tomorrow'. In the section below, we describe our non-financial results divided in line with the three pillars of our strategy and the goals we have set for these pillars. In the coming years, we will take additional steps towards defining these goals in concrete terms and making our progress and results measurable.


6.2.1 Better

We have three areas of focus in the strategic pillar 'Better': safety, risk management and the quality of the organisation. Safety is the highest priority. It is the foundation of all our thinking and actions.

Safety

The GO! Safety programme aims to create safe working conditions and literally 'No Accidents'. Safety and working safely remain a high priority and the GO! programme will continue to be leading in that respect in the coming years. Heijmans launched the programme in 2013 and it is headed by a programme manager and a programme team of line managers in both execution and procurement and quality, as well as specific safety managers. The safety programme applies to all Heijmans employees, as well as everyone who is active at building sites on Heijmans' behalf. The programme is actively promoted by GO! coaches. They actively communicate the rules of safety-related conduct and attitude and enter into dialogues with employees. They support their peer (senior) site managers and coach their colleagues in the field of safety. They also raise safety awareness through targeted training courses and toolbox meetings. Heijmans also expects its entire management to obtain a SCC (Safety, Health and the Environment Checklist Contractors) certification to further boost safety awareness.

The safety programme is based on three pillars. The first is a change of attitude and behaviour when it comes to

A photograph of a man with dark hair, wearing a dark blue quilted jacket, holding a young child with blonde hair in a blue jacket. They are standing on a wooden walkway overlooking a construction site with several large buildings under construction in the background. The sky is overcast.

"I wouldn't want to miss my daddy day"

Rudolf van de Kolk joined Heijmans seven years ago and now works as an electrical engineering works planner. He is working on the renewal and expansion of the electro-technical installations at Paleis het Loo. He is responsible for the structure of his own working week. "Once every two weeks I have a daddy day on Tuesday. Plus I can work at home if the home situation requires it. It's mainly the older generation in the construction sector who are not used to this way of working. But I am glad I can do it. I wouldn't want to miss my daddy day"

Rudolf van de Kolk

Works planner Electrical engineering
Heijmans

safety. The second is a uniform safety level and a uniform and shared perception of safety within Heijmans. The third principle is collaboration on safety in the construction chain. The programme has been running for more than five years now and there has been a clear change in culture and behaviour, and we have made major progress, but we have still not fully realised our goals. In addition, we have seen a deterioration in our safety figures. The company has therefore decided that we need to take additional drastic and structural measures to resume the positive trend and take us even closer to the targets we have set. Heijmans has extended the scope of the programme through 2020.

The safety programme has the following three concrete goals:

- No accidents resulting in death or permanent injury.
- Being the safest construction company in the Netherlands with an IF<1 in 2020.
- A sustainable change of culture with respect to safety.
- A proactive approach to safety from all employees.

Activities:

• *Working visits*

In 2018, members of the management team once again made numerous working visits in the context of the GO! programme: more than 1,200 in total. These so-called workplace inspections increase their visibility and engagement in terms of safety at building sites.

• *Online and digital communications*

The GO! app is an online platform used to share important information about safety and the safety programme. Employees can also use the app to report unsafe situations at work, draw their colleagues' attention to such situations and learn from same. Heijmans wants to lift the taboo on reporting unsafe situations at work ('reporting is not snitching') and encourage employees to do this so they can learn from each other and constantly improve safety at work. We have been working on the culture change required to realise this goal for some years. And the increase in the number of reports shows it has been a success. In March 2018, we rewarded the 4,000th GO! app report. More than 4,600 reports have been filed via the app since its introduction in 2014.

In 2017, Heijmans digitalised the workplace instructions (WPI) and integrated these in the GO! app. This makes it possible to register all the findings and photographs of an inspection during a site visit on the spot. In 2018, we conducted more than 8,500 electronic site inspections.

All Heijmans employees receive a monthly newsletter ('update in de keet' or site cabin update) and these too are part of the GO! app. All this information is freely accessible at no charge to everyone in the construction chain, including subcontractors, suppliers and clients. Other building companies have now also adopted the system and structure of the GO! app.

• *Sector collaboration*

Information about safety and safety improvements is shared across the board within the sector via the Safety in Construction Governance Code and the Bouwend Nederland (umbrella organisation for the Dutch construction industry) Safety taskforce.

Heijmans is represented in both bodies. Heijmans and 14 other companies and organisations signed the Safety in Construction Governance Code in 2014. By signing the code, the companies and organisations committed to increasing safety in the sector with a joint policy aimed at a safe working and living environment, maximum safety awareness and attitude, sound collaboration and chain integration. Heijmans is also represented on the CEO vanguard group of the Safety in Construction Governance Code, where we head the efforts to arrive at a uniform reporting app for the construction sector and are closely involved in the development and introduction of so-called generic gate instruction (Generiek Poortinstructie - GPI).

• *Generic Gate Instruction*

The companies participating in the Safety in Construction Governance Code launched an initiative in late 2017 to arrive at a Generic Gate Instruction (a safety instruction film), aimed at raising and encouraging safety and safe conduct on building sites. As of 1 April 2019, all the companies' own employees and the employees of subcontractors and suppliers who work at building sites must have completed their Generic Gate Instructions and be able to demonstrate this to gain access to the building site. The associated companies also still have the option of setting specific additional safety requirements for each building site. Heijmans is anticipating the arrival of the Generic Gate Instruction pro-actively. We amended our GO! Safety instruction video in 2018 and we have made watching this instruction video compulsory for all Heijmans employees.

• *Safety in the design*

In 2015, the company started the implementation of integrated safety measures in the design stages of projects, by drawing up a design schedule. In 2018, we gave safety in the design process an extra boost by

giving the GO! stamp on drawings a prominent place in the design community. Also in 2018, Heijmans produced various hand-outs / instruction leaflets covering comprehensive safety themes for developers, designers and construction engineers.

• **Introduction new employees**

Every new employee at Heijmans takes part in an introduction day. GO! is an important part of that day. New employees discuss safety themes together and think about what they could do to improve safety. In 2018, Heijmans held 11 introduction days attended by a total of 511 new employees.

• **Boosting safety in education**

In our efforts to give the theme of safety a boost in education, we had a meeting on 26 June 2018 with the education coordinators of Koning Willem I College, Avans Hogeschool, Hogeschool Arnhem-Nijmegen (HAN), Hogeschool Utrecht (HU) and various technical universities. This session was aimed primarily at building enthusiasm for integrating safety in regular education programmes. This increases the safety awareness of new professionals in the sector and helps prepare them better for actual practices in the construction industry.

• **Safety Meetings Procurement**

In 2018, Heijmans invited a group of selected strategic suppliers/subcontractors per cluster of product groups to attend two safety sessions. During these sessions, Heijmans and its partners discussed safety issues and came up with solutions together.

• **Leaders in Safety**

A key aspect in terms of changing attitudes and conduct is strengthening the GO! leadership among senior and mid-level managers. They have the opportunity to stimulate safety even more pro-actively in daily practice and to build a safe culture in their immediate environment. The message they communicate to achieve this is: 'safety and health above time and money'. In 2018, we decided to develop a series of 'Leaders in Safety' workshops for the mid-level and senior management. The first try-out Leaders in Safety workshop took place in December 2018. We will roll this out in 2019.

Safety figures:

In 2018, our safety performance did not improve when compared to 2017. This means we need to devote extra attention to safety at work. The IF figure increased slightly compared to 2017 and the number of accidents (including sub-contractors) was higher. There were no fatal accidents in 2018. An analysis shows that the 'Big Six'

causes (the six most prevalent causes of accidents, such as tripping or falling) continue to apply and shows that there is still room for improvement in 2019, with extra measures in the field of orderliness and tidiness. The planned intervention with 'Leaders in Safety' workshops should also contribute to a further strengthening of the safety culture and Heijmans' safety performance.

The trend in accident index figures for Heijmans in the Netherlands is shown in the table below. The figures are based on the number of accidents resulting in absenteeism among our own personnel (including temporary personnel) in relation to the number of hours worked.

	Netherlands	
	2018	2017
Fatal accidents	0	1
IF*	3,9	3,7
# Accidents with absenteeism (including subcontractors)*	87	77

*IF: number of accidents resulting in absenteeism of at least one day per million working hours. As from 1 January 2017, the IF figure for Heijmans in the Netherlands also includes combination works. Heijmans' percentage share in the combination work is also the company's percentage share in the accidents resulting in absenteeism. No distinction is made with respect to which employee of the combination it concerns.

Risk management and process improvement

Activities:

• **CRO and Risk Office**

Heijmans has made risk management a strategic spearhead for the Risk Office. This body, which operates directly under the Executive Board and is headed by our Chief Risk Officer (CRO), looks at the group-wide business from an independent perspective, to take stock of risks, open these subjects up for discussion and to ensure the correct weighing of risk aspects. The CRO is a member of the group board and reports directly to the Executive Board.

• **Internal programme GRIP**

The purpose of this programme is to further improve project and risk management and thus increase the predictability of our projects. The GRIP programme represents 'no surprises in projects' and focuses on three aspects:

- Project control (from registration to controls)
- Risk management (identifying risks and making timely adjustments)
- Embedding core processes (working in line with a fixed core process)

The Risk Officer acts as a driving force and programme manager for GRIP.

The completion of the implementation of SAP as our company-wide, uniform ERP system will help Heijmans to take the next steps in terms of project and risk management.

- **Fit for Cash**

At Heijmans, we devote constant attention to 'Fit for Cash': a set of working agreements and principles we apply consistently with a view to working capital management, from the acquisition stage through to delivery and completion of projects.

- **Introduction of Workday**

In 2018, Heijmans introduced Workday as its new HR system. The digitalisation of HR processes and integration of these in a centralised platform gives us a single, fully digital personnel information system for the entire HR field of operations. The goal of this initiative is to increase insight, efficiency and independence. Employees can access this system themselves via an app, tablet or PC, and see their own data. The system also gives managers real-time, useful information for their management tasks on a daily basis. We will implement Workday in phases. In 2018, we introduced the basic functionality at Property Development and the Residential Building business area. Last year, we also made preparations for the introduction of Workday at the Non-Residential business area and the staff departments and started the implementation in January 2019. In 2019, we plan to introduce the system at Infra, after which we will expand the system. We aim to have the system fully operational across the entire organisation in 2021.

- **Chain cooperation and co-creation**

Heijmans and its suppliers, subcontractors and partners bear joint chain responsibility. Heijmans wants to do business with its principals, suppliers, subcontractors, partners and service providers in a transparent and professional manner. Heijmans' choice of partners is always based on objective business considerations. Heijmans' procurement policy is aimed at involving procurement professionals in the early stages of the process, which allows us to find solutions at an early stage and in cooperation with suppliers, and helps us to optimise efficiency and quality. Key premises in this are safety, sustainability and circularity. You can find our full procurement policy on the Heijmans website.

Procurement spend and preferred suppliers:

The procurement volume remained unchanged in 2018 at around 70-80% of revenue. This makes intensive

collaboration in the chain crucial. Heijmans and its suppliers/subcontractors therefore increasingly commit at an early stage in view of this intensive collaboration. This is based on long-term collaboration with fixed partners, which reduces failure costs and creates sustainable and innovative solutions for our clients. This is expressed in an indicator that reflects the ratio between the total procurement volume and the component realised with preferred suppliers. In 2018, 54% of the total procurement volume came from preferred suppliers, compared with 55% in 2017.

The development and realisation of the Heijmans Huismerk is one example of the co-creation we are striving for. These homes are based on standardised processes developed in close cooperation with chain partners. This reduces the failure costs and increases margins. In addition, it means that Heijmans is working with its partners to develop a way of building and organising that is based on repetition and refinement, rather than focusing exclusively on one-off projects. This results in a joint learning curve for everyone involved. Chain collaboration and co-creation also play a considerable role in various property development projects with municipalities and commercial investors. These involve setting up long-term and intensive cooperation structures to optimise the value development in an area.

Quality figures and client appreciation:

Performance assessment Rijkswaterstaat and Prorail (7.9 and 7.5)

In the performance assessments of these two large Infra clients, Heijmans received an appreciation score of 7.9 and 7.5 respectively. It was a turbulent year for the performance measurement at Rijkswaterstaat (the Dutch Ministry of Public Works and Water Management). Following the market consultation in the second quarter, we separated the performance measurement from the selection procedure with immediate effect. At ProRail, this was never part of the selection procedure. Heijmans' own objective is to score a minimum of 8 in client appreciation from its focus clients. A 7.9 means we did not quite achieve that goal. Yet Heijmans has made positive progress. We have improved the controls on the components for which Heijmans received lower scores in the past. These were 'working according to schedule' and 'delivery'. Heijmans set up an in-house working group to address those aspects. We organised a meeting with Prorail and the working group to discuss these two improvement items. We now have a better understanding of the client's expectations and will now be able to respond to those expectations more effectively. Timely and effective communications with those responsible for the project at the client is crucial in that context and our

scores showed a clear improvement in 2019 thanks to our specific focus on those aspects. We wish to maintain that positive trend in 2019 and our growth in all aspects of performance measurement at these important public sector clients.

Client appreciation private residential building (7.1)

Based on the customer satisfaction assessments carried out by external organisation SKB, buyers of Heijmans homes gave an average customer satisfaction rating of 7.1 in 2018 (2017: 7.2). The average of all participating building companies was also 7.1. At the time of publication, 420 of the 1,201 buyers who were approached had completed a buyer report. Heijmans also registers the number of snagging items per home and aims for 'zero snagging items'. In 2018, Heijmans registered 2,588 homes as delivered and registered the snagging items at 86.5% (2,238) of these homes. A total of 0 snagging items was registered at 1,297 of the total of 2,238 homes (55.5%).

Quality of the organisation

The focus of Heijmans' HR policy is recruiting, engaging and retaining colleagues. We focus on the attraction of an informal atmosphere, pleasant cooperation with the colleagues involved and the exciting and impressive projects we work on every single day. We put our people centre stage and give them room to develop in a healthy working environment. We consider appreciation for professional know-how and craftsmanship to be important. In addition to offering competitive employment terms and conditions, we also want to increase our differentiation in the labour market by expressing our identity even more explicitly and consistently. We hope this will boost our positive image, make us even more attractive as an employer and help us recruit talented people.

Activities:

- **Recruitment and onboarding**

In 2018, we developed the recruitment function within the company and Heijmans now has a specialised team of recruitment professionals that focuses on filling vacancies across the entire company. Heijmans aims to accelerate the recruitment process to make the most of recruitment opportunities and avoid losing candidates due to a lengthy recruitment procedure. We should be able to contract highly qualified people within a 10-day period.

We believe the next step, the onboarding process, is at least as important: the aim is to quickly integrate new people, let them get acquainted with the entire organisation and give them their own responsibilities. What matters is that new colleagues quickly feel at home in the

organisation, adopt the culture and habits of the organisation as their own and are allowed to do their work in a way that makes them feel good. Two programmes play a role in the process of getting to know Heijmans: the core values programme IK! and the safety programme GO!

- **Core values and culture programme IK!**

The 'IK!' programme has now been in effect for two full years. It aims at active promotion of core values and conduct. The core values of ownership, result-orientation and collaboration are at the heart of the programme. The IK! programme emphasises the principle that every success, every change and every improvement starts with yourself: what can you do, where can you improve and where can you have an impact. In addition to risk awareness, the programme also actively promotes contract awareness. Attention for core values and conduct is of crucial importance in a project-based organisation like Heijmans, where uniform ways of working on projects, the impact of details and the actions of every individual can have a major impact on the joint result. The core values also play a key role in the development of Heijmans as a learning organisation with an open culture, where sharing know-how and expertise, evaluation and giving feedback are encouraged. In line with this, we organised a number of interactive meetings and started a leadership programme at Infra in 2018. At Residential Building, we are running the 'zero complaints' programme geared towards reducing the number of complaints from principals and clients, with a direct link to our core values.

- **Development programme**

Heijmans employees can count on personal attention and development opportunities. We already provide a broad range of programmes for development and growth via the Heijmans Academy. In the coming year, we will continue to structure and centralise the programmes we offer our employees. We make a distinction in this between mandatory programmes for every employee, programmes geared towards specific functions and optional programmes. We will assess the entire curriculum to attune the development programmes even more to the various target groups. We will devote special attention to leadership and culture, to ensure that we continue to develop competencies in those areas across the organisation.

- **Personal attention, vitality and absenteeism**

In addition to programmes for the development of technical or professional know-how and personal competencies, we made 'attention' a focal point in 2018. Our objective in this was to increase the vitality of our

employees and reduce absenteeism. Economic growth, pressure on the labour market and available capacity are all increasing the work pressure on our employees. Another growing problem in society is stress resulting from the huge mass of information available and social media, plus the high expectations generated by modern society.

We can see the impact of this in an increase in absenteeism. Heijmans' goal is to keep the absenteeism rate below 4%. This percentage increased to 4.9% in 2018 (2017: 4.2%). Our basic premise is that if we can give our managers more people-oriented skills and those managers devote extra attention to our employees, we will be able to detect potential issues earlier and prevent absenteeism by responding effectively to those issues. We are also devoting time and attention to improving the cooperation between the management, our own occupational health and safety service (Arbo Service Centre - ASC) and the HR department. The vitality programmes Heijmans offers are also the result of our focus on prevention. More vitality and feeling good about yourself are first and foremost pleasant for the employees themselves, but they also result in lower absenteeism and higher productivity.

Personnel figures:

Personnel numbers	2018	2017
Employees aged 24 years or less	133	99
Employees aged 25 to 39 years	1,385	1,399
Employees aged 40 to 54 years	2,056	2,036
Employees aged 55 and over	1,090	1,020
	4,664	4,554
Inflow and outflow (excl. Brabotech)	2018	2017
Inflow	593	422
Outflow	518	584
Absenteeism	2018	2017
Absenteeism	4.9%	4.2%
Diversity 2018	Men	Women
Numbers of men and women	4,111	553
Total ratio men/women Heijmans	88%	12%

99% of Heijmans' employees are part of a collective labour agreement.

6.2.2 Smarter

We have defined two focus areas in our strategic pillar 'Smarter': digitalisation and production technology. We see many opportunities to generate business with these aspects in the coming years, while at the same time contributing to increasing the sustainability of our work.

Digitalisation

Activities:

• Application of BIM

The Building Information Model (BIM) in which all parties involved in design and realisation cooperate in a single digital model. All data available related to the construction process is combined in this model. This creates the possibility of building the entire construction digitally before a single stone has been laid in the real world. This helps us to detect and resolve errors and frictions early in the digital environment. The consistent application of BIM throughout all the phases of everything we develop, realise and maintain is an immense boost to our project and risk management. We are effectively creating a digital twin of the built environment we are realising.

• Happiness

This is a change programme at Property Development and at Residential Building for home buyers, in which we improve the structure of our operating processes, bringing them more into line with the customer journey of home buyers. Digitalisation of processes behind the scenes, but also on the client-facing side, plays a key role in this improvement process. One of the effects is that it makes it much easier for clients to assess the Heijmans range of homes online. In addition, we are paying specific attention to after sales and aftercare for home buyers.

• Data analysts

The built environment is generating ever-increasing amounts of data that we use to gain insight into the use of the environment. It also yields data with a predictive value with respect to maintenance and management. Heijmans has introduced a new function for the analysis and reporting of this data: the data analyst. At Infra, we have set up a department for data analysis.

• BeSense

This is a smart solution for smart building management, designed for working environments. BeSense is a data-driven and sensor-based solution that resulted from the cooperation between Heijmans, CSU and Clickey. We have now installed around 7,000 sensors at various clients, including Aegon, COMM and PSV.



“The entire building was designed digitally”

As part of the New Amsterdam Court House (NACH) consortium, we are building a completely new home for the largest court house in the Netherlands, at the same old location in the Zuidas business district. To minimise nuisance to the local environment, we are using low-noise technologies as much as we can. And to make the build as efficient as possible, the entire building was designed digitally.

Mike Zelke
Design manager Heijmans

- **Bikescout**

A smart solution to increase bicycle safety. Bikescout is a sensor-based system for the early detection of cyclists approaching blind or confusing crossings and roundabouts. Drivers are alerted to the approaching cyclists via a blinking light on the road surface.

- **Bridge monitoring**

Heijmans has conducted a number of pilot projects for bridge monitoring. We install sensors in bridges to gain insight into the use, the load capacity and the maintenance status. Potential problems and wear and tear are detected early and resolved immediately. The data from the sensors is also used for predictive maintenance, so we can organise planned maintenance and reduce the risk of unexpected repairs.

Production technology

Activities:

- **Heijmans Huismerk and Heijmans Wenswonen**

These are concept homes with a high level of standardisation; the homes are largely produced via an industrialised process. The prefab elements are put together at the building site. Heijmans Huismerk is a concept for the rental market, while Wenswonen is aimed at private home buyers. In 2018, 42% of all the homes we built were concept homes.

- **Standardised products in projects**

We work more and more frequently with components which are produced via an industrialised process and then processed at the building site. We do this in both our residential building activities and in our non-residential and infra projects. We use standardised products primarily at project level. A perfect example of this is the construction of the New Amsterdam Court House in the Zuidas business district. Various core components are prefabricated and then integrated at the building site. This includes the 20-metre long steel columns – which have different thicknesses and are staggered – that are one of the main features of the building's facade.

6.2.3 Sustainable

As a trendsetting party in the construction sector, we want to play a leading role in improving sustainability in our sector. The ultimate goal is to no longer withdraw energy, materials and space, but instead add to the living environment and by doing so create value. This is how we will make a lasting contribution to a sustainable built environment and a healthy living environment. These ambitions also act as our benchmarks in the development of Heijmans' innovation programmes.

Sustainability organisation

Within the Heijmans organisation, we have a dedicated company-wide steering group that discusses aspects such as improvement, sustainability and safety in conjunction with each other. The steering group comprises representatives of the various business areas and procurement. The materiality analysis outlines a number of aspects that have an impact on and are important to Heijmans, including sustainability-related aspects. Heijmans has introduced specialist teams in the business areas to address those aspects, themes and issues. The line organisation is responsible for the specific operational choices related to these aspects. A company-wide CO₂ desk combines all expertise on protocols and tools on that front and provides support and advice in the field of CO₂ foot-printing.

Increasing sustainability of the operations

Active chain management and the procurement policy are key drivers in Heijmans' efforts to make its operations more sustainable. For instance, the company has outlined an Energy Management Plan (EMP), which we use to monitor the energy transition, energy efficiency and energy savings of all buildings and company resources. The plan outlines actions for each object and each type of resource, which are then implemented at a central level.

Certification and standards

Heijmans has high ambitions when it comes to quality, safety and sustainability. We have various certifications that underline those ambitions, such as ISO 9001/14001, SCC and the CO₂ performance ladder (SKAO). A number of additional operational business units were certified under the Safety ladder in 2018 and other operational business units will be certified in 2019.

GPR Building

Heijmans uses GPR Building as the guideline for increasing the sustainability of all the residential buildings it develops. This makes the sustainability of the homes both measurable and visible. GPR Building is a digital tool that maps out all relevant sustainability



“We will improve the biodiversity”

How sustainable are our area developments? Gardener, television presenter and green pioneer Lodewijk Hoekstra and his company NL Greenlabel assess Heijmans' plans for their natural value and sustainability. This helps us to truly build a healthy environment. The residential area Hooghkamer in Voorhout was the first in line for a Greenlabel assessment. “With our help, the biodiversity in this area will be greater when it's completed than it was before.”

Lodewijk Hoekstra
NL Greenlabel



Take a look in Voorhout via [heijmans.nl](https://www.heijmans.nl)

aspects in a building and makes them measurable, using ratings for energy, environment, health, quality of use and future value. The tool can be used at every stage of construction: from development and design through realisation and renovation. GPR Building is a leading certification method in the construction sector.

You can find an up-to-date overview of relevant certificates and standards on Heijmans' website: www.heijmans.nl/over-heijmans/certificaten-voorwaarden (in Dutch)

Sustainability in the chain

At the end of 2017, Heijmans introduced its new and streamlined sustainable procurement policy. This socially responsible procurement policy is based on the international guideline for sustainable procurement: NEN-ISO 20400. This outlines key themes in the field of sustainable procurement: management and organisation, human rights, labour practices and the environment. Together with our procurement partners, we define and implement actions for each theme that is relevant to the cooperation. We have summarised the policy and the activities in the chain in the Heijmans Responsible Procurement policy. You can find this policy paper on the Heijmans website: www.heijmans.nl/maatschappelijk-verantwoord-inkopen (in Dutch)

Heijmans participates in various Green Deals, covenants and collaborations aimed at increasing the sustainability and safety of the built environment. You can find an overview of all participations on the Heijmans website as an appendix to the page www.heijmans.nl/nl/expertises/expertise/duurzaamheid (in Dutch)

Energy

Activities:

- **Gas-free building**

In June 2018, the Dutch Act on progress in the energy transition (Wet Voortgang Energietransitie - 'Wet Vet') came into force. From now on, all new homes have to be developed and built without a connection to natural gas. Some examples of Heijmans' gas-free developments and construction projects are: 121 government-regulated rental apartments in sub-plan Terwijde Blok B and an apartment building with an EPC of -0.3 in Greenville, both in Leidsche Rijn in Utrecht, plus 72 gas-free owner-occupied homes in project Tromppark in Dordrecht. Heijmans has also developed a gas-free version of all of its concept homes – Heijmans Huismerk, Heijmans Wenswonen and Heijmans ONE.

- **Infrastructure for electric vehicle charging points**

Together with NUON, Heijmans offers a comprehensive package for electric vehicle charging points: installation, maintenance and management and exploitation. We have long-term contracts with various municipalities. These include contracts with the municipality of Amsterdam for the installation of around 4,000 charging points and with the municipality of Utrecht for several hundred. In the Noord-Brabant and Limburg provinces, we are installing a total of 1,250 smart charging points.

- **Solar Highways**

Heijmans has developed a noise barrier for roads that comes complete with integrated bifacial solar cells. The barrier combines the prevention of noise pollution for local residents with solar energy generation, without taking up any additional space. Heijmans has installed a pilot system along the A50 near Uden under contract from the Dutch Ministry of Public Works and Water Management (Rijkswaterstaat).

- **Project: Airey neighbourhood Eindhoven**

Commissioned by housing corporation Woonbedrijf, Heijmans took care of the demolition and new build of three apartment buildings and 14 terraced homes on Karel de Grotelaan in Eindhoven, and has a maintenance contract for the next 15 year. The aim of the project is to realise the most sustainable rental homes in the city. The apartment buildings have been fitted with solar roofs in order to create a sustainable energy supply.

CO₂-figures:

Heijmans aims to reduce CO₂ emissions, in relation to revenue, by at least 10% in four years' time (2017-2020). In this respect we use 2016 as the benchmark and relate the reduction aim to revenue.

In absolute terms, CO₂ emissions increased by 5.0% in 2018 compared to 2017. Heijmans the Netherlands recorded scope 1 and scope 2 CO₂ emissions of 53,781 tonnes in 2018 (2017: 51,088 tonnes). This was largely due to increased fuel use at projects and at Heijmans' asphalt plant as a result of the increased activity levels. CO₂ emissions generated by the vehicle fleet declined slightly, which shows that measures introduced for the vehicle fleet are paying off. Despite the absolute increase in CO₂ emissions in 2018, Heijmans realised a reduction of 14.1% compared to 2016 in relation to revenue. This drop was, on the one hand, caused by the virtually unchanged level of absolute CO₂ emissions compared to 2016 and an increase in revenues. This means we have already realised our target for 2020. However, we will continue to do our utmost to also reduce CO₂ emissions in absolute terms.

Materials

Raw materials are becoming increasingly scarce. The continued extraction of natural resources is putting enormous pressure on the earth's long-term perspectives. This has created a real sense of urgency in terms of developing alternatives. Making systems circular is one of the key solutions on this front and this can be done in a number of phases. Heijmans uses the Value Hill tool to gain insight into existing systems, to break open systems and discover new opportunities and possibilities. The greatest added value for Heijmans is in the pre-realisation phase: by creating smart designs and working with partners to develop plans that assume the longest possible life and that enable the reuse of buildings, parts of buildings or the materials used. We distinguish between the reuse, renovation, redesignation of a product or building and/or the recycling of materials and residual substances. Heijmans has various examples of this approach. For instance, the De Kleine Aarde site in Boxtel is being developed into a know-how and expertise centre in the field of sustainability and the circular economy, commissioned by housing corporation Woonstichting St. Joseph. The focal points in this project are clean energy and the infinite reuse of materials. The site will be home to a circular residential building with 22 apartments divided across two floors. In the Noorderhaven area development project in Zutphen, we are combining new architecture with the transformation of historical buildings. The old buildings, the street plan and the various cultural-historical elements formed the basis for the design. The basic premise is not demolition, but reuse and transformation wherever possible and a contribution to urban planning. Circularity is also a major priority in our infra activities, which includes the continued development of asphalt products with an extended life and the increasing reuse of raw materials, as well as the demolition and recycling of infra objects such as viaducts.

Circularity goes well beyond product development, as it also involves process improvements. The Building Information Model (BIM) contributes to this by providing all the partners in a process with insight into each other's activities and their collective result. This helps reduce failure costs and increases efficiency. Heijmans was also involved in the development of Madaster in 2018. The purpose of Madaster is the elimination of waste by assigning an identity to materials. The platform acts as a public, online library of materials in the built environment. Madaster registers, orders, saves and makes data available, while devoting significant attention to safety, privacy and continuity.

Activities:

• *Waste flows, reduction and separation*

In 2018, Heijmans produced a total of 20,819 tonnes of waste. That is about the same amount as in the previous year (2017: 19,176 tonnes). We separate our waste as much as possible into separate flows at our building sites. Around 70% of waste is separated, while the remainder is mixed building waste. The processing takes place in line with specific agreements and in close cooperation with waste processing partners. This means we can also estimate the application of waste flows in further processing. This aspect will only gain in importance in the years to come in the context of measures aimed at arriving at a circular economy. Around 68% of the residual waste flows is reused as secondary raw material and around 23% is used to generate green energy. Around 7% is used for grey energy production and 2% of the total waste ultimately goes to landfill.

• *Raw materials network*

In 2018, we began the implementation of the Heijmans raw materials network (Heijmans Grondstoffen Netwerk). This tool provides insight into and makes connections between the supply and demand of material flows. This encourages and facilitates the reuse of materials and reduces transport movements. In this context, we no longer look at overall quantities across the entire company, but rather assess the situation per project to ensure we handle material flows in the most sustainable and cost-efficient manner possible.

• *Heijmans ONE*

This is a movable single-person home for specific target groups that are being left by the wayside in the current housing market, such as starters, people with an urgent need for housing and refugees with residence permits. The concept is interesting for local authorities because the homes can be placed in temporarily available locations that are awaiting definitive zoning. It enables the local authorities to meet housing demand in the short term. And the same homes can be used elsewhere at a later stage. This home is entirely prefabricated at the production facility and delivered in two sections by freight transport. This is an outstanding example of circularity.

• *Asphalt products based on reused materials*

Heijmans is constantly working on the development of asphalt products with the aim of making these more sustainable. Circularity is a key driver in that respect. Heijmans' asphalt product Recoflex is based on the reuse of foundation layers in the road surface on which a new Recoflex top layer is applied. Heijmans has been using

the asphalt product Greenway LE for some years.

This is a sustainable asphalt mix produced at lower temperatures and that contains a high level of recycled asphalt granulate. A new development is a circular asphalt mixture, (sustainable) DZOAB, 50% of which is recycled ZOAB asphalt. In early 2019, this innovation won an award in a sustainable asphalt contest organised by the Dutch Ministry of Public Works and Water Management.

• *Reuse in projects: Schiphol Bus station*

In all its projects, Heijmans actively looks for opportunities to reuse existing materials and parts or buildings in new developments. For instance, we incorporated an old airplane hangar as a hub for regional bus lines in the design for the bus station at Schiphol Noord. This has given the old hangar a new lease of life in a new location. And the play of light from the 138 LED lamps in the ceiling makes waiting for the bus in the evenings quite an experience. On top of this, the bus station generates its own energy via solar panels on the roof. The project won the ARC15 Award.

• *Sustainable timber*

Heijmans used around 12,400 m³ of timber in its projects in the year under review. Around 99.5% of the timber comes from certified, sustainably managed forests and around 81% of this has been FSC certified. This means Heijmans has almost achieved its goal of using 100% sustainable timber. Timber is also seen as a bio-based material that can make a substantial contribution to the greater circularity of buildings.

Space

Activities:

• *Nature-inclusive building*

Heijmans looks for opportunities to give nature a helping hand in the locations where we work. Our goal is to give nature all the room it needs and leave it in a better state than we found it. Some project examples are:

- A12 Ede - Veenendaal - Grijsoord: nature areas that were previously separated by the road were reconnected during the widening of the road via the construction of fauna passages and extra ecological connections across and besides the tracks. This has greatly expanded the living space of the animals in these areas.
- NMM: following the development, design and realisation of the National Military Museum in Soest, Heijmans has been made an exploitation partner for the museum for the next 25 years. In that role, the

company is also responsible for the surrounding nature reserve. The contract states that, after those 25 years, we will leave the green areas stronger and with greater diversity than when we adopted them.

• *Climate-adaptive building*

When designing neighbourhoods, we think about how we can anticipate the impact of climate change. The use of nature to strengthen the infrastructure in neighbourhoods plays a key role on this front. We integrate attractive and functional green areas, develop water storage in the neighbourhood and take care of soil and ground water. And, provided they are cleverly designed, communal green areas also boost social cohesion in communities. Some examples of projects:

- Plein van Leiden: a new neighbourhood with a lot of attention for greenery and, in view of the inner city location of the neighbourhood, that also means 'vertical greenery'.
- Hooghkamer in Voorhout: in this project, we are working closely with gardener, television presenter and green pioneer Lodewijk Hoekstra, initiator of NL Greenlabel, a company that tests the sustainability and nature value of neighbourhoods. We intend to extend this cooperation to all our area developments.

6.3 Financial results

Heijmans recorded a net result of € 20 million in the full year 2018 (2017: € 20 million). Revenues were almost 13% higher at € 1,579 million (2017: €1,402 million excluding foreign activities). The considerable growth at Property Development and Building & Technology was partly offset by a limited decline at Infra. This was also visible in the results. At Property Development and Building & Technology, we booked a strong improvement in results. In addition to the growth in volume, we also saw an increase in the margin as a percentage of revenue in this business area. However, the result at Infra slightly lagged the previous year, largely due to downward adjustments on two projects.

The order book stood at € 2,014 million at year-end 2018, compared with € 1,898 million at year-end 2017. Positive order intake at Property Development and Building & Technology was offset by a decline in order intake at Infra, which saw a negative impact of around € 130 million from the termination of the Wintrack II project and the effect of the selective acquisition policy.

Summary income statement (in € million)	2018	2017	Difference
Revenue	1.579	1.487	6%
Underlying EBITDA Netherlands	43	30	
Adjustment EBITDA result of joint ventures	-6	14	
Write-down of real estate and land holdings	-6	-6	
Restructuring costs	-1	-8	
Soil remediation	-	-3	
Release pensions indexation	5	-	
EBITDA Netherlands	35	27	
Depreciation/amortisation	-12	-13	
Operating result Netherlands	23	14	
Operating result discontinued operations incl. bookresult	-	31	
Operating result	23	45	
Financial results	-8	-8	
Share of profit of associates and joint ventures	5	-15	
Result before tax	20	22	
Income tax	0	-2	
Result after tax	20	20	

Revenue

The revenue divided by sector in 2018 can be broken down as follows:

Revenue (in € million)	2018	2017	Difference
Property Development	503	391	29%
<i>Residential</i>	<i>441</i>	<i>297</i>	<i>48%</i>
<i>Non-Residential</i>	<i>285</i>	<i>240</i>	<i>19%</i>
Building & Technology	726	537	
Infra	654	680	-4%
Eliminations	-304	-206	
Netherlands	1.579	1.402	13%
Discontinued operations	-	85	
Total revenue	1.579	1.487	

Revenue from continued operations increased to € 1,579 million in 2018 (2017: € 1,402 million). This increase was largely due to growth in the housing market, which led to a marked increase in revenues at Property Development and Building & Technology's residential building activities. The strong recovery in the volume of the 'Projects' segment also played a role from the second half of the year.

Revenue at Property Development rose to € 503 million (2017: € 391 million), largely on the back of the increase in value of the homes sold. Heijmans sold a total of 2,237 homes in 2018 (2017: 2,192 homes), with just over half of these sold to private buyers. Many of these homes were in the higher segment of the market, which translated into higher prices. The average price (including purchasing costs payable by vendor and excluding VAT) of the homes sold to private buyers was € 341,000 in 2018 (2017: € 299,000). Of the total number of homes sold, 54% were sold to private buyers and 46% to investors (2017: 64% to private buyers and 36% to investors).

The combined revenue at Building & Technology rose strongly to € 726 million in 2018 (2017: € 537 million), all in line with the strong order intake in late 2017 and in 2018. Underlying EBITDA was also substantially higher, at € 16 million in 2018 (2017: € 1 million negative). The greatest turnaround was seen in non-residential projects, which are now also making a positive contribution to Heijmans' results. The total order book for Building & Technology stood at € 1,202 million at year-end 2018 (year-end 2017: € 1,024 million).

Heijmans' Residential Building activities, which are part of Building & Technology, saw revenue increase to € 440 million (2017: € 297 million). On the back of a strong improvement in the order book, revenue from the Non-Residential activities increased to € 285 million, from € 240 million in 2017. The increase was primarily notable from the second half of the year on the back of a substantial increase in production in the 'Projects' segment. The new-build of the European Medicines Agency office building in Amsterdam and the New Amsterdam Court House accounted for a considerable share of this growth. The Services segment, which focuses on technical services, maintenance and management, once again recorded volume growth. These types of activities accounted for around 60% of revenue in the Non-Residential business area.

Revenue at the Dutch Infra activities showed a slight decline to € 654 million in 2018, from € 680 million in 2017. In recent years, we have decided very deliberately to be highly selective in the acquisition of large-scale integrated projects. This change in the revenue mix will be notable from 2019, following the completion of a number of large projects in 2018 and the first half of 2019. The impact on Infra's overall revenue is likely to decline to below 40% in 2019.

Underlying EBITDA

The underlying EBITDA is the operating result before depreciation, including the EBITDA from joint ventures, less any adjustments in the valuation of real estate and land holdings, restructuring costs, and other exceptional items. In 2018, underlying EBITDA for the Dutch operating companies was € 43 million (2017: € 30 million). The breakdown per sector is as follows:

Underlying EBITDA (in € million)	2018	2017	Difference
Property Development	28	20	
<i>Residential</i>	11	5	
<i>Non-Residential</i>	5	-6	
Building & Technology	16	-1	
Infra	8	16	
Group	-9	-5	
Netherlands	43	30	13
Discontinued operations	-	1	
Total underlying EBITDA	43	31	

Property Development and the Residential Building activities together made a strong contribution to Heijmans' underlying EBITDA. In Residential Building, which operates in a highly competitive market, controlled growth with a clear focus on quality remains important. The availability and affordability of suppliers and people require attention in the current market conditions. The increased work pressure also means Heijmans will have to devote additional attention to absenteeism and safety. Solid preparation of works and timely procurement are essential to maintaining margins during execution, as are reaching clear agreements on price indexing in contracts with third parties. At Property Development, Heijmans continued to develop integrated area development as one of its core activities, in part by investing in conceptual competencies and acumen. Intensive cooperation between Residential Building and Property Development gives us a combination of vision and conceptual capability, execution strength and manufacturability, plus it creates the opportunity to work efficiently while maintaining a low cost base. It remains crucial to maintain focus on failure costs, standardisation and quality, especially in an expanding market.

In addition, it is increasingly important to resume targeted investments in new land holdings, to enable Heijmans to respond effectively to continued growth opportunities in the market. In recent years, many positions from the existing land holdings portfolio have been taken into development and that process will continue in the years to come. In that context, it is important to start thinking now about revenue after 2020.

The underlying EBITDA at the Non-Residential activities showed a clear turnaround in 2018 and came in at €5 million positive, from € 6 million negative in 2017. As in previous years, Services performed well and recorded an increase in both margin and volume. The turnaround in the result was primarily due to the Non-Residential project business. In 2017, these activities were marked by a shortfall in coverage for general overhead as a result of the selective acquisition policy and our withdrawal from the RIVM project. Thanks to the high-quality order intake at the end of 2017 and in early 2018, we were able to eliminate this shortfall in coverage and are once again recording a margin. Despite the considerable decline in revenue in recent years, we largely maintained staffing levels, which means we will be able to realise the new growth phase in a tight market in a responsible manner.

The Infra activities booked varied results in 2018. The majority of the activities recorded sound margins and we saw good capacity utilisation at the various specialist activities. At the same time, there were downward adjustments following a ruling from the Arbitration Board for the Construction Industry (RvA: Raad van Arbitrage voor de Bouw) on the Wilhelminasluis lock project in Zaandam and TenneT's termination of the contract for the Wintrack II project.

The parties have now signed a settlement agreement with respect to the Wilhelminasluis lock project and work resumed in early 2019. The amended contract terms resulted in an (additional) loss provision of € 5 million in the first half of the year, but also give us clear parameters for the future.

TenneT terminated the Wintrack II contract in the autumn of 2018 following a difference of opinion. The Heijmans-Europoles combination and TenneT have not yet reached an amicable agreement. In the third quarter of 2018, Heijmans recognised a write-down of € 10 million for unpaid invoices and costs, as well as the settlement of commitments already undertaken.

This write-down does therefore not include the impact of any effects of potential legal proceedings.

Operating result

The operating result for 2018 was € 23 million (2017: € 45 million). The operating result was impacted by limited restructuring costs, the downward value adjustment of some real estate and land holdings and one-off pension income. The operating result can be broken down as follows:

Operating result (in € million)	2018	2017
Underlying EBITDA Netherlands	43	30
Adjustment EBITDA result of joint ventures	-6	14
Write-down of real estate and land holdings	-6	-6
Restructuring costs	-1	-8
Soil remediation	-	-3
Release pensions indexation	5	-
EBITDA Netherlands	35	27
Depreciation/amortisation Netherlands	-12	-13
Operating result Netherlands	23	14
Operating result discontinued operations incl. book result	-	31
Operating result	23	45

Impairments

Heijmans regularly evaluates its real estate and land holdings based on the applicable reporting guidelines. In addition to a limited devaluation in the first half of the year, this resulted in a value adjustment of € 5 million in the fourth quarter on a relatively large land holding. This was the result of a Council of State ruling which approved the placement of a large number of wind turbines in the immediate vicinity. This means that part of the development area is now less suitable for future residential construction, which has affected the value of the land.

Pension income

In April 2018, we transferred the pension commitments of the Stichting Pensioenfonds Heijmans N.V. (the Heijmans pension fund) to an insurer and at the same time repaired a 2% reduction introduced in 2013. The reinsurance and the reversal of the discount led to an actuarial charge of € 37 million which has been recognised as non-realised result (directly in equity).

Effective 1 January 2019, we have also changed the indexation of the pension accrued up until 2012, which depended on the wage increases under the collective labour agreements Bouw & Infra (building and infra) sector for former participants who are still employed at the group, into a wage-related component. The release of the commitment recognised for this indexation resulted in one-off income of € 5 million, after deduction of one-off higher pension charges due to the reinsurance process and the indexation conversion.

Restructuring costs

Following some minor changes to the organisation, the restructuring costs in 2018 were € 1 million (2017: € 8 million).

Financial income and expenses

The financial income and expenses can be broken down as follows:

Financial income and expense (in € million)	2018	2017	Difference
<i>Interest income</i>	1	2	
Financial income	1	2	-1
<i>Impairment of loan</i>	-	1	
<i>Other interest expense</i>	-11	-13	
Other interest expense	-11	-12	1
Balance	-10	-10	0
Capitalised interest	2	2	0
Financial income and expense	-8	-8	0

* Financial income and expenses include all activities. Check the financial statements for a breakdown of continued and discontinued operations.

The balance of financial income and expenses was unchanged from last year (€ 8 million negative). The improvements in result and working capital led to a lower average debt utilisation. The interest rate margins were also lower following the refinancing in the second quarter. The applicable margin on the syndicated loan declined to 3% from 4% following the refinancing in mid-May. This was offset by a higher depreciation of capitalised transaction costs related to the refinancing in previous years, which comprised both consultancy fees and commissions. This item will decline substantially in 2019, due to the fact that only € 1 million is still capitalised and this will be written down using the linear method over a period of 3.5 years (the remaining life of

the syndicated loan). Based on the score on the financial covenants at year-end 2018, the interest rate will improve to 2.25% in the first quarter of 2019, from 3.00%.

Income tax

The effective income tax rate was 0% in 2018. Non-deductible interest expenses on the cumulative financing preference shares B and the non-deductible mixed expenses had a negative impact on the effective tax rate. Non-taxable results from participations and the use of non-recognised losses had a positive impact on the tax rate.

Capital and financing

The condensed statement of financial position at 31 December on the basis of capital invested is as follows:

Condensed statement of financial position (in € million)	31-12-18	31-12-17	Difference
Non-current assets	253	282	-29
Working capital	-98	-116	18
Invested capital	155	166	-11
Equity	149	162	-13
Provision	37	18	19
Net interest-bearing debt	-31	-14	-17
Financing	155	166	-11

Capital invested: non-current assets

The non-current assets can be broken down broadly as follows:

Non-current assets (in € million)	31-12-18	31-12-17	Difference
Property, plant and equipment	44	47	-3
Intangible assets	79	80	-1
Other non-current assets	130	155	-25
Carrying amount of non-current assets	253	282	-29

The item 'Property, plant and equipment' primarily includes company buildings and related land, machinery, installations, large equipment and other non-current assets. Investments in the year under review amounted to € 8 million (2017: NL € 4 million). The majority of other non-current assets consists of holding values from joint ventures in which Heijmans participates. The other non-current assets declined substantially. The 2017 figures included a pension claim of € 30 million for the Heijmans pension fund. This claim was based on the assumption that this closed plan will gradually wind down, and on the conclusion that Heijmans, as the employer, will eventually be the sole remaining stakeholder and that the final balance will therefore logically accrue to Heijmans. In the first quarter of 2018, the pension fund executive and Zwitserleven reached agreement on a buy-in. Due to the transfer of the pension entitlements the claim is no longer recognised in the statement of financial position, which had a negative impact on solvency. Following the transfer, Heijmans is no longer exposed to the potential risk of supplementary payments due to possible coverage shortfalls, and a 2% discount for participants introduced in 2013 was also repaired.

Capital invested: working capital

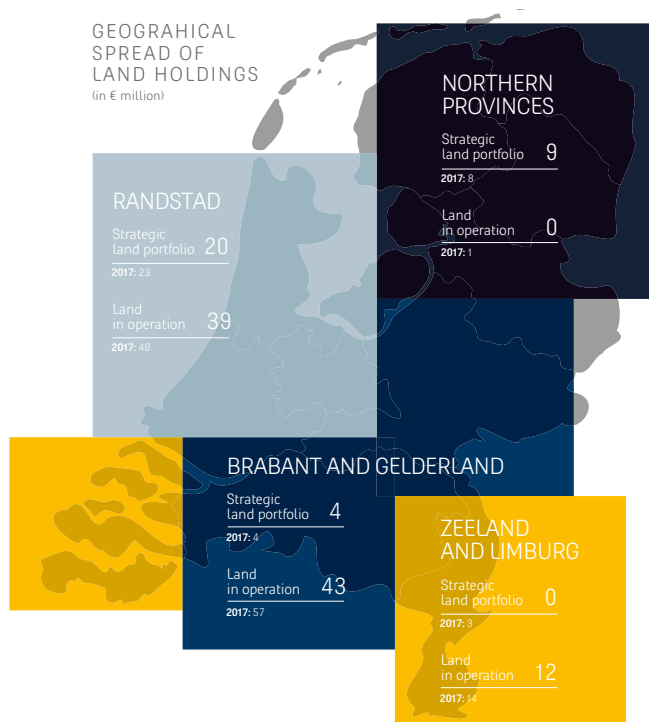
Working capital at year-end 2018 was lower than at year-end 2017. The working capital can be broken down broadly as follows:

Working capital (in € million)	31-12-18	31-12-17	Difference
Strategic land holdings	127	150	-23
Residential properties in preparation and under construction	69	27	42
Other inventory	11	10	1
Work in progress	-91	-68	-23
Accounts receivable	176	166	10
Payables	-390	-401	11
Working capital	-98	-116	18

The working capital fluctuates significantly in the course of the year, although over the past two years Heijmans has succeeded in making its activities and the associated impact on working capital less sensitive to seasonal influences. The working capital requirement is highly project-specific and related to the payment schemes of principals and payment terms of sub-contractors. The construction sector is marked by a seasonal pattern with higher levels of activity in the second and fourth quarters (at Infra in particular), as well as a raised level of notarial transfers and claim settlements/supplementary work settlements prior to reporting dates. Higher working capital requirements in the course of the year result in a greater capital utilisation, which Heijmans primarily finances through the use of a revolving credit facility, which was unused at year-end 2018.

Working capital increased slightly in the course of 2018, which meant it was on balance € 18 million less negative. The main factors in this were:

- A worsening of € 21 million in the balance of receivables/payables, which, in absolute terms, remains at a very efficient level with a relatively low average term of receivables outstanding.
- Work in Progress declined (in other words, the level of pre-financing improved) by €23 million and inventories at Property Development increased by €19 million. The development in both positions was in fact relatively neutral, as the implementation of IFRS 15 means homes under construction with a credit position are now recognised on the credit side of the statement of financial position as Work in Progress credit and are no longer charged to the homes under construction with a debit position. Without this reclassification, Work in Progress would have shown a slight increase while the inventories position would have shown a slight decrease. Work in Progress at Infra declined as a result of the completion of a number of large integrated projects that had been pre-financed. At Building & Technology, the level of pre-financing improved as the start of a large number of new works improved the Work in Progress position.
- At Property Development, a decline in strategic land holdings was offset by an increase in the homes in preparation and construction phases. The total strategic land holdings position declined to € 127 million (2017: € 150 million). In the year under review, the existing land holdings position, which was barely used between 2007 and 2013, contributed to the sale of homes in areas including Noordwijk (Duineveld 1st phase), Berkel Enschoot (Koningsoord), Zutphen (former Reesink site) and the start of the redevelopment of the Dico site in Uden. Land holdings per type of holding can be broken down as follows:



Financing: equity

Equity declined by € 13 million in the year under review. The addition of the net profit of € 20 million to the reserves was offset by the actuarial loss as a result of the pension fund buy-in of on € 31 million. The gross effect of this was € 37 million, with a tax impact of € 6 million. On top of this, there were some small movements in equity, largely as a result of the implementation of IFRS 15 (see the explanatory note in the Accounting Principles section of the Financial Statements).

The movements in equity can be broadly broken down as follows:

Changes in equity (in € million)	2018	2017	Difference
Result after tax	20	20	0
Changes in pension valuation	-37	0	-37
Tax effect of results recognised in equity	5	0	5
Correction IFRS 15	-1	0	-1
Change in equity	-13	20	-33

Solvency on the basis of the guaranteed capital, defined as the equity plus outstanding cumulative preference share capital, stood at 25% at year-end 2018 (2017: 27%). The movement in guaranteed capital was the same as the movement in equity due to the fact that the outstanding capital in cumulative preferential shares B was unchanged. The balance sheet total increased to € 776 million from € 771 million. This increase was more than fully due to the implementation of IFRS 15. The implementation of IFRS 15 means homes under construction with a credit position are now recognised on the credit side of the statement of financial position as Work in Progress. This resulted in lengthening of the balance sheet of € 41 million at year-end 2018 (at year-end 2017 this item was € 18 million). The loss provisions previously recognised in the Work in Progress positions now have to be recognised as provisions under IFRS 15. This reclassification of around € 26 million pertains primarily to a shift between Work in Progress credit and short-term provisions and did not therefore result in an lengthening of the balance sheet. The reclassifications resulting from IFRS 15 had a combined impact of almost 2% on solvency.

Given the importance Heijmans attaches to the continued improvement of its balance sheet ratios, we have decided that no dividend will be paid on (depository receipts for) ordinary shares over the financial year 2018.

Amounts in € million	31-12-18	31-12-17	Difference
Equity	149	162	-13
Cumulative preference shares	45	45	0
Guaranteed capital	194	207	-13
Total assets	776	771	
Solvency	25%	27%	

Financing: net interest-bearing debt

The net cash position stood at € 31 million at year-end 2018 (2017: € 14 million). Apart from the cumulative preference shares B and a number of project financing agreements, Heijmans had no loans outstanding at year-end 2018. Total cash flow was a positive € 17 million in 2018 and this is very much in line with the positive net result. See also the notes to the cash flow statement.

The so-called recourse net cash position (see section 6.21 of the financial statements for an explanation), which is also the basis for the agreements with banks, stood at € 88 million at year-end 2018 (2017: € 59 million).

Interest-bearing debt (in € million)	31-12-18	31-12-17	Difference
Non-current	52	54	-2
Current	6	6	0
Gross debt	58	60	-2
Cash and cash equivalents	-89	-74	-15
Net debt	-31	-14	-17

The gross debt can be broken down broadly as follows:

Gross debt (in € million)	31-12-18	31-12-17	Difference
Cumulative financing preference shares	45	45	0
Project finance	4	0	4
Other financing facilities	9	15	-6
Gross debt	58	60	-2

Refinancing 2018

On the basis of the progress Heijmans made in the recovery of profitability and its debt reduction, in the first quarter of 2018 Heijmans initiated early talks with the syndicate of banks on a renewal of the current financing terms agreed in February 2017. In May 2018, this resulted in a refinancing agreement with the syndicate of banks, consisting of ABN Amro, ING, KBC and Rabobank, the main changes of which are summarised below:

- The agreement with original end date mid-2019, has been extended by three years to 1 July 2022;
- In May, the total commitment of the facility was reduced early, by € 12 million to € 144 million. Under previous agreements, the facility would be gradually reduced to € 121 million through to 30 June 2019, but this was realised early on 9 October 2018 at Heijmans' request, on the basis of the healthy cash flow development.

As a result of this, KBC is no longer a part of the syndicate of banks as of that date;

- The interest rate improved to 3% in May 2018 from 4% previously, and we have reached performance agreements that may result in a further gradual reduction in the margin to 1.65%. On the basis of the outcome of the financial covenants at year-end 2018, the interest rate will drop to 2.25% in the first quarter of 2019;
- The Interest Cover Ratio (>4) and Leverage Ratio (<3) remained unchanged. The Average Leverage Ratio has been adjusted downwards from a maximum of 2.5 to a maximum of 1.5 through Q1 2019 and a maximum of 1.0 in the subsequent quarters. A new addition to the agreements is the Solvency Ratio, under which the guaranteed capital must be at least 20% of the balance sheet total in 2018 and 2019, and at least 22.5% in subsequent years. This ratio is only assessed at year-end. Heijmans operated well within the bandwidth of these covenants in 2018. With respect to the score relating to the covenants in effect from 2018, we refer to section 6.21 for a breakdown of the calculation method and the comparable figures.

Heijmans has agreed a security package with the banks. This includes a pledge of the bank accounts (100%), intellectual property rights, receivables, materials, a pledge of on the proceeds from the sale of the divestments as well as a first right of mortgage on land holdings with a total carrying amount of around € 60 million at year-end 2018.

Revised dividend cumulative preference shares B

In its financing structure, Heijmans N.V. uses € 45.1 million in cumulative preference financing shares B, placed with the investment fund De Zonnewijser and Nationale Nederlanden Levensverzekering Maatschappij N.V.

The agreement with the holders of the cumulative preference shares stipulates a review of the dividend coupon every five years. For the period 1 January 2019-31 December 2023 the parties have agreed to a reduction of the annual dividend to 7.21%, from the current coupon of 7.90%.

There is no contractual repayment obligation attached to the cumulative preference financing shares B. With a view to Heijmans' desire to work towards optimisation of its capital structure, the parties have agreed to reduce the outstanding capital within the coming five-year dividend review period as follows:

- As soon as Heijmans resumes dividend payments on ordinary shares, half the amount paid out on ordinary shares will be paid as a repayment of the share premium reserve on the cumulative preference financing shares B;
- As in previous years, Heijmans will ask the General Meeting of Shareholders each year to authorise Heijmans' Executive Board to issue a maximum 10% of the outstanding (ordinary) share capital. Using this mandate, Heijmans will pay out the newly-agreed dividend coupon on cumulative preference shares in the form of ordinary shares at market price, with the resultant cash saving to be used to repay the outstanding capital of the cumulative preference shares B. Using this mechanism, the repayment element will not impact the guaranteed capital and will have no net cash impact. For example, if shares were issued at the 2018 closing share price of € 8.00, this would result in the issuance of less than 2% of the share capital in the first year following the dividend review.
- As soon as the solvency based on the guaranteed capital exceeds 30% (as reported in the annual report in each future year) and Heijmans elects to pay a dividend in respect of the relevant year, Heijmans will make an additional repayment in the form of a repayment of share premium reserve on the cumulative preference shares B in the amount of the dividend coupon payable from the previous year.

In the event that the total repayments exceed 50% of the current issued capital of the cumulative preference shares B (i.e. the issued capital is reduced to below € 22,550,000), an automatic discount of 100 bps will apply to the dividend coupon. In other words, the annual dividend coupon will be reduced to 6.21%.

In the event of the above-mentioned repayments, each year on 30 June the voting rights of the cumulative preference shares B will be adjusted to reflect the pro rata impact on capital ratios.

The above-mentioned agreements are subject to the General Meeting of Shareholders to be held on 10 April 2019 adopting a resolution approving the resulting required changes to the Company's Articles of Association.

Cash flow

The condensed statement of cash flows, based on the indirect method, is as follows:

Cash flow (in € million)	2018	2017	Difference
EBITDA - underlying including discontinued operations	43	31	
Restructuring expense	-3	-8	
Interest paid/received	-5	-9	
Income tax	-	-2	
Movement in working capital and other	-8	9	
Cash flow from operations	27	21	
Sale of associates	-	97	
Investments in property, plant, and equipment	-8	-4	
Investments in intangible assets	-1	0	
Proceeds from sale of property, plant and equipment	1	1	
Loans granted to joint ventures and associates	-2	-3	
Investment cash flow	-10	91	
Dividend paid	0	0	
Other	0	2	
Movement in net debt	17	114	-97

Order book

The order book stood at € 2,014 million at year-end 2018, a higher level than at year-end 2017 (€ 1,898 million). The largest incoming contracts were the new-build project for the European Medicines Agency (Building & Technology) and the widening of the Apeldoorn - Azelo section of the A1 motorway (Infra).

The majority of the two major parcels in Schiphol Airport's Main Contracts 2019 project, which make both Infra and Building & Technology Schiphol's preferred partners for the coming years, have not yet been added to the order book. The termination of the Wintrack II contract resulted in a decline of approximately € 130 million in the order book. This, combined with the selective acquisition policy, led to a decline in Infra's order book. This was compensated by an increase at Building & Technology and Property Development. At year-end 2018, approximately 65% of the forecast revenue for 2019 was already in the order book (2018: approximately 60%). The composition of the order book at year-end 2018 and the comparable figures for 30 June 2018 and 31 December 2017 were as follows:

Order book (in € million)	31-12- 2018	30-06- 2018	31-12- 2017
Property development	435	451	420
<i>Residential</i>	<i>508</i>	<i>476</i>	<i>435</i>
<i>Non-residential</i>	<i>694</i>	<i>729</i>	<i>589</i>
Building & Technology	1.202	1.205	1.024
Infra	766	953	814
Eliminations	-389	-406	-360
Order book Netherlands	2.014	2.203	1.898

Outlook

Heijmans expects revenue in 2019 to be at a comparable level to 2018, with a decline in revenue at Infra, due to our selective acquisition policy, offset by higher revenue at our other operations. Assuming unchanged market circumstances, we expect to see a further improvement in our overall results in 2019. In 2018, Heijmans both refinanced its syndicated bank loan and revised the annual coupon on the cumulative preference shares B. We expect this to result in a further reduction of capital costs in 2019. This means that Heijmans' corporate financing is now at a balanced level and we have a strong commitment from our financiers for the future. Heijmans aims to take its own measures to improve its solvency to around 30% in the coming years.

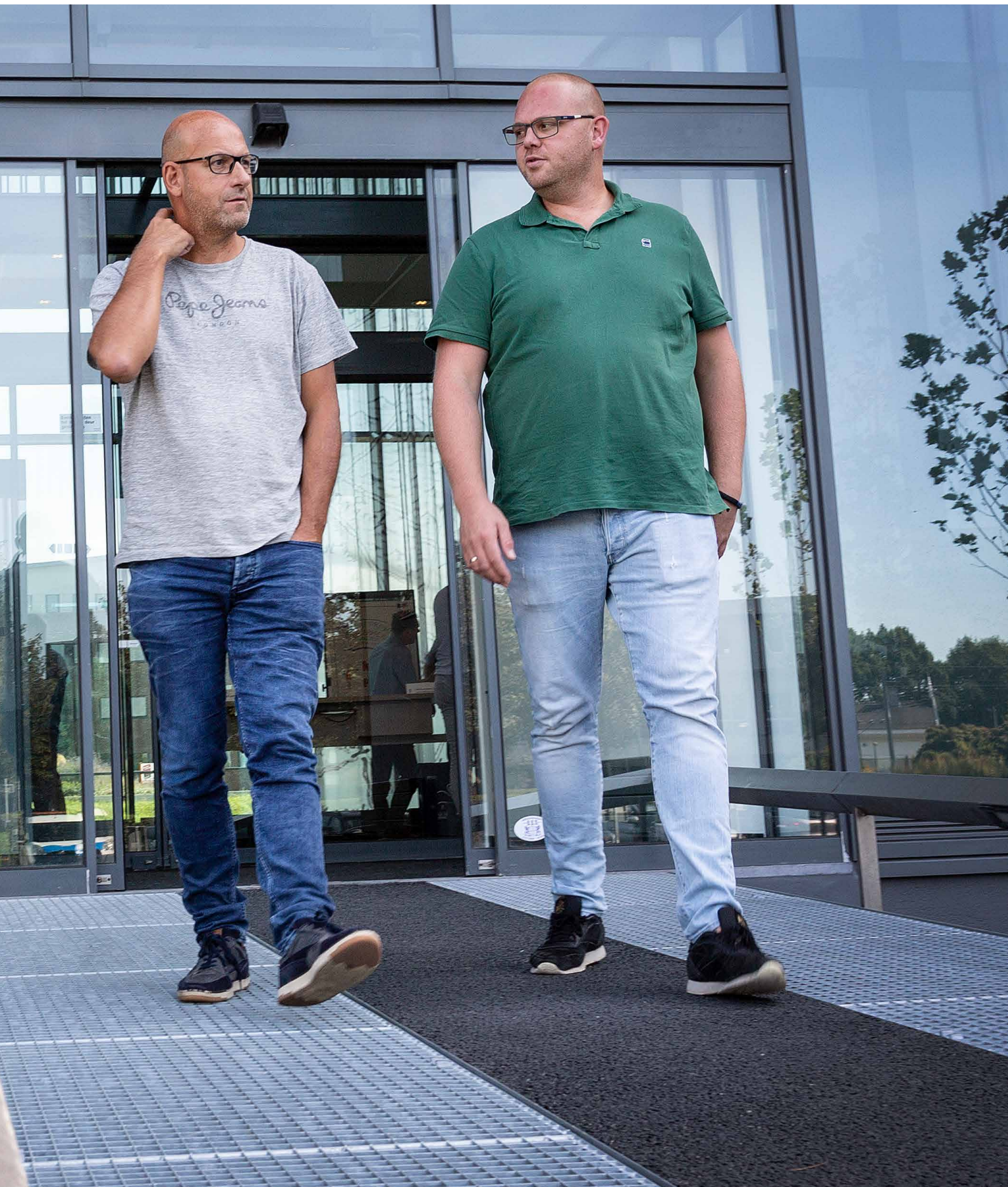


"Getting the absolute maximum"

Just the kind of project that Heijmans likes: construction, maintenance, creating opportunities for optimisation in the context of a well-oiled collaborative effort. The renovation of the offices of Hoogheemraadschap de Stichtse Rijnlanden (HDSR) is such a project. A Heijmans team completely updated the offices in Houten and the workplaces are being constantly improved with the aid of BeSense. Facilities coordinator Paul Rijsdam: "By including maintenance and management from the start of the project, you encourage the builder to deliver something that can be used and managed as efficiently as possible. You demand the absolute maximum."

Roland Kastelijn, client and technical manager
Hoogheemraadschap De Stichtse Rijnlanden

Paul Rijsdam, facilities coordinator Hoogheemraadschap
De Stichtse Rijnlanden





Asset management, Schiphol



Corporate Governance

7.1 Report of the Supervisory Board

The Supervisory Board has taken note of the report of the Executive Board for the 2018 financial year. The financial statements have been audited by EY (Ernst & Young Accountants LLP) and the latter issued an unqualified auditor's report on 21 February 2019. The auditor's report is included on page 202 of the financial statements. We recommend that the General Meeting of Shareholders adopt the 2018 financial statements and grant discharge to the members of the Executive Board for their management of the company. We approve the proposal by the Executive Board not to pay out a dividend on (depository receipts for) ordinary shares for 2018, in view of the importance of the continued recovery of the balance sheet.

Position and key developments in 2018

Role and powers of the Supervisory Board

The Supervisory Board supervises the policy of the Executive Board and the general course of business at the Company and its affiliated enterprise and advises the Executive Board. The Supervisory Board also 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 its duties, the Supervisory Board acts in the interests of the Company and its affiliated companies and in doing so takes into account the legitimate interests of the Company's stakeholders. The Supervisory Board also takes into account the social aspects of business operations that are relevant to the Company. The Articles of Association of Heijmans N.V. and the Regulations for the Supervisory Board of Heijmans N.V. include rules with respect to board meetings and resolutions. Both of these documents are available on the Heijmans N.V. website under the heading 'Corporate Governance: Codes, Articles of Association and Regulations'.

Specific areas of supervision

The Supervisory Board's supervision of the Executive Board includes aspects such as how the Executive Board executes the strategy, with a view to value creation, the realisation of objectives, the risks associated with business activities, the structure and operation of the internal risk management and control systems, the process of financial reporting, compliance with legislation and regulations, shareholder relations (for further details, see also section 7.2 'Corporate Governance'), the activities of the Executive board with respect to the culture within the company, the operation of the reporting procedures for abuses and irregularities and the social aspects of business operations that are relevant to the Company.

Accents and activities in 2018

Development of results

In 2018, the Executive Board continued to build on the foundations it created in 2017 for debt reduction and the improvement of capital ratios. The Supervisory Board followed and supported the efforts of the Executive Board. The Supervisory Board also continued to devote constant attention to the 'focus, discipline and excellence' programme. The 'margin over volume' policy, continued efforts to further increase the professionalisation of the organisation and the improvement of the internal processes were all also discussed extensively in the meetings of the board. The Executive Board also frequently consulted the Supervisory Board regarding the reduction of the risk profile of a number of large-scale projects.

Financing

Based on the progress made in the recovery of profitability and debt reduction, in May 2018 Heijmans successfully renewed the financing agreements closed in February 2017. The financing was extended through to 1 July 2022. The facility was reduced to € 144 million and it was agreed that it would be gradually reduced to € 121 million. The interest rate and a number of covenants were amended in a manner favourable to Heijmans. The Supervisory Board and Executive Board frequently discussed the progress on the results front in relation to the requirements laid down in the financing agreement. The results achieved meant that Heijmans was able to accelerate the reduction of the credit facility to € 121 million in early October 2018, which the Supervisory Board considers very positive indeed. The Supervisory Board believed the extension of the financing and the improved terms will enable Heijmans to continue to build a stronger Dutch company.

Strategy

In 2018, Heijmans reviewed its strategy and the Executive Board worked intensively with the Supervisory Board on a review in which the company defined a vision for the coming five years. This vision was defined on the basis of three pillars: 'Better, Smarter and Sustainable'. The Supervisory Board monitors the implementation of the strategy and the various aspects of the strategy are regular subjects of discussion between the Executive Board and the Supervisory Board.

The Supervisory Board also took note of the progress in the fields of renewal and innovation.

Corporate governance

The Supervisory Board was kept abreast of the developments in the field of Corporate Governance, including the Corporate Governance Code and relevant legislation. For more information, we refer to section 7.2 'Corporate Governance' on page 83 of the report of this annual report.

Frequency of meetings and attendance

In 2018, the Supervisory Board held seven scheduled meetings in the presence of the Executive Board. A number of these meetings were preceded by internal consultations within the Supervisory Board. In addition, the Board held five meetings in the form of conference calls. Two members of the Supervisory Board were each unable to attend one meeting: Ms. Boumeester and Mr. Van Keulen. Mr. Icke was unable to participate in one of the conference calls. The members of the Board who were unable to attend used the opportunity available to

them to discuss the items on the agenda with the Chair prior to the meeting and were therefore given the opportunity to express their views on said subject. All the members of the Remuneration committee and the Selection and Appointments committee attended all the meetings of said committees. Mr. Van Keulen was absent from one meeting of the Audit committee.

During the meeting in June 2018, the members of the Supervisory Board visited the Fenixloodsen (warehouses) project in Rotterdam. Prior to the meeting, the project management provided an extensive presentation on the project, which prompted a constructive discussion on project management in the meeting. The Supervisory Board members also made a number of individual project visits.

Resolutions

The important resolutions of the Supervisory Board in 2018 included the following:

- Approval of the strategy;
- Approval of the decisions of the Executive Board to adopt and change the operational and financial objectives of the Company;
- Approval of the 2018 business plan and budget of Heijmans N.V., which outlines the strategic principles of the policy;
- Agreement with the dividend proposal of Heijmans N.V.;
- Approval of the proposal of the Executive Board with respect to the appropriation of the results of Heijmans N.V. for the financial year 2017;
- Approval of the decision of the Executive Board to enter into an agreement on an extension of the syndicated credit facility through to 1 July 2022;
- Approval of the decision of the Executive Board to examine the possibility of a cooperation with Koninklijke BAM Groep in the field of asphalt;
- Approval of the specification of the criteria for the short-term and long-term variable bonuses of the members of the Executive Board;
- The decision to temporarily expand the Supervisory Board to six members and to open a vacancy for the sixth member;
- The decision to submit an amendment to the remuneration of the members of the Supervisory Board to the General Meeting of Shareholders for approval.

Executive Board

As of end-October 2017, the Executive Board has two members. Their areas of attention are as follows:

- Mr. A.G.J. (Ton) Hillen, CEO: General affairs, Property Development, Building & Technology, Infra, Sustainability, HR & Management Development, PR & Communications, Innovation
- Mr. J.G. (Hans) Janssen, CFO: Finance & Tax, Investor relations, IT, Legal Affairs, Pensions, Procurement and Facilities.

Self-assessment Supervisory Board

One of the principles of the Dutch Corporate Governance code is that supervisory boards are collectively responsible for their own performance, with self-assessment being defined as a best practice. In late 2017, the members of the Supervisory Board, with support from an external party, assessed the board's own functioning, and the interactions with the Executive Board. The ensuing report was discussed with the Supervisory Board. As a result of the assessment, the Board subsequently discussed and implemented a number of measures for improvement. In the second half of 2018, the Supervisory Board, with support from the same external party, assessed the improvement measures defined in 2017. On that basis, the Supervisory Board concluded that the areas of improvement have been implemented effectively and that these are now firmly embedded in the interactions between the Supervisory Board and the Executive Board.

Diversity

The composition of the Heijmans Supervisory Board is diverse in terms of gender, background and experience. Under the Management and Supervision Act, larger companies are obliged to strive for a composition of at least 30% female and 30% male members on the Supervisory Board, insofar as the seats on the board are filled by natural persons. Two of the six members of the current Heijmans Supervisory Board are female, representing 33% of the total. For further background information about the members of the Supervisory Board, see page 14 of this annual report. The diversity policy applicable to the Executive Board and Supervisory Board is included in the Corporate Governance statement on page 84 of this annual report.

Committees

The Supervisory Board has appointed three committees: the Audit committee, the Selection and Appointments committee and the Remuneration committee. The Board has drawn up Regulations for each committee, establishing the role of the committee in question, its composition and how it carries out its tasks. These regulations are only available in Dutch on the Dutch Heijmans website in the section 'Corporate Governance: Codes, statuten en reglementen'.

Audit committee

The Audit committee comprises three members of the Supervisory Board and its tasks cover a number of financial areas. The matters discussed by the Audit committee are in preparation for the discussion of these items by the full Supervisory Board. These subjects include the interim report, the financial statements, the budget, the reports of the external auditor, other financial reporting, the functioning of internal risk and control systems, the relationship with and the evaluation of the external auditor, the pension plans and the development of the financing requirements and debt position, as well as the relationship with the company's financiers.

The Audit committee also discussed the valuation of land holdings, the state of affairs at the supplementary company pension fund, the implementation of the SAP ERP system, the company's tax position, future amendments to IFRS regulations, and the list of issues. The committee also discussed integrity and compliance, Risk & Audit Management and the reports provided by the Risk & Audit Manager, cybersecurity and privacy.

The members of the Audit committee are Mr. R. Icke (Chair), Mr. R. van Gelder, and Mr. S. van Keulen. The committee met with the Executive Board on four occasions in 2018. The external auditor also attended a number of meetings. The committee also consulted the auditor in the absence of the Executive Board. When relevant, managers with responsibility for finance, auditing, risks and compliance attended the meetings of the Audit committee, together with the CEO and the CFO. Relevant items requiring approval from the full Supervisory Board were submitted to the full Supervisory Board together with a recommendation from the Audit committee.

Selection and Appointments committee

The Selection and Appointments committee establishes, among other things, the selection criteria and appointment procedure for Supervisory Board members and members of the Executive Board. At least once a year, the committee also evaluates the performance of the members of the Executive Board. To that end, the committee conducts individual performance assessment interviews with the members of the Executive Board at least once a year.

The Selection and Appointments committee met on two occasions in the year under review. The members also consulted with each other regularly during the year. With a view to the Supervisory Board's decision to temporarily expand the board to six members, and with a view to the vacancies that will arise in the Board in the coming years, the committee has drawn up a number of search profiles. In mid-2018, the Committee commissioned an external party to search for candidates that fit the profile 'risk, legal & compliance' with a view to Mr. S. Van Keulen stepping down at the end of the General Meeting of Shareholders of 10 April 2019. Following an extensive and careful selection procedure, the committee found a very suitable candidate, Ms. M.M. Jonk, and the Supervisory Board unanimously decided to nominate her as a new member of the Supervisory Board for a term of just over four years at the Extraordinary Meeting of Shareholders of 6 December 2018.

The members of this Committee are Ms. P.G. Boumeester and Messrs. S. van Keulen (chair) and R. van Gelder.

Remuneration committee

The Remuneration committee, which has the same composition as the Selection and Appointments Committee, carries out preparatory work for the Supervisory Board with respect to the remuneration of members of the Executive Board. This is based on the remuneration policy for members of the Executive Board that took effect on 1 January 2010 and was adopted by the General Meeting of Shareholders on 28 April 2010.

The remuneration of the members of Heijmans' Executive Board in 2018 was in line with the remuneration policy, details of which are available in the remuneration report, appendix 9.6 to this annual report.

In addition to two scheduled meetings, the members of the Remuneration committee also consulted with each other on a number of occasions in 2018. In the year under review, the Remuneration committee worked intensively



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on the preparations of a proposal to amend the remuneration of the members of the Supervisory Board for the General Meeting of Shareholders on 11 April 2018. The committee commissioned a market survey and subsequently made a proposal to the Supervisory Board. After the Supervisory Board decided to withdraw the proposal from said Shareholders Meeting due to the dynamics around the subject at that time, the committee subsequently conducted new research and prepared a new proposal, which was adopted unanimously at the Extraordinary General Meeting of Shareholders of 6 December 2018. The committee subsequently devoted attention to the definition of targets for the variable remuneration, the variable remuneration itself and the Bonus Investment Share Matching Plan.

Composition Supervisory Board

The Supervisory Board currently has six members. In accordance with the retirement schedule, Ms. P.G. Boumeester and Mr. R. van Gelder were due to retire in 2018. Both were reappointed for a two-year term at the General Meeting of Shareholders of 11 April 2018. These appointments followed two four-year terms. In line with best practice 2.2.2 of the Dutch Corporate Governance Code, the Supervisory Board has the following reasons for this appointment. Over the past few years, the Supervisory Board has focused fully on supporting the Executive Board, which took the measures required to arrive at a structural recovery in profitability. In view of this and in order to be able to fulfil that supporting role fully in the coming period, the Supervisory Board has given preference to continuity in its composition and therefore decided to nominate Ms. Boumeester and Mr. Van Gelder for appointment for a two-year term. In the coming years, the Board will aim for a more balanced schedule of retirement. Ms. M.M. Jonk was appointed as a member of the Supervisory Board of Heijmans for a period of just over four years at the Extraordinary General Meeting of Shareholders of 6 December 2018.

You will find the current composition of the Supervisory Board, together with the particulars of the members and principal and other positions they hold on page 14 of this annual report. All Supervisory Board members qualify as independent as meant in Article 2.1.8 of the Dutch Corporate Governance Code.

In conclusion

Following the transition year 2017, Heijmans got a lot closer to achieving its goal of a structural recovery in 2018. Heijmans will nevertheless still need to continue its structural efforts with respect to strategic focus, tight project selection policy, optimal cost structure, safety, and improvements to its capital ratios. In short: on the improvement of its results. The 'Focus, Discipline and Excellence' programme, and the pillars of the strategy, 'Better, Smarter, Sustainable' will play a key role in this. The foundations of Heijmans' sustainable success are the company's skilled employees, who excel in terms of their professionalism, their focus on results and on working as a team, together with a solid organisational structure. The company continued to build on this in 2018.

Both the Supervisory Board and the Executive Board are aware that Heijmans' recovery makes major demands of all employees within the firm in terms of both effort and engagement. The Supervisory Board wishes to express its gratitude to the Works Council, all employees and the Heijmans Executive Board for their significant contributions in the year under review.

's-Hertogenbosch, 21 February 2019

Mr. Sjoerd S. Vollebregt, chair
Mr. Ron Icke, vice chair
Ms. Pamela G. Bouwmeester
Mr. Rob van Gelder
Ms. Martika M. Jonk
Mr. Sjoerd van Keulen

7.2 Corporate governance

Generally speaking, corporate governance is about sound management of a company, supervision of that management and how the execution of the strategy is reported to all the company's stakeholders, including shareholders, employees, clients and society in general.

Factors that play a role in this include the strategy and the achievement of the company's business objectives, the corporate culture and how the company meets its reporting and transparency obligations.

Open corporate culture

A disciplined and unified corporate culture is a precondition to the success of our strategy 'Better, Smarter, Sustainable'. Continuous improvement will remain of vital importance to Heijmans to maintain a sound basis and in doing so we will continue to build on the principles of the previous strategic programme 'Focus, Discipline and Excellence'. We recognise the importance of good corporate governance and a code of conduct for the achievement of our business objectives and the realisation of the related corporate culture. To this end, we continue to focus on communicating the core values that are vital to the realisation of this strategy. These core values are ownership, result-orientation and collaboration. A more extensive explanation of our corporate culture programmes is available in section 6.2 'Non-financial results'.

Heijmans strives to maintain the highest possible standards. This means that we respect and comply with legislation, and observe and initiate guidelines that apply either to the company specifically or to the industry in general. Additionally, this means that we also strive to achieve the highest possible levels of integrity and transparency in our actions and any decision-making that affects our stakeholders. We also strive to conduct a continuous dialogue with stakeholders and to distribute information simultaneously and accessibly.

For more detailed information on how governance and supervision are organised at Heijmans, see the Corporate Governance Statement (as referred to in Sections 2(a) in conjunction with sections 3 through 3(b) of the Decree Adopting Further Provisions Regarding the Content of Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) and including the information required under the Decree implementing Article 10 of the Dutch Takeover Directive

(Overnamerichtlijn). This statement is only available in Dutch on the Dutch Heijmans website in the section 'Corporate Governance: Codes, statuten en reglementen'.

Organisation of the corporate governance

The basic principles of the Heijmans corporate governance structure are good business conduct, integrity, reliability, client focus, openness and transparent dealings by the management, as well as the proper supervision of same.

After all, we attach a great deal of importance to achieving an equitable balance between the interests of its various stakeholders. Heijmans endorses the principle of the Corporate Governance Code to the effect that the company is a long-term alliance of the various stakeholders of the company.

Shares

Depositary receipts for Heijmans shares are issued through the Heijmans Share Administration Trust, or SA Trust (Stichting Administratiekantoor Heijmans). The purpose of this vehicle is to prevent resolutions being adopted by a shareholders meeting through a random majority. The depositary receipts for shares are freely exchangeable for ordinary shares.

Employee representation

Employees are represented at Heijmans via the Works Council. Heijmans has a single Works Council at the level of Heijmans Nederland B.V. There are also a number of committees, each with its own focus, such as finance, social policy and communications, comprising both members and non-members of the Works Council. In 2018, the Works Council held seven works council meetings and six consultative meetings. The latter are meetings at which the chairman of the Executive Board is present. Two of the consultative meetings were attended by a member of the Supervisory Board. In the course of 2018, the Works Council dealt with nine requests for approval and seven requests for advice.

Implementation Corporate Governance Code 2016: compliance and deviations from the code

Heijmans endorses the underlying principles of the Dutch Corporate Governance Code and has incorporated these principles as such in the company's corporate governance structure. To this end, we have also amended the regulations of the Executive Board, Supervisory Board and of the committees of the Supervisory Board.

In the year under review 2018, we deviated from the recommendation of the code with respect to one best practice: Best practice 4.4.3 stipulates that a director may be appointed to the board of the SA Trust for two four-year terms, after which they may be appointed for two terms of two years each. The report of the board of the SA Trust must provide grounds for any reappointments after a term of eight years.

The Articles of Association of the SA Trust in effect until 9 July 2018 included a provision that stated that members of the SA Trust board were appointed for a maximum term of four years, and could be re-appointed twice for a further term of four years, therefore taking the total to 12 years. It also provided the option of deviating from this maximum in exceptional circumstances. In accordance with said Articles of Association, in March 2017 Mr. W.M. van den Goorbergh was appointed for a period of four years for the fourth time. This decision took into account the importance of continuity within the board, partly in view of the terms of the other board members and in relation to the phase Heijmans was in at the time. The Articles of Association of the SA Trust have since been amended and brought into line with the Code.

Corporate Governance Statement

The Corporate Governance Statement as referred to in section 2(a) in conjunction with sections 3 through 3(b) of the Decree Adopting Further Provisions Regarding the Content of Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) and including the information required under the Decree implementing Article 10 of the Dutch Takeover Directive (Overname richtlijn) is available in Dutch on the Dutch Heijmans website in the section 'Corporate Governance: Codes, Articles of Association and regulations'. This statement should be considered inserted and repeated here.

Special aspects

Dividend policy

The holders of ordinary shares or depositary receipts for ordinary shares are entitled to the pay-out of a dividend. Heijmans N.V.'s dividend policy includes a pay-out ratio, barring exceptional circumstances, of approximately 40% of the profit from ordinary business operations after tax. The remaining 60% is added to the reserves in accordance with Article 31 (5) of the Heijmans N.V. Articles of Association.

Heijmans Preference Share Trust

The Heijmans Preference Share Trust has been given a call option, which gives the Trust the right to obtain preference shares in the capital of Heijmans N.V.

The purpose of the Trust is to protect the interests of the company and all its stakeholders. The Trust also aims to limit the impacts that may impede the independence and/or continuity and/or identity and/or strategy of the company. The purpose of taking protective preference shares is to provide the company with the opportunity and the time to effect the protection of the above-mentioned interests in the event that the company finds itself in a potentially undesirable situation.

Powers of the Shareholders Meeting and the rights of shareholders

According to principle 4.1 of the Code, good corporate governance assumes full participation by shareholders in the decision-making at the general meeting. The Supervisory Board and the Executive Board consider it important that as many shareholders as possible participate in the decision-making at shareholder meetings. The notice of convocation, agenda and documentation to be dealt with at a shareholder meeting are all published on the company's website at least 42 days in advance of the meeting. As far as possible, the Company gives shareholders the opportunity to vote remotely and to communicate with all other shareholders. Holders of shares or depositary receipts for shares who cannot attend a shareholders' meeting can issue a proxy and voting instructions to a third party designated by the Company, which third party will vote in accordance with their voting instructions.

According to the Heijmans Articles of Association, any resolutions by the Executive Board that involve a significant change to the identity or character of the Company or its business are subject to approval by a shareholders meeting. The shareholders meeting also has a number of other significant powers, including the adoption of the financial statements, the appropriation of the result, the discharge of the members of the Executive Board and the Supervisory Board, the adoption of the remuneration policy for the Executive Board and the remuneration of the members of the Supervisory Board, resolutions to amend the Articles of Association or to dissolve the Company, the appointment of the external auditor and the designation of the Executive Board as the body authorised to acquire and issue shares.

Limitation on the transfer of shares

There is no limitation in the Articles of Association or contractually on the transfer of shares or depositary receipts for shares issued with the cooperation of the Company, except for the block on transfer and delivery of financing preference shares B laid down in the Articles of Association. Article 11 of the Company's Articles of

Association stipulates that the Company's Executive Board must approve any transfer of financing preference shares B.

Substantial shareholdings in Heijmans

Holders of shares and depositary receipts for shares that, as far as the Company is aware, held an interest of more than 3% in Heijmans as at 31 December 2018, according to the Register of Substantial Shareholdings of the Dutch Financial Markets Authority (AFM), are listed in the section entitled 'The Heijmans Share'.

Protective measures (special controlling rights; limitation of voting rights)

- The shares into which the authorised share capital of the Company is divided do not endow the holders with any special controlling rights.
- The Company does not have any employee participation plan or employee share option plan.
- There are no limitations of voting rights attached to ordinary shares or the depositary receipts for ordinary shares.
- The number of votes conferred by a financing preference share B with a face value of €0.21 is contractually restricted to 1,278 votes.
- The Company's Articles of Association include the usual provisions related to registration as a recognised party entitled to attend and to vote at a shareholders meeting.
- Article 6 of the Company's Articles of Association states that the Executive Board, with the Supervisory Board's approval, is designated by the General Meeting of Shareholders as the body authorised to issue shares or depositary receipts for shares. The scope and duration of this power is determined by the General Meeting of Shareholders.

Agreements with shareholders that may limit the transfer of (depositary receipts for) shares or limit voting rights

The Company is not aware of any agreement involving a shareholder that may result in

- limitation of the transfer of ordinary shares
- limitation of the issuance of (depositary receipts for) ordinary shares with the cooperation of the Company, or
- the limitation of voting rights.

Amendment of the Articles of Association

A resolution to amend the Articles of Association can only be passed by a majority of at least two-thirds of the votes cast at a General Meeting of Shareholders at which at least half the issued capital is represented, unless the motion for such a resolution comes from the Executive

Board, acting with the approval of the Supervisory Board. If a motion for a resolution stems from the Executive Board acting with the approval of the Supervisory Board, the resolution can then be passed by a simple majority of the votes, regardless of the capital represented.

Authorisation of the Executive Board with respect to the issuance of shares and the acquisition of shares

In accordance with the Articles of Association, on 11 April 2018 the General Meeting of Shareholders designated the Executive Board, with the approval of the Supervisory Board and for a period of 18 months commencing on 11 April 2018, as the body authorised to:

- issue shares and/or grant rights to acquire shares. The mandate to issue ordinary shares is limited to 10% of the issued share capital on 11 April 2018, plus 10% if the issue takes place as part of a merger or takeover, or in the context of forging a strategic alliance;
- to limit or exclude the pre-emptive right to ordinary shares in the event that these shares are issued making use of the above-mentioned right to acquire shares.

Furthermore, the General Meeting of Shareholders of 11 April 2018 gave the Executive Board the authority - for a period of 18 months commencing on 11 April 2018 and subject to the approval of the Supervisory Board - to decide that the Company will acquire ordinary and financing preference shares B in its own capital, by purchasing same in the market or by other means. This authorisation is limited to 10% of the issued share capital and the company may only purchase the treasury shares at a price between their face value and 110% of the average closing prices over the last five trading days prior to the date the ordinary shares are purchased, and between the face value and 110% of the issue price for financing preference shares B.

Consequences of a public bid for important contracts

The agreement with the banking consortium includes a change-of-control clause with respect to the facility of € 121 million (at year-end 2018). This clause states that the consortium must be informed of any change of control, and must then be given the option to demand early repayment. Change-of-control clauses may also appear in joint venture agreements to which subsidiaries are party.



Anika van Lint, track drilling Tiel

Payment to members of the Executive Board upon termination of their employment following a public bid

The agreements with the members of the Executive Board provide for a payment upon termination of the employment contract and/or management agreement following a public bid as meant in section 5:70 of the Dutch Financial Supervision Act.

7.3 Conduct, integrity and dilemmas

Culture and structure

Heijmans attaches a great deal of importance to integrity. We encourage a more open working attitude in a number of ways, including the example set by the Executive Board and senior management. We also discuss integrity issues in the Executive Board meetings, in the meetings of the Group Board and in the review meetings with management. This is how we try to embed our open culture as much as possible in the organisation. We have introduced a structure for the reporting of issues related to conduct and integrity. If necessary, the reported issue will be investigated and action can be taken.

At the end of 2016, Heijmans formulated new core values, which are being disseminated right across the organisation and which flesh out Heijmans' 'Focus, discipline and excellence' strategy. These values are ownership, result-orientation and collaboration. Heijmans implemented this programme in the course of 2017 under the header "IK!". These core values remain fully in force in the parameters of Heijmans' new strategy.

Compliance officer

Heijmans has appointed a compliance officer who acts as the central contact and reporting point for integrity issues. The system safeguards the anonymity of any reports, and the compliance officer reviews the action necessary in each individual case, taking into account the applicable rules. In many cases, issues are resolved on the shop floor, for instance in consultation between the employee and their supervisor.

Integrity Committee

The task of the Integrity Committee is to advise the Executive Board on integrity-related matters. The Integrity Committee discusses integrity-related issues, dilemmas and themes and all related matters. On the basis of these discussions, the committee then issues recommendations on the policy front, such as the need to initiate training courses.

The Executive Board establishes the policy and decides which actions are to be taken in this context. The Committee is chaired by the CEO. The other core members of the Committee are the Compliance Officer, the Procurement Director, the HRM Director, the IT Security Officer, and the Chair of the Works Council. The committee discussed a range of topics on various occasions in the year under review, such as how to keep the subject of integrity permanently top of mind for all employees. The question of whether and how it might be possible to improve the reporting structure at Heijmans is a constant topic of discussion

Dilemmas and conduct

Heijmans is convinced that how we behave has a significant impact on the quality of the company's work and financial performance. One example is the impact of conduct in the field of safety, which can make a huge difference in the construction industry.

Heijmans continues to face integrity and conduct issues. Not everyone has the same opinion on what is and is not acceptable. A considerable proportion of the reported issues is related to the following dilemmas:

Should you call someone to account or not

Calling each other to account in the event of undesirable conduct, in line with the standards we strive to maintain, actively encourages more openness and, in the end, more acceptable conduct. Calling each other to account is a form of ownership and taking responsibility. Examples include the wearing of safety clothing, the separation of waste at building sites, or the deliberate submission of incorrect expense sheets, the use of company property for personal purposes and unacceptable behaviour towards third parties. To make it easier for employees to call each other to account in cases of unacceptable behaviour, we organise dilemma discussion groups, where employees can discuss certain issues openly and freely.

Acceptable versus unacceptable behaviour

It is sometimes difficult to define the fine line between acceptable and unacceptable behaviour, but it is crucial for the culture on the shop floor. Heijmans considers a safe working environment - where everyone is treated with respect - a prerequisite on this front. We take appropriate measures whenever necessary.

Self-determined rules versus applicable rules

Not everyone complies with the rules laid down in our code of conduct. This could apply to the likes of submitting expense sheets, payments or the use of company equipment. It can be difficult for (new) employees to go against the flow and to remind colleagues of the actual rules.

Compliance

In 2018, 11 integrity issues were reported to the compliance officer and/or counsellors, a slight increase on the previous year. The anonymous tip line was not used. Heijmans encourages its employees to report suspected or actual abuses and has several options available for them to do so. The Compliance Officer also regularly sends out requests to management and HRM for reports. The Executive Board believes it is important that employees feel free to file reports and know that their reports will be taken seriously.

The reports in 2018 concerned the theft of company property and surplus materials, not following internal procedures and inappropriate and/or unprofessional conduct on the part of employees in various positions. The first consideration in each case was the seriousness of the incident and this was then followed by an investigation into the facts in all cases. The reports led to written (final) warnings or dismissal. All reports were also discussed at Executive Board meetings and subsequently evaluated by the relevant managers.

Integrity and conduct

The integrity and conduct Heijmans expects from its employees are laid down in a number of regulations and guidelines:

- Integrity-sensitive positions: Heijmans has a 'Procedure for Integrity-Sensitive Positions'. Integrity-sensitive positions include members of the Executive Board, directors of business areas, project directors, directors of staff services, property developers, development managers and other managers, company lawyers and procurement managers. A screening is mandatory for these functions. Employees in integrity-sensitive positions and applicants applying for such positions are asked to provide a Personal Statement of Judicial Records and are also asked to submit a Certificate of Good Conduct.
- Reviews: the Executive Board discusses integrity issues and shares these, on the basis of anonymity, with the management teams. In consultation with the Integrity Committee, the Executive Board makes sure that reports and issues are translated into appropriate policy.

- The 'kr8 van Heijmans' code of conduct: Under the motto "A question of character", the Heijmans Code of Conduct lays down what Heijmans considers desirable conduct. This Code deals with matters such as safety, integrity and competition and requires Heijmans employees to act and behave in accordance with its provisions. The Code of Conduct is linked to a sanctions policy. Managers are asked to set an example through their personal conduct. The Code of Conduct is an integral part of the employment contract with permanent and temporary personnel, and also applies to any self-employed contractors with whom Heijmans works. We translate the rules laid down in the code of conduct into everyday practice with the IK! Core values programme, with concrete examples related to the three core values of result-orientation, ownership and collaboration.
 - Integrity is a set subject of job interviews and onboarding programmes.
 - To encourage integrity in its project development activities, in 2009 Heijmans Property Development set up a Transaction Register in accordance with the NEPROM Code of Conduct, in addition to its quality management system and the Heijmans Code of Conduct. The Transaction Register is used to investigate, record and document the relevant details of every business-to-business property transaction in advance, making it possible to check transactions for correctness, integrity and lawfulness after the fact. This is also endorsed and incorporated in Heijmans' procurement policy.
 - Procurement: New suppliers are asked to sign a sustainability statement that includes rules with respect to improving social aspects, working conditions, health & safety and the environment.

Fighting corruption and bribery

Heijmans is well aware of the fact that the trust its clients and partners, as well as its shareholders and employees, have in the company is crucial to our licence to operate. That trust will be damaged if Heijmans or its employees are found guilty of corruption and/or bribery. Fighting corruption and bribery is an integral part of Heijmans' general compliance programme. The 'kr8 van Heijmans' code of conduct applies to the employment contract of every employee. It states that Heijmans expects employees to avoid all actual or apparent conflicts of interest between personal and business interests. Employees are not allowed to accept or offer any gifts or invitations that call into question the independence of either Heijmans or the purported recipient of said gifts or invitations. Heijmans and its employees must strictly abide by all legal rules and

generally accepted norms applicable to business operations and that are expressed in Heijmans' own guidelines, such as the Transaction register used within Heijmans Property Development. We impose the application of its code of conduct or an equivalent code on the subcontractors and partners with whom it does business.

If an employee can, by the nature of his or her position, find themselves in a situation where they are more likely to encounter corruption or bribery, the company will devote specific attention to this situation, for instance by organising special training. This applies to Procurement in particular. Heijmans has taken measures at this department to minimise the risk of bribery and corruption. For instance, the department is centrally organised, which increases the level of direct supervision. Preferred suppliers are also chosen centrally and very carefully. Procurement has a clearly defined segregation of tasks and procedures that are subject to the 'four eyes principle'. The department uses standard contracts that are exchanged digitally. In early 2018, Heijmans introduced a transparent evaluation system for suppliers. This ensures that suppliers who fail to comply with Heijmans' standards are excluded from our list of preferred suppliers. This approach has proven remarkably successful. The indicators related to this theme are 'Procurement spend with preferred suppliers' and 'Procurement spend with preferred suppliers with framework contract with signed sustainability statement', as included in the overview of performance indicators in the appendices.

Compliance

We have appointed a number of counsellors for the business areas and at holding company level. These counsellors can give advice on dilemmas encountered by employees in the course of their daily activities. Heijmans requires its suppliers and subcontractors to endorse the Heijmans Code of Conduct, the Bouwend Nederland (Dutch construction industry employers' group) and NEPROM codes of conduct or their own (industry) code. Heijmans' subsidiaries are included in the register of the Foundation for Evaluating the Integrity of the Building industry (SBIB). Every two years, we file a report with the SBIB on any breaches of the Heijmans Code of Conduct, together with an account of how Heijmans dealt with said breaches.

Additional and separate regulations

In some cases, values from the Code of Conduct have been recorded in additional and separate regulations:

- *Dossier statement*

The Heijmans Code of Conduct has also been defined in more detail in the so-called dossier statement. This statement is required with every bid issued with a value of € 100,000 or more. It consists of an explicit statement by the responsible management that preparation of the bid did not involve any anti-competition practices.

- *Internal reporting procedure*

For those situations in which it is difficult to find a solution within the scope of daily workplace activities, some time ago Heijmans introduced an internal reporting procedure, which states the steps to be taken when submitting a report of an abuse. It also describes how such reports are investigated, and defines the role of management in this. This internal reporting procedure offers employees the opportunity to report an abuse orally or in writing to the central reporting point (the compliance officer) or a counsellor, without endangering their legal position under employment law. Employees can also report abuses anonymously via the SpeakUp system.

- *Insider Trading Regulations Heijmans N.V.*

These regulations, amended following the implementation of the EU Market Abuse Regulation in mid-2016, contain provisions that apply to the officers named by law and to other Heijmans employees.

- *Private investments regulations*

Heijmans has a set of regulations that apply to personal investments by members of the Executive Board and the Supervisory Board. The Chairman of the Executive Board is the compliance officer for transactions in shares, depositary receipts for shares and options on shares. The Chairman of the Supervisory Board acts as compliance officer for the Chairman of the Executive Board.

Dutch Human Environment & Transport Inspectorate

In early 2014, Heijmans was the first contractor to sign a declaration of intent with the Dutch Human Environment & Transport Inspectorate (IL&T) as a preliminary to a compliance covenant related to the enforcement of the (extremely extensive) set of regulations that fall within the remit of the Inspectorate. The IL&T supervises enforcement of the regulations in several so-called domains, including soil, transport and dangerous materials. Heijmans already has such a covenant in place with regard to the Dutch Driving Times Decree. An



“Circularity is changing the soil business”

You are nothing without a sound basis. The Heijmans Soil Specialisms teams are indispensable to a flawless building process and also to a circular economy. Manager Stef Scheutjens takes his inventors into a sustainable future. “We want to transform raw materials into value. That could be Soil Specialisms’ unique selling point. If we manage and store our own raw materials, we are no longer dependent on other companies and that means more strategic bids for contracts.”

Stef Scheutjens

Manager Heijmans Soil Specialisms



enforcement covenant introduces horizontal supervision, on the basis of which Heijmans is expected to report deviations on its own initiative, and to take preventative measures and report annually to the IL&T. Within Heijmans, the IL&T domains mainly cover the activities of Infra. The IL&T and Heijmans N.V. signed the covenant on 26 June 2015 for a two-year period. The agreement was extended for a five-year period at the end of 2017 and will be reviewed annually. Both Heijmans and the IL&T are pleased with the way in which the agreements are being executed.

7.4 Risk management

The year 2017 was dominated by our efforts to restore the company's profitability and Heijmans continued to make progress on that front in 2018. We secured the financing facilities until 2022 at improved terms and we further reduced our average debt. We reached an agreement with the holders of cumulative preference shares of the company, under which the coupon has been reduced for five years, plus we agreed to gradually reduce this relatively expensive form of financing, if this is the responsible course of action for Heijmans. We embedded the role of Chief Risk Officer (CFO) more firmly in the organisation and we added competencies from all business areas to the team.

This section of the annual report describes the risk profile of the company, the associated risk factors, the actions taken to mitigate these risks and the risk management priorities for 2019.

Heijmans' main risks are:

- Strategic risks
 - economic downturn
 - price risks
- Market risks
 - availability of labour, services and materials
 - availability and potential for development of land holdings
- Operational risks, the most relevant to Heijmans being:
 - control of project risks when acquiring and executing projects
 - control of corporate risks such as continuity in the order book, personnel and exploitation contracts
 - safety
 - retention and recruitment of personnel
- Financial risks, the most relevant to Heijmans being:
 - insufficient liquidity
 - capital ratios that hinder the execution of the strategy

- insufficient capacity bank guarantees
- inadequate financial robustness of partners

- Legal and compliance risks
 - new forms of collaboration and contracts
 - increasing importance of other legal areas such as cybersecurity and GDPR
 - disputes and legal proceedings

This risk section also describes the main items of attention in the management letter from the external auditor. Before exploring the specific risks and mitigating measures, we will first describe the company's risk profile and general risk management measures.

Risk profile and risk appetite

Heijmans is active in construction and infrastructure projects, including management, maintenance and/or services, and additionally in property development and, to a lesser extent, in Public-Private Partnership (PPP) projects. In addition, Heijmans produces a limited quantity of end products such as asphalt.

The distinction between construction and infra projects on the one hand and property development (and PPP projects) on the other has an impact on the risk profile.

Construction and infra projects

Target margin: EBITDA of 3-4%. Moderate risk profile focused on a profitable business model.

The construction and infrastructure projects, including services, are based on contracts that Heijmans executes, with a large part of the work to be executed outsourced to third parties. These activities are marked by relatively low operating profit margins. Heijmans targets operating profit margins of 3-4% for these activities. The business model for these types of activity is profitable when projects involve – on average – negative working capital that effectively results in little or no investment of capital. Infra activities generally involve a somewhat higher level of capital investment than construction or installation projects, partly due to the greater use of the company's own equipment. This makes it essential to devote a great deal of attention to the management of downside risks. After all, if they do indeed materialise, these risks can quickly result in unprofitable activities when working with low operating profit margins. The flip side to avoiding these risks is that Heijmans may sometimes have to deliberately turn down potential upside opportunities. To achieve a profitable business model, Heijmans therefore strives for a moderate risk profile on this front.

When Heijmans revised its risk appetite, it also categorised the project risks in more detail. In this process, Heijmans looked at items such as the annual revenue from a project in relation to the company's revenue, the type of contract, the client, the competency fit and the risk profile of the chosen solution. This process is used as a basis to assign each project a risk category (1 to 3). This classification is based on: the higher the risk profile, the higher the authorisation in the organisation, the higher the return requirements and the more frequent the project monitoring.

In addition, Heijmans is aiming for a better revenue mix in all sectors. At Infra, the ratio of large projects on the one hand and regional projects, specialist activities and asset management on the other is shifting in favour of the second category of activities. At Building & Technology, we strive for a balanced ratio between non-residential projects, residential building, multi-functional high-rise construction and service activities. In Property Development, we focus on the balance between the development of our own land holdings, tenders/quote requests and direct awards. Our preference is development on the basis of our own land holdings and direct awards, while tenders are used as a residual item to fill the portfolio.

Property Development

Target margin: EBITDA of 6-8%. Moderate risk profile focused on stimulating the turnover rate of capital.

The property development and PPP activities require a higher level of invested capital, which in turn requires higher returns. In these markets, Heijmans aims to achieve an operating profit margin of 6-8%. The time factor is an important component of the risk profile for these activities. For instance, capital is frequently utilised for longer periods of time to generate higher returns. In a tightening of this policy in 2017, Heijmans decided to invest only in new real estate and land holdings if these can be developed within the next five years.

End products

The risk profile of end products such as asphalt is primarily determined by the scale of the production capacity needed. This capacity is effectively aligned with the demand from Heijmans' own projects, as well as deliveries to third parties. In addition, Heijmans is currently investigating the possibility of cooperation with BAM by integrating the existing asphalt plants in the Netherlands in a new joint asphalt company. The foundation of a new asphalt company offers the parties the opportunity to combine the know-how, expertise and

investments of both companies. A key target in this is increasing the sustainability of the asphalt chain, from reducing CO2 emissions to circularity and the reuse of raw materials and semi-finished products. Joining forces also creates opportunities to optimise the operations in the field of asphalt.

General risk management measures

The premise of Heijmans' approach to risk management is the structural, integrated and timely identification and monitoring of key opportunities and risks based on the above-mentioned risk profile. The objective is to effectively anticipate and mitigate uncertainties and threats, but also to take advantage of any opportunities. Heijmans has designed its risk management in line with the principles of the COSO-ERM framework, assigning a prominent role to the risk management of projects. The activities in the control model have been divided into a 1st, 2nd and 3rd line of defence.

The 1st line is the operation responsible for the execution and compliance with agreed procedures and the management of the associated risks.

The 2nd line of defence includes the Risk Office, Legal and Compliance, and analyses and assesses the risk profile in terms of substance, develops and improves management measures and ensures these are implemented in the first line.

The 3rd line (Audit) uses an Audit programme to monitor the correct compliance and effectiveness of the management measures and reports periodically to the Group Board and the Audit committee.

Risk management is embedded in a management model marked by centrally organised business areas with short lines of communication to the Executive Board.

In addition, Heijmans has effected the execution of its strategy via a number of improvement processes aimed at the optimisation of the company's operational core processes and the promotion of a culture that, in addition to openness and transparency, also incorporates taking responsibility and ownership. For more information on this, see the 'Strategy' and 'People and organisation' chapters of this annual report.

Procedural measures

Important aspects within the **control framework** are:

- Management regulations and instructions for the management of operating companies/business units related to authorities, the acquisition of projects, entering into investment commitments, and reporting and accountability obligations.
- Conduct-related instruments such as the Heijmans Code of Conduct and the IK! programme - see the 'Strategy' and 'People and organisation' chapters for more information on this.
- An accounting manual with rules for internal and external financial reporting and related procedures.
- Business process systems for the primary and secondary processes of the construction and property development operations, including risk management systems, with the aim of achieving uniform processes across the group. This includes a uniform SAP/ERP system across the entire organisation and the implementation of the new HR system (Workday), which we will complete in 2019.
- A register of statements as an extra safeguard for the integrity of senior management and specific positions. This includes the Certificate of Good Conduct and Personal Statement of Judicial Records.

Heijmans uses the following **control mechanisms**:

- A planning and control cycle, with monthly reporting by operational management on matters such as the trends in relevant markets, the financial situation relative to the budget, the financial and operational status of projects and safety.
- Tender board, GO/NO GO procedures and gate reviews for tenders. All category 3 tenders require the approval of the Executive Board. For each category 3 tender, the CRO produces an independent risk review and reports same to the Executive Board.
- Regular project reviews: all projects are divided into various risk categories (1, 2 and 3). The Executive Board discusses risk category 3 projects at least each quarter.
- Monthly Status Update Projects, in which the CRO and Executive Board discuss risk-based projects with a higher risk profile.
- Regular review meetings between the Executive Board and the operating companies.
- The daily monitoring of movements in the liquidity position of group entities and specific projects.
- Audit programme aimed at compliance with control measures in the context of project-specific risks, and the control of company-wide operating process risks. In 2018, Heijmans conducted 90 audits.

The control framework consists of various formal procedural and organisational measures that are applied right across the company. Heijmans' open culture, in which ownership plays a prominent role, also makes a major contribution to the management of risks.

In addition, Heijmans uses a number of control mechanisms, including the planning and control cycle, reviews and reporting, which are embedded in the organisation. These control mechanisms are explained as follows.

Organisation and CRO

The Executive Board determines Heijmans' strategy and its related risk appetite. Heijmans has an organisational structure under which the business areas are managed centrally with short lines of communication to the Executive Board. The central management teams of the business areas, the Executive Board and the staff departments are located in the head office in Rosmalen. This promotes the open and informal culture, which in turn makes the exchange of information both swift and efficient. In 2017, Heijmans introduced the role of Chief Risk Officer (CRO). The aim of the CRO is to take risk management to a higher level at every level and across the entire breadth of the company. In 2018, Heijmans set up a compact Risk Office department that operates under the CRO and provides the 2nd line of risk management within the organisation.

Risk Officers are senior employees with a background in one of the three business areas (Property Development, Building & Technology and Infra), control and legal affairs.

Risk Officers:

- Are involved in the categorisation of projects for pre-qualification and project selection;
- Issue an independent opinion on the risk profile of all category 3 tenders;
- Are deployed in both the substantive shaping of the 2nd line of risk management and the substantive execution of independent risk reviews of tenders and projects in realisation;
- The Executive Board is supervised by the Supervisory Board – see also chapter 7.2 'Corporate Governance'. The Executive Board and the Supervisory Board consult with each other in scheduled meetings and on an ad hoc basis if this is deemed necessary, and the agenda of said meetings frequently includes risk management or topics directly related to risk management.

Culture

Heijmans believes that the culture of the organisation is a significant factor in the management of risks. Due to the risks inherent in projects they entail a certain level of unpredictability, and this cannot be mitigated entirely with guidelines and procedures. These require a certain level of flexibility and an open and action-oriented culture, in which people display sufficient ownership to solve any problems that may arise. The example set by the management is crucial to this, as is the willingness to call each other to account in the event of the failure to honour agreements, but also to point out items that have gone well. The use of conduct-related instruments, such as the Heijmans Code of Conduct and the IK! Programme – see the 'The Heijmans Strategy' and 'Non-financial results' chapters for more information on this – ensures that employees have practical guidance on what Heijmans expects from them in terms of behaviour and what behaviour is deemed unacceptable.

Internal guidelines and procedures

The Executive Board determines the operational parameters of the directors and management of the business areas. The authorities related to project acquisition, entering into investment commitments and reporting and accountability obligations are embedded in management regulations and instructions to the management of the business areas/business units. Rules for internal and external reporting are laid down in the Accounting

Manual, including related procedures, such as the procedure for investments. The operating process system includes descriptions of the primary and secondary processes of the construction and property development operations, including risk management systems used to monitor and control project-related risks. This increases the uniformity of the process for the entire group. The Heijmans-wide SAP-based ERP platform is making an increasing contribution to this uniformity. Heijmans has also designed procedures related to the tender process that prevent the company from taking on any projects with irresponsible levels of risk.

Tenders are divided into three categories depending on, among other things, the scope, the type of contract, complexity and type of client. Rules for authorisation and escalation have been laid down for each category. For instance, the final decision on whether or not to submit a quote for the projects in the highest risk class, category 3, rests with the Executive Board. This procedure includes a number of phases that need to be completed with a decision as to whether to proceed with a tender (GO/NO GO). The standard documents that are recorded in each phase are registered in a system developed for that purpose, which is also used to record the GO/NO GO decision. Both several months after a category 3 project has been awarded, and during the execution and maintenance of same, the Executive Board conducts a Project Status Update (PSU) review, to determine among other things, whether the premises used during the tender phase are still applicable or whether these need to be adjusted. The CRO is responsible for the preparation and execution of the PSU. The CRO also plays an important role from project leads, to entering into combinations for joint tenders for projects, as well as in the tender process and the realisation process.

Planning and control cycle

The Executive Board consults with the management of the operating companies and project managers on a regular basis and on an ad hoc basis if this is deemed necessary. In these meetings, the Board and the management review matters such as the developments in relevant markets, the financial situation in relation to the budget, the financial and operational status of projects and safety on the basis of monthly and quarterly reports. Projects in progress with a high risk profile (primarily category -3 projects) are subject to separate regular project reviews with the Executive Board and the CRO, in the presence of the project manager in charge of the project. The monitoring of actual and estimated future liquidity movements is based on three reporting lines:

- Net debt is reported on a daily basis, such on a consolidated basis and per business area. This pertains to an overview of both all bank balances and the (project) financing facilities. The movement is then compared with the forecast. Inadequate liquidity is a key early warning criterion and is discussed immediately with the management in question.
- A liquidity forecast for the next thirteen weeks is drawn up on a weekly basis. Every two weeks, the management of the business areas are interviewed to discuss these forecasts and the potential impact of individual projects on said forecasts. This reporting line is used, among other things, to get a better understanding of the current liquidity movements and to gain advance insight into the sensitivities in said liquidity movements.
- A liquidity forecast for the next 12 months is drawn up each month. This is then used to assess whether the available financing facilities will be sufficient to meet the company's cash requirements. This forecast is also used to allocate each business area its own limit on in-house bank funding.

Statements from management

The management responsible for a tender has to sign a dossier statement for every quote submitted. In this statement, they declare that the preparation of the quote did not involve any anti-competition practices. When joining the company, members of the senior management team and employees in specific positions are asked to provide a Personal Statement of Judicial Records and a Certificate of Good Conduct (verklaring omtrent gedrag-VOG) issued by their local council, as an extra safeguard for integrity. The submission of these statements is recorded in a register. The statements are also saved in the personnel file of the employee in question. The employees in question provide a new personal statement every three years. Upon the publication of the interim and annual results, the management of the operating companies submit a confirmation letter, in which they affirm, among other things, that all relevant information is accurate and has been incorporated in full in the figures, and that it has been explained in sufficient detail in the reports of the operating company.

Audits

Heijmans has appointed an internal risk and audit manager, whose primary task is to initiate and conduct audits that are sufficiently operationally focused, including clear feedback reporting to the management in question. In 2018, the risk and audit manager oversaw around 90 risk audits.

The key findings of these audits were shared with the Group Board and the Supervisory Board's Audit committee. Any suggested improvements as a result of these audits are recorded in improvement registers. These registers are used to monitor the follow-up on the improvement measures.

For the coming year, the risk and audit manager has identified a number of focal points for the audit programme in consultation with the Executive Board. The focus of the audit programme in 2019 will be on items that are vital to (financially) successful projects: tender process, design phase, project budget and evaluation. Heijmans' external auditor EY will audit the annual financial statements. With respect to combinations in which Heijmans operates, in some instances EY relies on information from other public auditors.

Risks and mitigating measures

Strategic risks have an impact in the medium to long term or the long term. Generally, these risks manifest gradually over time. Heijmans sees the main risks in this category as failing to respond effectively enough to the need to create differentiating potential, failing to operate sustainably and failing to be innovative. In addition to these risks, there is also the question of whether the company's scale in a particular market segment is appropriate and offers sufficient perspective. Important considerations in this respect are having the knowledge and expertise required, and ensuring the correct deployment of people and materials.

In principle, the Executive Board monitors strategic risks. The Executive Board continuously analyses and evaluates the development of the operational activities in relation to the attractiveness of markets and market segments. The board also initiates actions with the aim of turning identified risks into opportunities. In this context, in late 2016 Heijmans decided to take a comprehensive approach to the continued recovery of the company, including safeguarding the company's financing. The aim was to transform Heijmans into a purely Dutch company. This process was implemented and completed in 2017.

On the one hand, this means it is no longer possible for Heijmans to spread risks across different countries and geographical areas, but on the other hand it has increased the manageability and focus of the company. In 2018, we refined Heijmans' strategy, and defined smartification and increasing sustainability as strategic pillars, in addition to continuous improvement (see also 'The Heijmans Strategy' chapter).

The appendices to this annual report include a more detailed overview of the strategic, operational, financial, legal and compliance risks and associated mitigating measures. In this overview, we indicate whether the risk is high, moderate or low for Heijmans and how it is developing by indicating whether the risk has become smaller, greater or stayed the same compared to the previous year.

Risk statement

In 2018, Heijmans implemented the following measures that have increased the manageability of its risks:

- Refinancing with agreements through to 2022
- Agreement with the holders of cumulative preference shares for the coming five years
- Continued development of the risk office, which now has all relevant expertise in place
- Strengthening the HR function by adding a CHRO with specific focus on recruitment and retention
- Implementation of the GRIP programme with a focus on project management

Partly in view of the above, the Executive Board can state that given the current situation it was justified to prepare the financial statement on the assumption that Heijmans will continue as a going concern and that the risk and control systems generally functioned properly. This did require an extra effort in a number of large Infra and Non-Residential projects. With respect to financial reporting risks, Heijmans' internal risk and control systems provide a reasonable level of certainty that the financial reporting as shown in the financial statements for 2018 (pages 101 through 187) do not to our knowledge contain any material misstatements.

However it is not possible to provide absolute certainty. Heijmans can therefore not guarantee the absence of material mistakes, fraud or the violation of legal regulations. This annual report includes an explanation of the risks and uncertainties relevant to the expectation that the Company will continue as a going concern for a period of twelve months after this report was drawn up.

The optimisation and monitoring of the functioning of the internal risk management and control systems remains a key priority for the Executive Board. In the year under review, the Executive Board and the audit committee, as well as the entire Supervisory Board, discussed the structure and operation of the internal risk management and control systems intensively and frequently. In the year under review, there were no integrity issues that had an impact on the company's risk profile.



“It feels like a warm bath”

Air, green and water: that is what the frogs in the Lentse Plas share with their neighbours, the residents of the sustainable homes on the waterfront. On the south-westerly side of the lake, at the base of an observation tower made of recycled timber, Patries Lessmann runs a pop-up ice cream and coffee kiosk with a terrace. Before she retired, she worked as an activities supervisor in the healthcare sector. These days, she looks after active people. The local residents have also discovered the joys of the LENTmark Kiosk. “It’s a great location. The Groene Oever feels like a warm bath.”

Patries Lessman

Café operator at the LENTmark Kiosk





Financial statements 2018

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1. Consolidated statement of profit or loss

x € 1.000

		2018	2017		
		Continued operations	Continued operations	Discontinued operations	Total
6.3	Revenue	1.579.132	1.402.215	85.059	1.487.274
	Cost of sales	-1.434.707	-1.265.336	-78.200	-1.343.536
Gross profit		144.425	136.879	6.859	143.738
6.4	Other operating income	1.167	2.506	31.035	33.541
	Selling expenses	-34.099	-30.575	-1.517	-32.092
6.5	Administrative expenses	-87.331	-92.568	-5.375	-97.943
6.6	Other operating expenses	-1.555	-1.912	-8	-1.920
Operating result		22.607	14.330	30.994	45.324
6.7	Finance income	1.659	1.702	534	2.236
6.7	Finance expense	-9.504	-10.803	-165	-10.968
6.12	Results of joint ventures and associates	5.802	-14.669	-1	-14.670
Result before tax		20.564	-9.440	31.362	21.922
6.8	Income tax	-75	0	-2.380	-2.380
Result after tax		20.489	-9.440	28.982	19.542
The entire result after tax is attributable to the shareholders.					
Earnings per share (in €)					
6.20	Earnings per ordinary share after tax	0,96	-0,44	1,35	0,91
6.20	Earnings per ordinary share after tax and dilution effects	0,96	-0,44	1,35	0,91
	Dividend distributed per ordinary share in the financial year	0,00	0,00	0,00	0,00

2a. Consolidated statement of comprehensive income

x € 1.000

	2018	2017
1. Result after tax	20.489	19.542
Other comprehensive income that after initial recognition is possibly reclassified to profit or loss:		
Effective portion of changes in the fair value of cash flow hedges for joint ventures and associates	-374	353
Other comprehensive income that is never reclassified to the statement of profit or loss:		
Changes in actuarial results on defined benefit plans	-37.134	508
Tax effect on changes in actuarial results on defined benefit plans	5.530	-127
Other comprehensive income (after tax)	-31.978	734
Comprehensive income	-11.489	20.276

The entire comprehensive income is fully attributable to the shareholders.

2b. Consolidated statement of changes in equity

x € 1.000

	2018	2017
Balance at 31 December in the previous year	162.177	141.898
IFRS 15 adjustment	-1.602	-
Balance at 1 January	160.575	141.898
Result after tax	20.489	19.542
Other comprehensive income	-31.978	734
Total realised and unrealised results for the reporting period:	-11.489	20.276
Transactions with owners of the group:		
Bonus Investment Share Matching Plan	11	3
Balance at 31 December	149.097	162.177

See 8. Company financial statements for the breakdown of equity into the separate reserves.

3. Consolidated statement of financial position

x € 1.000

ASSETS		31 december 2018	31 december 2017
Non-current assets			
6.10	Property, plant and equipment	43.962	46.575
6.11	Intangible assets	78.662	79.707
6.12	Joint ventures and associates	71.997	66.357
6.13	Loans granted	22.636	29.631
6.22	Employee-related receivable ¹	0	30.122
6.14	Deferred tax assets	35.882	29.817
		253.139	282.209
Current assets			
6.15	Strategic land portfolio	127.351	150.043
6.15	Other inventories ²	79.584	37.150
6.16	Work in progress	51.415	61.264
6.9	Income tax assets	0	38
6.17	Trade and other receivables	175.685	165.662
6.18	Cash and cash equivalents	88.932	74.437
		522.967	488.594
Total assets		776.106	770.803

x € 1.000

EQUITY AND LIABILITIES		31 december 2018	31 december 2017
Equity			
2b	Issued capital	6.423	6.423
2b	Share premium reserve	242.680	242.680
2b	Reserves	-60.751	-27.182
2b	Retained earnings from prior financial years	-59.744	-79.286
1	Result for the year after tax	20.489	19.542
		149.097	162.177
Non-current liabilities			
6.21	Interest-bearing loans and other financing liabilities ³	52.413	54.537
6.22	Employee benefits	15.451	15.298
6.23	Provisions ⁴	20.596	1.949
6.14	Deferred tax liabilities	549	607
		89.009	72.391
Current liabilities			
6.21	Interest-bearing loans and other current financing liabilities	5.866	6.229
6.24	Trade and other payables	368.436	377.400
6.16	Work in progress	142.389	128.965
6.9	Income tax liabilities	149	109
6.22	Employee benefits	1.611	1.995
6.23	Provisions	19.549	21.537
		538.000	536.235
Total equity and liabilities		776.106	770.803

¹ Through reinsurance of the Heijmans' pensionfund in 2018, the employee related receivable has been reduced to naught. See also note 6.22.

² The other inventory has increased compared to 2017 since projects related to residential property under construction with a credit balance are no longer included. As a result of IFRS15 this has been included in work in progress credit. For further disclosures on the application of IFRS 15, see Section 5 Accounting Principles, para 3.1.2.

³ The interest-bearing loans include cumulative preference shares B amounting to €45.1 million (2017: €45.1 million).

⁴ The provisions have increased compared to 2017 chiefly due to the reclassification of provisions for losses which were included under work in progress before the introduction of IFRS15. For further disclosures on the application of IFRS 15, see Section 5 Accounting Principles, para 3.1.2.

4. Consolidated statement of cash flows - indirect method

x € 1.000

	2018	2017*
Operating result	22.607	45.324
Adjustments for:		
6.2 Gain on sale of subsidiaries	0	-31.035
6.4 Gain on sale of non-current assets and property investments	-243	-725
6.10 Depreciation of property, plant and equipment	10.078	11.759
6.11 Amortisation of intangible assets	1.555	1.920
6.15 Adjustment of valuation of property investments and land portfolios, excluding joint ventures	6.400	5.200
Change in working capital and long-term provisions	-8.375	-158
Operating result after adjustments	32.022	32.285
Interest paid	-7.132	-10.527
Interest received	1.659	1.894
Income tax paid	0	-2.439
Cash flow from operating activities	26.549	21.213
6.10 Investments in property, plant, and equipment	-8.206	-4.203
6.11 Investments in intangible assets	-510	
Sale of property, plant and equipment	984	1.766
6.2 Proceeds from sale of entities disposed of	0	96.893
Capital contributions to joint ventures and associates	-12.466	-5.406
Dividends received from joint ventures and associates	3.636	4.410
Loans granted to joint ventures and associates, less loans repaid by them	6.995	-2.226
Cash flow from investing activities	-9.567	91.234
6.21 Interest-bearing loans drawn down	4.243	0
6.21 Interest-bearing loans repaid	-6.730	-116.269
Cash flow from financing activities	-2.487	-116.269
Net cash flow in the period	14.495	-3.822
6.18 Cash and cash equivalents at 1 January	74.437	30.249
Adjustment of cash and cash equivalents relating to assets held for sale	0	48.010
6.18 Cash and cash equivalents at 31 December	88.932	74.437

*2017: Including discontinued operations, see note 6.2 'Discontinued operations'.

5. Accounting principles

Heijmans N.V. (referred to as the "Company") has its registered office in the Netherlands. The Company's consolidated financial statements for the 2018 financial year include the Company and its subsidiaries (collectively referred to as the 'Group') and the Group's investments in associates and interests in jointly controlled entities.

The Executive Board prepared the financial statements on 21 February 2019. These will be submitted for approval to the General Meeting of Shareholders on 10 April 2019.

(1) Statement of Compliance

The consolidated financial statements for 2018 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

(2) Basis of preparation

The financial statements are presented in thousands of euros. The financial statements are based on historical costs, unless otherwise stated.

The preparation of the annual financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and of revenue and expenses. The estimates and their underlying assumptions are based on experience and other factors that are considered reasonable. The estimates form the basis for calculating the carrying amounts of assets and liabilities that cannot easily be derived from other sources. Actual results could differ from these estimates. See also note 6.30, Management estimates and judgements.

The estimates and underlying assumptions are continually reassessed. Revised estimates are recognised in the period in which the estimate was revised, provided that the revision only affects that period. Revisions are recognised in the reporting period and future periods if the revision also affects future periods.

The accounting policies described below have been consistently applied to all periods presented in these consolidated financial statements and to all entities in the Group, apart from the changes explained in (3).

(3) Implications of new standards

The Group has adopted the following new standards, including the resultant amendments to other standards, with 1 January 2018 as date of initial application:

- IFRS 9 Financial Instruments (see 3.1.1)
- IFRS 15 Revenue from Contracts with Customers (see 3.1.2)

The amendments to IFRS 2, IAS 40 and IFRIC 22 adopted by the EU and applicable to accounting periods commencing on or after 1 January 2018 do not have any material effect on the consolidated financial statements.

In the case of new standards that have not yet come into force, the Group is examining the effects, particularly with respect to IFRS 16 Leases (see 3.2).

(3.1) Implications of new standards effective 1 January 2018

(3.1.1) IFRS 9 Financial Instruments

IFRS 9, governing financial instruments, is applicable to accounting periods commencing on or after 1 January 2018. IFRS 9 generally requires that the amount of the credit loss provision established on initial recognition of financial instruments is measured on the basis of the expected credit losses over the coming 12 months. Subsequently, as long as there is no significant deterioration in the credit risk, the credit loss provision continues to be measured at the amount of the 12-month expected credit losses. If, however, a significant increase in the credit risk occurs, on either an individual or a collective basis, the amount of the expected credit loss provision is measured as the expected credit losses over the entire term to maturity of the instrument. In the case of trade receivables and work in progress assets, it is permissible to adopt a simplified approach involving consistent recognition of a loss allowance at an amount equal to lifetime expected credit losses. The application of this new standard does not have any material effect on the Group's financial results, largely because of the minimal credit risks to which the Group is exposed. The low level of risk is due to such things as the type of client, such as public authorities and semipublic bodies in the case of Infrastructure work and non-residential construction, the use of instalment schedules on residential projects so that construction is funded in advance and the right of retention that the Group can invoke, should a client default.

The method of measurement and presentation under IFRS 9 depends on the nature of the contractual cash flows associated with financial instruments and the business model under which the instruments are held. The Group's financial assets are held in connection with the receipt of contractual cash flows and only give rise to repayments of principal and interest payments on the outstanding amount. The financial assets concerned are measured under IFRS 9 at amortised cost, which is the same as under the previously applicable requirements.

The Group itself has not contracted any hedges. The Group does, however, have interests in joint arrangements that involve hedging transactions. These hedges have not been included in the consolidated statement of financial position because the joint arrangements in question relate to joint ventures. IFRS 9 does not result in any changes with respect to hedge accounting compared with the previous requirements as far as the various joint ventures are concerned.

(3.1.2) IFRS 15 Revenue from Contracts with Customers

IFRS 15, governing revenue from contracts with customers, is applicable to accounting periods commencing on or after 1 January 2018. IFRS 15 replaces the standards IAS 11 Construction Contracts and IAS 18 Revenue, along with various interpretations. IFRS 15 introduces a 5-step model for revenue recognition. The steps are: 1. identifying customer contracts, 2. identifying the performance obligations in a contract, 3. determining the transaction price, 4. allocating the transaction price to performance obligations and 5. recognising revenue when performance obligations have been satisfied. On initial application, IFRS 15 is to be applied either fully retroactively (including restatement of comparative figures) or to a limited extent with the cumulative effect recognised in the opening balance of equity in 2018. The Group has decided on the latter option, owing to the limited effects on the financial results and because this method of initial application is considerably more efficient (less labour-intensive) than a fully retrospective application. The effects of IFRS 15 will be disregarded for the purposes of calculating the ratios agreed with the banks.

The effects of the application of IFRS 15 on the condensed statement of financial position are as follows:

x €1 million	31 december 2018			31 december 2017	Effect of IFRS 15	1 january 2018
	Before IFRS 15	Effect of IFRS 15	After IFRS 15			
ASSETS						
Non-current assets	253	0	253	282	0	282
Current assets						
Strategic land portfolio	127		127	150		150
Residential property in preparation and under construction	28	41 ^D	69	27	18 ^D	45
Other inventories	11		11	10		10
Work in progress	51		51	61	4 ^C	65
Trade and other receivables	176		176	167		167
Cash and cash equivalents	89		89	74		74
	482	41	523	489	22	511
Total assets	735	41	776	771	22	793
	31 december 2018					
EQUITY AND LIABILITIES						
Equity	150	-1 ^A	149	162	-1 ^A	161
Non-current liabilities						
Interest-bearing ¹	52		52	54		54
Long-term provisions	19	18 ^C	37	18	18 ^C	36
	71	18	89	72	18	90
Current liabilities						
Interest-bearing loans and other current financing liabilities	6		6	6		6
Trade and other payables	370		370	378		378
Work in progress	126	16 ^{C+D}	142	129	-11 ^{C+D}	118
Provisions	12	8 ^C	20	22	16 ^C	38
Other	0		0	2		2
	514	24	538	537	5	542
Total equity and liabilities	735	41	776	771	22	793
Solvency based on guarantee capital²	27%	-2%	25%	27%	-1%	26%

Notes A, B, C, D: these adjustments are covered in the following notes.

1. The long-term interest-bearing liabilities include €45 million cumulative financing preference shares B.

2. Guarantee capital is defined as equity plus cumulative financing preference shares B.

The effects of the application of IFRS 15 on the profit and loss statement are as follows:

x €1 million	2018r		
	Before IFRS 15	Effect of IFRS 15	After IFRS 15
Revenue	1,576	3 ^B	1,579
Cost of sales	-1,432	-3	-1,435
Gross profit	144	0	144
Other expenses/income	-121	0	-121
Operating result	23	0	23
Finance income and expense	-8	0	-8
Results of joint ventures and associates	5	0	5
Result before tax	20	0	20
Income tax	0	0	0
Result after tax	20	0	20

Notes A, B, C, D: these adjustments are covered in the following notes.

The main considerations and the adjustments resulting from the application of IFRS 15 are:

Identification of separate performance obligations

One of the steps in IFRS 15 involves identifying the performance obligations in a contract. This has resulted in minor changes compared with the previous requirements. For projects involving both a construction component and a long-term maintenance component, for instance, IFRS 15 means that there are still two separate performance obligations, partly because management of the contract will involve various project teams. For residential projects, the sale of land and the construction of the buildings are treated as two separate performance obligations under IFRS 15 but this was in effect also the case under the previous requirements, partly because there was a different margin on the buildings at Group level compared with that on the land. The revenue from the land is recognised at the time of legal conveyance of the title (with control passing to the client at that moment) whereas the revenue from the buildings is recognised during the construction period.

Consideration

Under IFRS 15, it is only permissible to recognise as revenue that portion of the consideration for which it is highly probable that a significant revenue reversal will not occur. Resulting from the analysis of the contracts spanning 2017–2018 and the contracts started in 2018, this did not give any rise to adjustments.

The odd tendering payment that had been recognised entirely as income in an earlier year became treated as part of the total payment under IFRS 15, resulting in recognition as income at a later date. This led to a minor adjustment in the opening balance of equity (see A in the above condensed statement of financial position).

Financing components in contracts

Under IFRS 15, the effects of the time value of money must be accounted for separately if the payment date means that the customer or the Group obtains a significant financing gain (unless that gain does not arise out of financing arrangements but has a different origin, for example because parties wish to protect themselves against default). A practical exception to this requirement is if there is less than one year between payment and delivery. IFRS 15 did not give rise to any adjustments compared with the previous requirements because the Group avails itself of the practical exception.

Recognition of revenue at a point in time or over a period

Under IFRS 15, revenue is recognised when the performance obligation has been fulfilled, i.e. the date on which the customer takes control. This can be a particular point in time or spread over a period. IFRS 15 does not lead to material differences compared with the previous requirements. In the case of construction projects, for example, the Group carries out works on land that is owned by the customer. The customer acquires control of the constructed works by accession. Partly for this reason, therefore, the revenue from projects will be recognised over a period under IFRS 15 just as under the previous requirements. IFRS 15 stipulates that the costs involved in order to fulfil a contract, such as mobilisation costs for instance, are not included in measuring the progress of the contract. The same applies to costs incurred through inefficiencies. Because of the fact that the Group operates exclusively within the Netherlands, there are not any material mobilisation costs. As regards inefficiencies, in the case of a specific contract begun in 2017 and running into 2018, there were significant mobilisation costs/inefficiencies, owing to work being halted and then resumed, which resulted in a minor adjustment in the recognition of revenue (see B in the above condensed

statement of profit or loss). Partly because this was a loss-making contract, however, this did not have any implications for the recognised profit.

Determining the amount of provisions for losses

In order to measure the amount of provisions in the case of onerous/loss-making contracts, the Group, now that IAS 11 Construction Contracts no longer applies, has been applying the existing standard IAS 37, covering provisions, with effect from 1 January 2018. IAS 37 stipulates that, in order to measure the amount of the provisions for losses relating to revenue, an entity proceeds on the basis of 'economic benefits expected to be received'. These are the probable revenues which the Group used to calculate the provisions for losses under the previous requirements. In determining the amount of loss provisions, the Group measures the costs in line with the provisions of IFRS 15 concerning costs for performing a contract. The various changes have not given rise to any adjustments because this in effect corresponds to the measurement of loss provisions under the previous requirements.

In order to eliminate confusion and arguments regarding the 'unavoidable costs' that should be taken into account when measuring loss provisions, the IASB (International Accounting Standards Board) issued a draft standard in December 2018 containing a more precise definition of the term. This more precise definition reflects that applied by the Group. Until such time as the draft standard is finalised and adopted by the EU, the concept of unavoidable costs could also be taken to mean marginal costs and, if this were used, it would result in considerably lower loss provisions.

There is also some debate about the revenue that should be used in arriving at the amount of the aforementioned loss provisions. The issues concerned include the question of whether the term 'economic benefits expected to be received' used in IAS 37 requires further explanation or needs amending in line with the provisions of IFRS 15 regarding consideration that is highly probable, so as to exclude possible differences in interpretation.

Depending on the outcome of these discussions, there could be an impact on the Group's financial results. The extent of any such impact will be determined when the outcome of the discussions is known and more specific requirements give rise to amendment.

Separate presentation of loss provisions

As a consequence of the application of IAS 37, loss provisions relating to contracts with customers relating to projects no longer form part of the balance sheet item work in progress and are instead included under the heading of provisions, resulting in an increase in provisions in 2018 compared with the previous requirements (essentially involving a transfer from work in progress on the liabilities side of the balance sheet to provisions. See C in the above condensed statement of financial position).

Residential property in preparation and under construction representing a net liability: liabilities side of the balance sheet

Projects relating to residential property in preparation and under construction representing a liability are accounted for under IFRS 15 under the heading of work in progress on the liabilities side of the balance sheet (see D in the above condensed statement of financial position). Under the previous requirements, the Group presented such projects netted on the assets side of the balance sheet. The reclassification resulting from IFRS 15 also leads to an increase in the total assets/liabilities.

Disclosure according to revenue categories

The disaggregation of revenue required by IFRS 15 into categories that depict the way in which the nature, the amount, the timing and the uncertainty of revenues and cash flows are affected by economic factors runs along the lines of the segment information by sector. The analysis into the sectors Property Development, Building & Technology and Infrastructure reflects the Group's product-market combinations.

(3.2) Consequences of new standards not yet effective as at 1 January 2018

(3.2.1) IFRS 16 Leases

IFRS 16, covering leases, is applicable to accounting periods commencing on or after 1 January 2019. IFRS 16 will have significant implications for the balance sheet in particular because operating leases and rental contracts will appear on the balance sheet. If IFRS 16 had been applied to the 2018 financial statements, an item representing right-of-use assets would have appeared on the balance sheet, giving rise to an item of a similar amount on the liabilities side in respect of finance lease liabilities. This would have had the effect of increasing the balance sheet total by approximately 10%. In the statement of profit or loss, there would have been changes in the items making up the operating result and in the interest figures (result after tax remaining unchanged), that would give an increase in the operating result of several million euros, with a similar increase in the interest expense. Within the operating result, this gives rise to a movement from operating expenses to depreciation, as a consequence of which EBITDA (earnings before interest, tax, depreciation and amortisation) will increase. This movement does not have any effect on the net result. The impact on equity is nil on the date from which the change in accounting policies becomes effective.

The Group will be taking the cumulative catch-up approach to the application of IFRS 16, with a single discount rate being applied to each category of leases of a similar type. This means, among other things, that the comparative figures will not be restated. To the extent that the necessary information is available, the Group will ignore non-lease components (such as payments for the maintenance of the underlying asset). The Group will also be disclosing low-value leases (value of the underlying asset when new < € 5,000) and short-term leases (<12 months) in the notes instead of including them in the balance sheet.

IFRS 16 will be disregarded for the purposes of calculating the ratios agreed with the banks.

(4) Accounting policies used for consolidation

(4a) Subsidiaries (full consolidation)

A subsidiary is an entity over which the Group has direct or indirect control.

Control exists if the Group:

- a) has power over the entity;
- b) is exposed or has rights to variable returns because of its involvement with the entity; and
- c) can use its power over the entity to affect the size of these returns.

Each of these three criteria has to be satisfied to establish that the Group has control over a company in which it owns an interest. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Business combinations are recognised according to the acquisition method, as from the date on which control is transferred to the Group. The transaction cost of an acquisition is recognised at fair value, as are the net identifiable assets acquired. Any resulting goodwill is tested every year for impairment. Any gain from a favourable purchase is recognised directly in profit or loss. Transaction costs are recognised when these are incurred, unless they relate to the issue of debt or equity instruments. The transfer sum includes no amount for settling existing account balances. Such amounts are generally recognised in the statement of profit or loss. The fair value of a contingent payment is recognised on the date of acquisition. If this conditional payment is classified as equity, it is not subsequently remeasured. Instead, the settlement figure is recognised in equity. In other cases, adjustments after initial recognition are recognised in profit or loss.

(4b) Joint ventures and associates (equity method)

A joint venture is a joint arrangement in which the Group has joint control together with other parties, and has a right to the net assets of the joint venture. The parties involved have agreed contractually that control is shared and that decisions concerning relevant activities require unanimous approval from the parties having joint control over the joint venture. A joint venture is recognised from the date on which the Group shares control until the date on which this ceases.

An associate is an entity over which the Group has significant influence, but cannot exercise control. Significant influence is presumed to exist when the Group holds 20% or more of the voting rights. An associate is recognised from the date on which the Group has significant influence until the date on which this ceases. Joint ventures and associates are recognised in accordance with the equity method and are initially recognised at acquisition cost. The investments of the Group include the goodwill determined during acquisition. The consolidated financial statements include the Group's proportionate share of the comprehensive income determined in accordance with the Group's accounting policies. If the Group's share of the losses is greater than the value of the interest in a joint venture or associate, the value of the interest is written down to nil. No further losses are then recognised except insofar as the Group has made a commitment or intends to recognise the losses.

(4c) Joint operations (proportional consolidation)

Joint operations are arrangements over which the Group exercises control jointly with third parties. For its share in a joint operation, the Group recognises its assets (including its share of the assets held jointly), liabilities (including its share of the liabilities incurred jointly), revenue (including its share of the revenue from the output of the joint operation) and expenses (including its share of the expenses incurred jointly). In practice, the method for recognising joint operations is comparable to that used for proportional consolidation.

(4d) Elimination of transactions on consolidation

Intragroup balances and any unrealised income and expense arising from intragroup transactions are eliminated when preparing the consolidated financial statements.

Unrealised income from transactions with associates, joint ventures and joint operations are eliminated in proportion to the Group's interests in the entities concerned.

(5) Transactions in foreign currency

Transactions in foreign currency are translated into euros at the exchange rate prevailing on the transaction date. Foreign currency balances, as well as assets acquired and liabilities paid in foreign currencies, are translated at the corresponding exchange rates prevailing on the closing date. Foreign currency differences resulting from translation are recognised in the statement of profit or loss.

(6) Revenue from contracts with customers

Revenue is recognised if the Group has entered into a contract with a customer in which the performance obligations can be identified and the terms of the transaction are clear and where the contract is of undeniable economic importance. It must also be probable that the customer will pay. Revenue is recognised on each individual contract. Revenue from portfolios of contracts with similar features is recognised on a portfolio basis if the result is not materially different from the revenue measured on an individual basis.

If a contract involves several performance obligations, revenue is separately attributed to the performance obligations concerned based on relatively stand-alone selling prices. Revenue is recognised at the time when the customer takes control of the fulfilled performances. Variable consideration is only recognised if it is highly probable that a significant revenue reversal will not occur.

- Revenue from additional work is included in the overall contract revenue if the client has accepted the sum involved in any way.
- Claims and incentives are recognised in the amount for work in progress where they derive from enforceable rights, it is highly probable that they will lead to revenue and can be reliably measured.
- If it is not highly probable that a penalty will not be applied, the amount of any penalties will be deducted from the revenue.

If the results from a contract cannot be determined reliably, contract revenue is only recognised insofar as it is probable that the costs incurred can be covered by revenue.

If a contract contains a significant financing component, the Group adjusts the revenue accordingly. This is not done if the time between the fulfilment of the performance obligation and the payment of the consideration is less than one year.

Expected contract losses are recognised immediately in the statement of profit or loss. In measuring the amount of provisions for losses, the Group proceeds on the basis of the economic benefits expected to be received compared with the attributable costs of the contract (see also 23d concerning loss-making contracts).

(6a) Sales of goods - mainly land

Revenue from the sale of goods – mainly land – is recognised at the agreed consideration or attributed consideration where the transfer of title to the land forms part of a combined purchase/construction contract in the case of residential projects. The revenue from the land is recognised at the time of legal conveyance.

(6b) Work in progress - projects

The revenue relating to work in progress is recognised in the statement of profit or loss when control is transferred to the client. Since the Group executes projects on land owned by the client, the client obtains control by accession according to progress made with completion of the project. The stage of completion is assessed by reference to the proportion of costs recorded in relation to the total expected costs. Inefficiencies are disregarded in determining the stage of completion.

(6c) Services

Revenue from the provision of services – mainly servicing and maintenance activities – is recognised in the statement of profit or loss in proportion to the work performed, since the client receives the benefits from and has use of the services at the same rate. The stage of completion is determined from assessments of the work already carried out.

(7) Other operating income

Book profits on the sale of assets and entities disposed of are accounted for as other operating income.

(8) Costs

(8a) Cost of sales

The cost of sales is made up of the carrying amount of goods sold and the costs allocated to the fulfilled performance obligations, including the expected losses on projects that are recognised immediately in the statement of profit or loss in accordance with 23d.

(8b) Selling expenses

Selling expenses are the costs of sales activities that are not charged to projects.

(8c) Administrative expenses

The administrative expenses represent general expenses that are not costs of sales and are not charged to projects.

(8d) Lease payments under operating leases

Lease payments made under operating leases are recognised in the statement of profit or loss, evenly spread over the term of the lease.

(8e) Lease payments under finance leases

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the total lease term so as to produce a constant periodic rate of interest over the remaining term of the liability.

(8f) Finance income and expense

Net financing costs comprise interest payable on borrowings and finance lease commitments, dividends on cumulative preference shares B, interest receivable on funds invested, dividend income, and foreign currency exchange gains and losses.

Financing expenses that can be directly allocated to the acquisition, construction or production of an asset are capitalised as part of the costs of that asset during the period that the asset is under development.

The interest component of a finance lease payment is recognised in the statement of profit or loss and is calculated using the effective interest method.

(9) Income tax

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the values used for taxation purposes. A deferred tax asset or liability is not recognised for non-deductible goodwill, assets and liabilities whose initial recognition does not affect accounting or taxable profit, or differences relating to investments in subsidiaries to the extent that these will probably not reverse in the foreseeable future. The amount of the deferred tax assets and liabilities is based on the manner in which the expected asset and liability carrying amounts will be realised or settled, based on the income tax rates that have been enacted or substantively enacted on the closing date.

Deferred tax assets and liabilities are set off against each other if there is a right enforceable by law to set them off, and if these tax assets and liabilities are associated with income tax levied by the same tax authority on the same taxable entity, or on different taxable entities that intend to set them off or that will be realising the tax assets at the same time as the tax liabilities.

Income tax recognised in the statement of profit or loss during the financial year comprises the income tax owed or refundable over the reporting period and the deferred income tax. The income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In that case, the relevant portion of the income tax is recognised in other comprehensive income.

The income tax owed or refundable over the financial year is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted on the closing date, as well as adjustments to tax payable in respect of previous years.

A deferred tax asset (net of any deferred tax liability) is recognised only to the extent that it is probable that future taxable profits will be available that can be utilised towards realising the deferred asset. The amount of the deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend is recognised.

(10) Property, plant and equipment**(10a) Assets in ownership**

Items of property, plant and equipment are measured at cost or estimated cost less accumulated depreciation (see below) and impairments (see accounting policy 19). Cost includes costs that can be directly allocated to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs, financing costs and any other costs that can be directly allocated to making the asset ready for use, as well as any costs of dismantling and removing the asset and restoring the site where the asset is located. The costs of self-constructed assets and acquired assets include (i) the initial estimate at the time of installation of the costs of dismantling and removing the assets and restoring the site on which the assets are located and (ii) changes in the measurement of existing liabilities recognised in relation to the costs identified in (i) above.

If elements of an item of property, plant or equipment have different useful lives, the component method is applied.

(10b) Leased assets

Leases for which the Group takes on nearly all the risks and rewards of ownership are classified as finance leases. The leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see below) and impairments (see accounting policy 19).

(10c) Expenses after initial recognition

The Group includes the cost of replacing part of an asset in the carrying amount of items of property, plant and equipment when the cost is incurred. This occurs if it is likely that the future economic benefits of the asset will accrue to the Group and the cost price of the asset can be reliably determined. All other expenses are taken to the statement of profit or loss when these are incurred.

(10d) Depreciation of property, plant and equipment

Depreciation is recognised in the statement of profit or loss using the straight-line method over the estimated useful life of each part of an item of property, plant or equipment. The residual values are reassessed on an annual basis. Depreciation is not applied to land. The estimated useful lives are as follows:

- Buildings: main building structures and roofs: 30 years
- Buildings: technical equipment: 15 years
- Buildings: interior walls: 10 years
- Office equipment: 3 - 10 years
- Machines: 5 - 10 years
- Installations: 5 - 10 years
- Large-scale equipment and other capital assets: 3 - 10 years

(10e) Investment property

Given its marginal importance, investment property (property held for its rental income and/or increase in value) is recognised under property, plant and equipment. Investment property is measured at cost, less accumulated depreciation and impairment losses. Cost includes costs that can be directly allocated to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs, financing costs and any other costs that can be directly allocated to making the asset ready for use, as well as any costs of dismantling and removing the asset and restoring the site where the asset is located.

(11) Intangible assets

(11a) Goodwill

All business combinations are recognised using the acquisition method. Goodwill is the amount that arises from the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities at the time of acquisition. An impairment test is carried out every year (see accounting policy 19).

Negative goodwill arising from an acquisition is recognised directly in the statement of profit or loss.

(11b) Other intangible assets

The intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated depreciation and accumulated impairments.

(11c) Amortisation

Regarding goodwill, an impairment test is systematically performed every year at the closing date to determine whether there are any impairments. The other intangible assets are amortised through the statement of profit or loss on a straight-line basis over the expected useful lives of the intangible assets, and undergo periodic impairment testing (see accounting policy 19). The estimated useful lives of the intangible asset categories are as follows

- Customer base: 5 - 20 years
- Order book: 4 years
- Sand quarry concession: 5 - 15 years
- Brand: 5 - 10 years

(11d) Expenses after initial recognition

Expenditure on intangible assets, other than goodwill, is only capitalised after initial recognition if it is expected to increase the future economic benefits that are inherent in the specific asset to which the expenditure relates. All other items of expenditure are recognised as costs in the statement of profit or loss when these are incurred.

(12) Financial instruments

A financial instrument is a contract that leads to a financial asset or financial liability for the Group.

(12a) Financial assets

The Group's main financial assets are:

- Loans granted (see 13)
- Trade and other receivables (see 16)
- Cash and cash equivalents (see 17)

Financial assets are classified as assets that are:

- carried at amortised cost after initial recognition, or
- carried at fair value with gains and losses included in the other components of comprehensive income, or
- carried at fair value with gains and losses accounted for in profit or loss.

This classification is based on the Group's business model for the management of the financial assets and the features of the contractual cash flows from the financial asset. The financial assets are to be carried at amortised cost (a) if both of the following conditions are satisfied:

- the financial asset is held as part of a business model aimed at holding financial assets for the purpose of receiving contractual cash flows, and
- the contractual terms of the financial asset give rise on certain dates to cash flows exclusively concerning repayments of principal and interest payments on the outstanding amount.

Both conditions are satisfied in the case of the above financial assets.

The financial assets are carried at amortised cost. On initial recognition, the amount of financial assets carried at amortised cost is measured using the effective interest method and is subject to impairment. Gains and losses are recognised in profit or loss when the asset matures, is settled, is revised or is subject to impairment.

The financial assets are recognised less a provision for expected credit losses. The amount of this provision is measured as the amount of the expected credit losses over the coming 12 months, based on the credit rating of the client. Subsequently, as long as there is no significant deterioration in the credit risk, the credit loss provision continues to be measured at the amount of the 12-month expected credit losses. If, however, a significant increase in the credit risk occurs, on either an individual or a collective basis, the amount of the expected credit loss provision is measured as the expected credit losses over the entire term to maturity of the instrument. In the case of trade receivables and work in progress assets, the simplified approach permitted by IFRS, involving consistent recognition of a loss allowance at an amount equal to lifetime expected credit losses, has been used.

(12b) Financial liabilities

The Group has the following financial liabilities:

- Interest-bearing loans (see 21)
- Trade and other payables (see 24)

These liabilities are carried at amortised cost after initial recognition, using the effective interest method. When a financial liability (or a part thereof) is eliminated or expires, it ceases to be recognised.

Swapping of debt instruments involving the same lender on substantially different terms is treated as a settlement of the original financial liability and recognition of a new financial liability. The same applies when the terms of an existing financial liability are substantially altered.

The difference between the carrying amount of a financial liability (or part thereof) that is redeemed or is transferred to a third party and the amount paid, including any transfer of assets other than cash and cash equivalents or assumed liabilities, is recognised in profit or loss.

(12c) Netting of financial assets and liabilities

Financial assets and financial liabilities are netted off and presented as a net amount in the balance sheet if:

- the Group has a legally enforceable right to net the amounts off, and
- the Group intends to settle the liability on a net basis or to realise the asset simultaneously with the settlement of the liability.

(13) Loans granted

Loans granted forms part of the financial assets (see 12). Loans granted that do not meet both conditions cited in 12 are carried at fair value with gains and losses accounted for in profit or loss. Loans granted that meet both conditions referred to are measured at amortised cost using the effective interest method, less impairments.

(14) Inventories

(14a) Strategic land portfolio

The strategic land portfolio represents the reported land holdings that are managed centrally in the Company's strategic land portfolio. These holdings are acquired and held for future property development. The interest and development costs for land portfolios that are under development are capitalised. The land holdings are measured at the lower of cost and net realisable value.

(14b) Other inventories

Other inventories includes unsold residential property in preparation and under construction, planning and building consents, land and premises for sale, raw materials and consumables, inventories in production and finished products.

Inventories is measured at cost, or at net realisable value if lower. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is based on the first-in, first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, the production or conversion costs, and the other costs incurred in bringing the inventories to its current location and current condition. The cost of inventories includes an appropriate share of production overheads based on normal operating capacity, as well as the attributable financing expenses.

Land and premises for sale concerns land and premises that have been technically delivered as developed but which on the closing date were not sold to third parties. The inventories of land and premises for sale is valued at cost (including interest and allocated overhead costs), less any write-downs relating to a lower net realisable value as a consequence of the risk of inability to sell or rent.

Up to year-end 2017, residential property in preparation and under construction representing a liability was included in the inventories. With effect from 1 January 2018, with the application of IFRS 15 Revenue from Contracts with Customers, this is presented as work in progress liabilities (see also 3.1.2 above).

(15) Work in progress debit

Work in progress assets concern the right to consideration in respect of work on projects carried out and transferred to the client. In practical terms, the item is made up of the revenue (see also 6) in proportion to the progress in fulfilling the performance obligation less invoiced instalments. Total expected project losses, if any, are directly recognised as expenses in the relevant period and are accounted for on the balance sheet in provisions (see also 23d). Up to year-end 2017, the provisions for losses were included in work in progress (see under 3.1.2 above for the implications of applying IFRS 15 Revenue from Contracts with Customers).

(16) Trade and other receivables

Trade and other receivables forms part of the financial assets (see 12). Trade and other receivables are carried at amortised cost less a provision for expected credit losses. In measuring the amount of the provision for expected credit losses, use is made of the simplified approach involving consistent recognition of an allowance at an amount equal to lifetime expected credit losses. Amounts still to be invoiced on concluded projects are recognised under trade and other receivables.

(17) Cash and cash equivalents

Cash and cash equivalents forms part of the financial assets (see 12). Cash and cash equivalents comprises cash and bank balances and other call deposits with an original term of a maximum of three months. Current account overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(18) Assets held for sale and discontinued operations

Non-current assets (or groups of assets and liabilities that are to be disposed of), for which it is expected that the carrying amount will probably be realised within one year mainly by means of a sale transaction and not through continued use, are classified as held for sale (or held for distribution), after it is established that the relevant conditions have been met. Immediately preceding this classification, the assets (or the components of a group of assets to be disposed of) are measured again in accordance with the Group's accounting policies. The assets or group of assets to be disposed of are generally measured at the carrying amount or the fair value less sale costs, if lower. Any impairment loss on a group of assets held for sale is first allocated to goodwill and then pro rata to the remaining assets and liabilities, subject to the restriction that impairment losses are not allocated to inventories, financial assets, deferred tax assets or employee benefits, all of which are measured in accordance with the Group's accounting policies. Impairment losses arising from the initial classification as held for sale or distribution and gains or losses on revaluation arising after initial recognition are recognised in the statement of profit or loss. If the gain concerned exceeds the accumulated impairment loss, the difference is not recognised.

A discontinued operation is an element of the Group's operations that represents a separate significant business activity or separate significant geographical business area that has been disposed of or is held for sale or distribution, or a subsidiary that has been acquired solely for the purpose of resale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria for classification as held for sale, if earlier. If an operation is designated as a discontinued operation, the comparative figures in the statement of profit or loss have been restated as if the operation had been discontinued from the beginning of the comparative period.

(19) Impairments

The carrying amounts of the Group's assets, excluding work in progress debit (see accounting policy 15), inventories (see accounting policy 14) and deferred tax assets (see accounting policy 9), are reviewed each closing 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 concerned.

For goodwill, intangible assets with an unlimited useful life, and intangible assets that are not yet ready for use, the recoverable amount is estimated at the closing date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

(19a) Determination of recoverable amount

The recoverable amount of an asset is equal to the higher of its net selling price and its value in use. To determine the value in use, the discounted value of the estimated future cash flows is calculated using a discount rate that reflects current market rates as well as the specific risks associated with the asset. For any asset that does not generate cash inflows and is largely independent of other assets, the recoverable amount is determined on the basis of its cash-generating unit.

(19b) Reversal of impairments

An impairment loss relating to securities held to maturity or assets measured at amortised cost is reversed if the increase in fair value subsequent to recognition of the loss can be objectively linked to an event that occurred after the impairment loss was recognised.

Impairment losses in respect of goodwill are never reversed.

In respect of other assets, impairments recognised in other periods are reversed if there is an indication that the impairment no longer exists or has decreased and if there has been a change in the estimates used to determine the recoverable amount.

An impairment 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 had been recognised.

(20) Share capital

(20a) Costs of issuing ordinary shares

Costs directly attributable to the issuing of ordinary shares are charged to equity, after deduction of any tax effects.

(20b) Repurchase of own shares

If shares representing capital that is recognised as equity in the balance sheet are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(20c) Dividend

Dividends are recognised as a liability in the period in which these are declared.

(21) Interest-bearing loans

Interest-bearing loans forms part of the financial liabilities (see 12).

(21a) Financing preference share capital

Preference share capital is classified as a liability because the dividend payments are not discretionary. Dividends on preference share capital are recognised as interest expense in the statement of profit or loss.

(21b) Loans

Interest-bearing loans are initially recognised at fair value less attributable transaction costs. Any difference between the amortised cost and the redemption amount calculated by the effective interest method is recognised in the statement of profit or loss over the term of each such loan.

(22) Employee benefits

(22a) Defined contribution plans

Commitments for contributions to defined-contribution pension plans are recognised as an expense in the statement of profit or loss when they are due.

(22b) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future pension benefit that employees have earned in return for their service in the reporting period and in previous periods. The discounted present value of these pension benefits is determined, and is reduced by the fair value of the plan assets. The discount rate is the yield at the closing date on high-quality corporate bonds that have terms to maturity approximately the same as the terms of the Group's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method. This method takes into account future salary increases resulting from employee career opportunities and general salary increases, including adjustments for inflation.

If the entitlements under a plan are changed, or a plan is curtailed, the resulting change in entitlements relating to past service, or the gain or loss on the closure, as the case may be, is recognised directly in the statement of profit or loss.

Actuarial gains and losses are recognised directly as other comprehensive income that will never be reclassified to the statement of profit or loss.

If the result of the calculation is a potential asset for the Group, recognition of the asset is limited to the present value of the economic benefits available as possible future refunds from the plan or lower future contributions. When calculating the present value of the economic benefits, possible minimum financing obligations that apply are taken into account.

(22c) Long-term employee benefits

The Group's net liability in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have accrued in return for their service in the reporting period and in previous periods, such as long-service payments, bonuses and incentives. The liability is calculated using the projected unit credit method and is discounted to determine its present value. The discount rate is the yield at the closing date on high-quality corporate bonds that have terms to maturity approximately the same as the terms of the Group's liabilities. Actuarial gains and losses on these benefits are recognised in the statement of profit or loss.

(22d) Severance payments

Severance payments are recognised as an expense if the Group has shown that it is committed to terminating the employment contract of an employee or group of employees before the normal retirement date, by producing a detailed, formal plan, without there being a realistic option of the plan being withdrawn.

(23) Provisions

A provision is recognised in the statement of financial position if the Group has a present legal or actual liability that is the result of a past event and it is probable that its settlement will require an outflow of funds. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where necessary, the risks specific to the liability. The accrued interest on provisions is treated as a financing charge.

(23a) Warranties

A provision for warranties is recognised after the underlying products or services have been sold and delivered. The provision is made for costs that must be incurred to correct deficiencies that appear after delivery but during the warranty period.

(23b) Restructuring

A restructuring provision is recognised (i) when the Group has approved a detailed and formal restructuring plan and (ii) the restructuring has either commenced or been publicly announced.

(23c) Environment

A provision for restoration of contaminated land is formed in accordance with the Group's environmental policy and applicable legal requirements.

(23d) Onerous contracts

A provision for onerous contracts is recognised if the economic benefits that the Group expects to receive from a contract are lower than the costs of meeting the contractual obligations. Where appropriate, the Group recognises impairment losses on any assets associated with the contract prior to forming the provision. See also note 3.1.2 concerning the application of IFRS 15 Revenue from Contracts with Customers and the deliberations regarding the measurement of contracts that make a loss in relation to the draft requirements on the matter.

(24) Trade and other payables

Trade and other payables forms part of the financial liabilities (see 12). Trade and other payables are recognised at amortised cost.

(25) Work in progress credit

Work in progress liabilities relates to work yet to be performed for clients on projects for which the Group has received a consideration from the client (or the client owes an amount). In practical terms, the item comprises the invoiced instalments less the revenue in proportion to the progress in fulfilling the performance obligation (see also 6). Total expected project losses, if any, are directly recognised as expenses in the relevant period and are accounted for on the balance sheet in provisions (see also 23d). Up to year-end 2017, the provisions for losses were included in work in progress (see under 3.1.2 above for the implications of applying IFRS 15 Revenue from Contracts with Customers).

(26) Cash flow statement

The statement of cash flows is prepared using the indirect method. The liquidity item in the statement of cash flows comprises cash and cash equivalents after deduction of current-account overdrafts that are repayable on demand.

(27) Segment reporting

A segment is a clearly distinguishable operation of the Group. The segments are identified in accordance with the classification used by the Executive Board when taking operational decisions. The Group distinguishes the following segments: Property Development, Residential Building, Non-Residential, and Infra. Residential and Non-Residential Building have been brought under unified control and integrated in the course of 2018 into a new segment of Building & Technology (Dutch name: Bouw & Techniek).

6. Notes related to the consolidated financial statements

x € 1.000

6.1 Segment reporting

x € 1.000

The Group distinguishes the following segments: Property Development, Building & Technology and Infrastructure, in line with the management conducted by the Executive Board. Residential and Non-Residential Building have been integrated and brought under unified control in the course of 2018 into the new segment of Building & Technology. The activities in Germany and Belgium were sold in 2017 and have been included in the statement of profit or loss as discontinued operations. The condensed statement of profit or loss for these operations are presented as a separate segment. The segments are managed primarily on the basis of operating results. In accordance with IFRS 8, the segment figures represent data that can be allocated to a segment either directly or on reasonable grounds.

Condensed statement of profit or loss by business segment

2018 Business segments	Property Development	Residential Building	Non- Residential	Eliminations	Building & Technology	Other / Infra	Eliminations	Continued operations
Revenue								
Third parties	502.535	162.974	280.558		443.532	632.144	921	1.579.132
Intercompany	-	277.529	4.803	-237	282.095	21.759	-303.854	0
Total revenue	502.535	440.503	285.361	-237	725.627	653.903	-302.933	1.579.132
Operating result	17.652	10.778	2.718		13.496	1.813	-10.354	22.607
Finance income								1.659
Finance expense								-9.504
Results of joint ventures and associates	2.371	0	445		445	2.419	567	5.802
Result before tax								20.564
Income tax								-75
Result after tax								20.489

2017 Business segments	Property Development	Residential Building	Non- Residential	Elimi- nations	Building & Technology	Other / Infra	Eliminations	Continued operations	Discontinued operations	Total
Revenue										
Third parties	391.004	102.735	235.625		338.360	669.366	3.485	1.402.215	85.059	1.487.274
Intercompany	-	194.488	4.780	-416	198.852	10.405	-209.257	0	0	0
Total revenue	391.004	297.223	240.405	-416	537.212	679.771	-205.772	1.402.215	85.059	1.487.274
Operating result	10.542	5.022	-9.151		-4.129	25.238	-17.321	14.330	30.994	45.324
Finance income								1.702	534	2.236
Finance expense								-10.803	-165	-10.968
Results of joint ventures and associates	1.848	0	-1.515		-1.515	-15.745	743	-14.669	-1	-14.670
Result before tax								-9.440	31.362	21.922
Income tax								0	-2.380	-2.380
Result after tax								-9.440	28.982	19.542

x € 1.000

Condensed statement of financial position and analysis by business segment

2018 Business segments	Property Development	Residential Building	Non- Residential	Building & Technology	Infra	Other	Eliminations	Continued operations
Assets	329.802	141.741	166.794	308.535	205.862	321.288	-426.834	738.653
Not allocated								37.453
Total assets	329.802	141.741	166.794	308.535	205.862	321.288	-426.834	776.106
Liabilities	284.255	136.554	155.634	292.188	187.319	190.353	-426.834	527.281
Not allocated								99.728
Total liabilities	284.255	136.554	155.634	292.188	187.319	190.353	-426.834	627.009
Equity								149.097
Total equity and liabilities								776.106
Property, plant and equipment								
Depreciation and amortisation	67	34	-	34	4.054	5.923	-	10.078
Investments	47	806	-	806	5.095	2.258	-	8.206
Intangible assets								
Amortisation	-	-	1.021	1.021	534	-	-	1.555
Joint ventures and associates								
Carrying amount	61.394	-	915	915	7.910	1.778	-	71.997

x € 1.000

2017 Business segments	Property Develop-ment	Residential Building	Non- Residential	Building & Technology	Infra	Other	Elimi- nations	Continued operations	Discon- tinued operations	Total
Assets	304.141	103.851	136.624	240.475	291.496	311.091	-409.341	737.862	-	737.862
Not allocated								32.941		32.941
Total assets	304.141	103.851	136.624	240.475	291.496	311.091	-409.341	770.803	-	770.803
Liabilities	267.299	98.704	133.919	232.623	258.965	161.449	-409.341	510.995	-	510.995
Not allocated								97.631		97.631
Total liabilities	267.299	98.704	133.919	232.623	258.965	161.449	-409.341	608.626	-	608.626
Equity								162.177		162.177
Total equity and liabilities								770.803		770.803
Property, plant and equipment										
Depreciation and amortisation	38	46	-	46	3.747	7.005	-	10.836	923	11.759
Investments	241	-	-	-	1.635	2.069	-	3.945	-	3.945
Intangible assets										
Amortisation	-	-	1.021	1.021	891	-	-	1.912	8	1.920
Joint ventures and associates										
Carrying amount	57.662	-	2.720	2.720	4.207	1.768	-	66.357	-	66.357

Transactions between business segments are conducted on arm's length terms that are comparable to those for transactions with third parties. Assets not allocated mainly concern deferred tax assets. Unallocated liabilities mainly concern interest-bearing loans and other financing commitments.

By the nature of its operations, the segment Infra is highly dependent on public sector contracts.

External revenues by country are as follows:

	2018	2017
Netherlands	1.579.132	1.402.214
Belgium	-	50.008
Germany	-	35.052
Total	1.579.132	1.487.274

Non-current assets by country are as follows:

	2018	2017
Netherlands	252.545	281.815
Belgium	323	123
Germany	271	271
Total	253.139	282.209

x € 1.000

Underlying EBITDA by business segment

2018 In € million	Property Development	Residential Building	Non- Residential	Building & Technology	Infra	Other	Continued operations
Underlying EBITDA	27,7	10,8	4,9	15,7	8,3	-8,5	43,2
EBITDA joint ventures	-3,6		-0,7	-0,7	-1,5		-5,8
Write-down on property assets	-6,4						-6,4
Restructuring costs			-0,5	-0,5	-0,4	-0,2	-1,1
Settlement sold subsidiaries						-1,0	-1,0
Release pension indexation						5,3	5,3
Total exceptional items	-10,0	0,0	-1,2	-1,2	-1,9	4,1	-9,0
EBITDA	17,7	10,8	3,7	14,5	6,4	-4,4	34,2
Depreciation and amortisation	-0,1		-1,0	-1,0	-4,6	-5,9	-11,6
Operating result	17,6	10,8	2,7	13,5	1,8	-10,3	22,6

2017 In € million	Property Development	Residential Building	Non- Residential	Building & Technology	Infra	Other	Continued operations	Discontinued operations	Total
Underlying EBITDA	19,9	5,3	-6,0	-0,7	15,9	-5,2	29,9	0,9	30,8
EBITDA of joint ventures	-3,1		0,9	0,9	16,4	-0,2	14,0		14,0
Write-down on property assets	-6,2						-6,2		-6,2
Restructuring costs		-0,2	-3,0	-3,2	-2,8	-2,0	-8,0		-8,0
Soil remediation						-3,0	-3,0		-3,0
Gains on sale of subsidiaries					0,4		0,4	31,0	31,4
Total exceptional items	-9,3	-0,2	-2,1	-2,3	14,0	-5,2	-2,8	31,0	28,2
EBITDA	10,6	5,1	-8,1	-3,0	29,9	-10,4	27,1	31,9	59,0
Depreciation and amortisation	-0,1	-0,1	-1,0	-1,1	-4,7	-6,9	-12,8	-0,9	-13,7
Operating result	10,5	5,0	-9,1	-4,1	25,2	-17,3	14,3	31,0	45,3

With underlying EBITDA, the Group is referring to earnings before tax, interest, depreciation and amortisation (equal to the operating result before depreciation/amortisation) including EBITDA joint ventures, adjusted for property write-down, reorganisation costs, book results on the sale of subsidiaries, impairment losses on goodwill, release pension indexation and other non-operating results considered exceptional by the Group that are relevant in the above statement. The soil remediation costs in 2017 relate to industrial sites sold as part of the restructuring. The underlying EBITDA is also used as the basis for calculation for covenant reporting to the bank consortium.

x € 1.000

6.2 Discontinued operations

On 17 January 2017, the Group sold its subsidiary Franki to PORR Deutschland GmbH. The purchase price of €14 million was paid in cash on 16 January 2017. In 2016, Franki generated a result after tax of approximately €0.4 million (before write-down of goodwill and property, plant and equipment). The book loss of €6.1 million associated with this disposal was recognised in 2016. €2.0 million of the loss was treated as an impairment of intangible assets and €4.1 million as an impairment of property, plant and equipment. The amount of cash included in the sale was nil.

On 25 April 2017, the Group sold all the shares of its Belgian companies Heijmans Bouw, Heijmans Infra, Van den Berg and Heijmans (B) NV to BESIX. The net cash proceeds for Heijmans (selling price of €95 million less cash of €55 million included in the sale) amounted to €40 million. The book profit on the disposal was €14 million. In the period prior to the date of disposal, these Belgian entities generated a combined result after tax of €0.5 million.

On 21 April 2017, the Group sold all the shares of Heijmans Oevermann GmbH to PORR Deutschland GmbH. The net cash proceeds for the Group (selling price of €58 million less cash of €15 million included in the sale) amounted to approximately €43 million. The book profit on the disposal was €17 million. Prior to the date of disposal, Oevermann generated a combined result after tax of approximately €2.5 million negative in 2017.

In the statement of profit or loss, the above results on disposal have been accounted for in discontinued operations.

The cash flows from discontinued operations (in 2017 up to the date of disposal) amounted to:

In € million	2017
Cash flows from discontinued operations	
Cash flow from operating activities	-44
Cash flow from investment activities	11
Cash flow from financing activities	-24
	-57

Prior to the disposal of the Belgian entities, there were a number of intercompany payments that have been included in the cash flow from investing activities and the cash flow from financing activities.

x € 1.000

6.3 Revenue

The disaggregation of revenue into categories that depict the way in which the nature, the amount, the timing and the uncertainty of revenues and cash flows are affected by economic factors runs along the lines of the segment information by sector:

Revenue	2018
Property Development	502.535
Building & Technology	725.627
Infra	653.903
Eliminations	-302.933
	1.579.132

Property Development revenue mainly relates to revenue from residential and investment property projects developed by Heijmans for private buyers (approx. €251 million in 2018) and for property investors and housing associations (together approx. €251 million in 2018) in general involving the delivery of both the land and the buildings. The projects for private buyers are usually not started until at least 70% has been sold. Invoicing of private buyers is according to the schedule adopted by the SWK (Stichting Waarborgfonds Koopwoningen – Owner-Occupied Housing Guarantee Fund) that is linked to predefined stages. The first instalment is invoiced when title to the land is transferred. Construction work on projects for property investors and housing associations does not start before the sale has been completed. The invoicing schedule is agreed with each client and, as in the case of private buyers, is generally linked to the completion of stages, the first instalment being invoiced upon conveyance of the land. The revenue from the land is recognised at the time of legal conveyance whereas the revenue from the buildings is recognised during the course of the construction period.

The revenue generated by Building & Technology mainly relates to the construction of housing and non-residential buildings and related installation work on behalf of clients in the private sector and the public or semipublic sector (approx. €530 million in 2018). Invoicing is according to a stage-based schedule, which may differ from one contract to another. Revenue is recognised during the course of the construction period. Other work involves service activities on clients' buildings and installations. Revenue from these activities (approx. €196 million in 2018) is recognised as and when these service and maintenance work takes place. A major client for the construction of residential property is Heijmans Vastgoed, representing internal sales that are eliminated. Construction only commences when orders have been confirmed.

The revenue generated by Infra mainly relates to the construction of roads and other civil engineering works on behalf of public authorities (approximately €584 million in 2018). Construction only commences when orders have been confirmed. Invoicing is according to a stage-based schedule, which may differ from one contract to another. Revenue is recognised during the course of the construction period. Other work involves service and maintenance activities on pieces of infrastructure. Revenue from these activities (approx. €43 million in 2018) is recognised as and when this service work takes place. Supplies of asphalt are also made to third parties, the revenue from which (approximately €25 million in 2018) is recognised at the time of delivery.

x € 1.000

In 2018, revenue totalling €117 million was recognised and this amount was included in work in progress liabilities as at 1 January 2018.

In 2018, revenue totalling €1 million was recognised relating to performance obligations fulfilled in earlier periods.

The amount of the transaction price that has been attributed to performance obligations that have not been fulfilled (in whole or in part) is approximately €1.9 billion, in line with the amount shown in the order book. Of this, approximately 57% will be fulfilled in 2019, 35% in the period 2020– 2024 and 8% in 2025 and beyond.

The Group has not adjusted revenue for significant financing components partly because the period between fulfilment of the performance obligations and payment by the client is less than one year.

6.4 Other operating income

Other operating income	2018	2017
Gain on sale of non-current assets	243	572
Miscellaneous	924	1.934
	1.167	2.506

The gain on the sale of non-current assets relates to the sale of machinery and equipment. The miscellaneous income includes the book profits on the disposal of entities.

x € 1.000

6.5 Staff costs, depreciation, and research and development expenses

Staff costs included under continued operations in the statement of profit or loss are broken down as follows:

Staff costs	2018	2017
Wages and salaries	-281.050	-266.773
Compulsory social insurance contributions	-42.297	-41.110
Defined contribution plans	-30.211	-29.313
Defined benefit plans and long-service payments	4.510	-568
	-349.048	-337.764

The income statement includes an amount of approximately €1 million (2017 €8 million) relating to reorganisation provisions.

The number of employees at year-end 2018 was 4,664 in the Netherlands (2017: 4,554).

For further disclosures concerning the income from defined benefit plans and long-service payments, refer to note 6.22.

Depreciation and amortisation relating to continued operations recognised in the statement of profit or loss is broken down as follows:

Depreciation and amortisation	2018	2017
Depreciation of property, plant and equipment	-10.078	-10.836
Amortisation of intangible assets	-1.555	-1.912
	-11.633	-12.748

Depreciation of property, plant and equipment is included in the cost of sales and administrative expenses.

Amortisation of intangible assets is recognised under other operating expenses.

The costs for research and development relating to continued operations recognised in the statement of profit or loss are:

Research & development costs	2018	2017
	-3.037	-2.841

Project work also involves research and development activities, which are reflected in the cost of sales. The costs relating to these activities are not included in the figures stated above.

x € 1.000

6.6 Other operating expenses

Other operating expenses for continued operations are broken down as follows:

Other operating expenses for continuing operations	2018	2017
Amortisation of intangible assets	-1.555	-1.912
	-1.555	-1.912

The amortisation of intangible assets includes the customer base and concessions for sand quarries.

6.7 Finance income and expense

The net financing expense for continued operations is broken down as follows:

Finance income and expense	2018	2017
Interest income	1.659	1.702
Finance income	1.659	1.702
Interest expense	-11.021	-13.399
Loan impairment reversal	-	1.100
Capitalised financing costs	1.517	1.496
Finance expense	-9.504	-10.803
	-7.845	-9.101

The net finance expense for 2018 amounts to €7.8 million, which is €1.3 million lower than the €9.1 million for 2017.

The interest and development costs for land portfolios that are under development are capitalised. The applicable interest rate that is used for capitalisation is 5.0% for 2018 (2017: 4.20%).

The average interest rate in 2018 was lower than in 2017, primarily as a consequence of the decreased interest margin on the syndicated bank financing that was agreed as part of the extension of the financing arrangement at the start of 2018. The effect is increased by a reduction in the average level of debt. For a summary of the interest rates, see note 6.21.

x € 1.000

6.8 Income tax

Recognised in the statement of profit or loss	2018	2017
Current tax charges or credits		
Current financial year	-133	-225
Prior financial years	0	-2.155
Amount of the positive effect of losses not previously recognised, receivables or temporary differences used to reduce the current tax charges	-	-
	-133	-2.380
Deferred tax charges or credits		
Relating to temporary differences and losses recognised in the current financial year	1.682	-1.590
Relating to the write-off of a deferred tax asset (charge) or to the reversal of a write-off (credit)	-1.624	1.590
Relating to adjustments for prior years	0	0
	58	0
Total tax charge in the statement of profit or loss	-75	-2.380

For 2018, the tax charge relating to continued operations is €75 thousand (2017: charge of nil).

The tax charges by country is as follows:

	2018	2017
Netherlands	-7	-
Belgium	-	-384
Germany	-68	-1.996
	-75	-2.380

x € 1.000

Analysis of the effective tax rate	2018		2017	
	%	€	%	€
Result before tax		20.564		21.922
Based on local tax rate	25,0%	-5.140	25,0%	-5.481
Effect of foreign tax rates	0,1%	-21	0,5%	-113
Non-deductible interest	4,3%	-891	4,1%	-891
Non-deductible amounts relating to the disposal of investees	0,0%	0	2,9%	-645
Non-deductible expenses, other	1,4%	-278	1,7%	-372
Tax breaks for investments	0,0%	1	0,0%	0
Non-taxable revenue in results of investees	-4,2%	862	14,5%	-3.185
Non-taxable proceeds from sale of investees	0,0%	0	-39,8%	8.727
Losses not recognised in current financial year and other deferred tax assets and the reversals thereof	3,2%	-648	0,3%	-62
Effect of utilising losses available for set-off	-10,1%	2.082	-7,3%	1.590
Effect of adjustments to estimates for prior years	0,0%	0	8,9%	-1.948
Effect of changes in the tax rate	1,4%	-294	-	-
Effect of recognising previously unrecognised losses	-20,7%	4.252	-	-
Overall tax burden	0,4%	-75	10,9%	-2.380

The effective tax rate for 2018 is 0.4% (2017: 10.9%).

The main differences between the profit calculated for reporting purposes and that for tax purposes concern the non-deductible interest expenses relating to the cumulative preference financing shares B, general limits on expense deductions in the various jurisdictions, the exempt results under the substantial-holding privilege, the exempt results on disposal and the non-deductible selling costs connected with the disposal of the international operations and non-recognition or reversal of losses in the Netherlands.

The effect resulting from the change in the rate of corporate income tax is the balance of the adjustments in the deferred tax assets and liabilities (loss of €4.2 million) and an amount of €3.9 million that is attributable to the actuarial differences accounted for in comprehensive income up to year-end 2018 (gain of €3.9 million).

x € 1.000

6.9 Income tax receivables and payables

Geographical segment	31 december 2018		31 december 2017	
	Receivables	Payables	Receivables	Payables
Netherlands	0	3	38	109
Belgium	-	-	-	-
Germany	-	146	-	-
	0	149	38	109

Income tax assets relate to outstanding income tax claims for financial years that have not yet been settled and for which excessive provisional assessments were paid. Income tax liabilities relate to outstanding income tax payments for financial years that have not yet been settled, supplemental to income tax assessments already paid, and taking account of prospective and retrospective loss relief rules.

6.10 Property, plant and equipment

Cost	Land & buildings	Machinery, installations and large-scale equipment	Other capital assets	Assets under construction	Total
Balance at 1 January 2017	55.755	76.084	51.434	1.679	184.952
Investments	373	1.434	1.219	919	3.945
Disposals	-441	-4.724	-11.361	0	-16.526
Reclassifications	135	994	631	-1.760	0
Balance at 31 December 2017	55.822	73.788	41.923	838	172.371
Balance at 1 January 2018	55.822	73.788	41.923	838	172.371
Investments	113	3.485	3.208	1.400	8.206
Disposals	-1.605	-3.002	-1.735	0	-6.342
Reclassifications	0	287	27	-314	0
Balance at 31 December 2018	54.330	74.558	43.423	1.924	174.235

x € 1.000

Depreciation and impairment losses	Land & buildings	Machinery, installations and large-scale equipment	Other capital assets	Assets under construction	Total
Balance at 1 January 2017	35.960	59.628	34.857	-	130.445
Depreciation and amortisation	2.231	3.438	5.167	-	10.836
Disposals	-296	-4.208	-10.981	-	-15.485
Balance at 31 December 2017	37.895	58.858	29.043	0	125.796
Balance at 1 January 2018	37.895	58.858	29.043	-	125.796
Depreciation and amortisation	2.022	3.236	4.820	-	10.078
Disposals	-1.590	-2.290	-1.721	-	-5.601
Balance at 31 December 2018	38.327	59.804	32.142	0	130.273
Carrying amount					
At 1 January 2017	19.795	16.456	16.577	1.679	54.507
At 31 December 2017	17.927	14.930	12.880	838	46.575
At 1 January 2018	17.927	14.930	12.880	838	46.575
At 31 December 2018	16.003	14.754	11.281	1.924	43.962

As at year-end, the contractual obligations relating to the acquisition of property, plant and equipment amounted to €2.0 million.

Given the limited importance, investment property (property held for its rental income and/or increase in value) has been recognised as other capital assets, rather than as a separate item in the statement of financial position. The carrying amount of investment property was €2.0 million at year-end 2018 (2017: €2.0 million).

x € 1.000

6.11 Intangible assets

Intangible assets consist of goodwill and other identifiable intangible assets.

Cost	Goodwill	Identifiable intangible assets	Total
Balance at 1 January 2017	156.606	47.859	204.465
Balance at 31 December 2017	156.606	47.859	204.465
Balance at 1 January 2018	156.606	47.859	204.465
Investments	365	145	510
Balance at 31 December 2018	156.971	48.004	204.975

Impairment losses and amortisation	Goodwill	Identifiable intangible assets	Total
Balance at 1 January 2017	88.581	34.265	122.846
Amortisation	-	1.912	1.912
Impairments of assets held for sale			
To assets held for sale			
Balance at 31 December 2017	88.581	36.177	124.758
Balance at 1 January 2018	88.581	36.177	124.758
Amortisation	-	1.555	1.555
Balance at 31 December 2018	88.581	37.732	126.313

Carrying amount	Goodwill	Identifiable intangible assets	Total
At 1 January 2017	68.025	13.594	81.619
At 31 December 2017	68.025	11.682	79.707
At 1 January 2018	68.025	11.682	79.707
At 31 December 2018	68.390	10.272	78.662

x € 1.000

The composition of the carrying amount for goodwill and other intangible assets at year-end 2018 is as follows:

Acquisition	2018		2017	
	Goodwill	Identifiable intangible assets	Goodwill	Identifiable intangible assets
IBC (NL-2001)	21.207	-	21.207	-
Burgers Ergon (NL-2007)	31.107	8.213	31.107	9.234
Other	16.076	2.059	15.711	2.448
Carrying amount at 31 December	68.390	10.272	68.025	11.682

Other mainly refers to the cash-generating unit Infrastructure (€15 million).

The remaining amortisation term for the intangible asset that was part of the Burgers Ergon acquisition is 8 years.

The remaining intangible assets of the other acquisitions relate mainly to concessions for sand quarries.

The amortisation of the other intangible assets is recognised in the statement of profit or loss under other operating expenses.

Goodwill is tested annually for impairment, based on the relevant cash-generating unit. For an explanation of the calculation of the recoverable amount, reference is made to the accounting policies. The impairment tests are based on the value in use calculated by means of the discounted cash flow method. The pre-tax WACC (weighted average cost of capital) used for this calculation amounts to 11.7% (2017: 12.2%), corresponding to a discount rate after tax of 9.3% (2017: 9.5%).

The value in use of the cash-flow generating business units is based on their expected future cash flows. The period adopted to determine the present value of cash flows is indefinite. In the determination of future cash flows, the medium term planning for the relevant cash-flow generating unit is used. The assumptions underlying the medium term planning are partly based on historical experience and external information sources. The medium to long-term planning generally covers a period of 5 years. Cash flows after 5 years are extrapolated using a growth rate of 1.5% (2017: 1.5%).

The recoverable amount calculated for the impairment test depends among other things on the growth rate used and the period over which the cash flows are realised. Other important variables are the expected revenue growth, probable margins and working capital requirements.

x € 1.000

The expected cash flows are discounted using a pre-tax WACC of 11.7%. If the pre-tax WACC were 1 percentage point higher, this would not result in an impairment. Cash flows after five years are extrapolated using growth rates not exceeding 1.5%. If this maximum were 1 percentage point lower, this would not result in an impairment.

The cash-flow generating unit Non-Residential - to which the goodwill and other intangible assets of BurgersErgon and the majority of the goodwill for IBC is allocated, totalling €58 million (2017: € 60 million) - is sensitive to changes in the assumptions, with the possibility that the recoverable amount could become lower than the carrying amount. According to the impairment test, the recoverable amount of the cash-flow generating unit Non-Residential is currently some €39 million (2017: €20 million) higher than the carrying amount. One significant factor in this context is the change in the EBIT (earnings before interest and tax) margin. For the purposes of the test, revenue has been assumed to rise to a level of around €380 million in 2023 (2018: €285 million actual revenue), partly on the back of developments providing multi-functional high-rise residential construction. A key assumption is that the EBIT margin grows to 1.8% (2017: 1.9%) of revenue. If the EBIT margin is only 1.0% (2017: 1.2%), the recoverable amount is equal to the carrying amount.

6.12 Joint ventures and associates

The interests in joint ventures and investments in associates included in the statement of financial position breaks down as follows:

	2018	2017
Joint ventures	67.577	62.048
Associates	4.420	4.309
	71.997	66.357

Joint ventures

The reconciliation of the Group's interests in joint ventures, as recognised in the statement of financial position, including equity is shown below.

	2018	2017
Interest in the capital of Property Development joint ventures	61.394	57.662
Interest in the capital of other joint ventures	3.728	-6.684
	65.122	50.978
Negative asset values recognised in other provisions	2.455	11.070
	67.577	62.048

x € 1.000

The amounts presented below are the Group's shares in the results of joint ventures, with respect to the continued operations.

	2018	2017
Share of the net result of property development joint ventures	2.391	1.848
Share of the net result of other joint ventures	2.523	-17.205
	4.914	-15.357

The property development joint ventures in which the Group participates achieved revenue of €34 million in 2018 (2017: €24 million). In total, they have inventories of €98 million (2017: €99 million), mainly in the form of a strategic land portfolio. The aforementioned amounts relate to the Group's share.

Included in the 'other joint ventures' are projects carried out on a consortium basis.

In a number of joint ventures, there are limits on the payout of dividends, often depending on the preference specified for repayment of the debts of the joint ventures concerned.

The group has undertaken commitments to joint ventures totalling €3 million (2017: €4 million) relating to the granting of subordinated loans if certain conditions are met. Apart from the commitments and contingent liabilities disclosed in notes 6.26, 6.27 and 6.28, the Group has no commitments or contingent liabilities relating to joint ventures.

Associates

The amounts shown below concern the interests of the Group in the equity and results of associates:

	2018	2017
Interests in the equity of associates	4.420	4.309
Interests in the net results of associates	888	688

x € 1.000

6.13 Loans granted to joint ventures

	2018	2017
Loans granted to joint ventures	22.512	29.507
Other long-term lending	124	124
Balance at 31 December	22.636	29.631

The long-term loans mainly concern loans granted to property development joint ventures. An amount of €1 million (2017: €16 million) of this item falls due within 1 years, with €18 million maturing after more than 5 years, including those with indefinite maturity (2017: €14 million). The weighted average interest rate is approximately 3.2%(2017: 3.5%). The loans are repayable and are secured by pledged assets and by cash flows from projects being carried on by the joint ventures concerned.

6.14 Deferred tax assets and liabilities

The net amount of the deferred tax assets and liabilities relating to temporary differences between the carrying amounts for tax purposes and for reporting purposes of items on the statement of financial position, together with recognised tax-loss carryforwards, can be broken down as follows:

	Receivables 31 december		Liabilities 31 december		Net amount 31 december	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	-	-	146	259	-146	-259
Intangible assets	-	-	1.829	2.987	-1.829	-2.987
Employee benefits	2.973	-	0	3.206	2.973	-3.206
Provisions	445	33	-	-	445	33
Recognised tax-loss carryforwards	33.890	35.629	-	-	33.890	35.629
Deferred tax assets and liabilities	37.308	35.662	1.975	6.452	35.333	29.210
Set-off of deferred tax assets and liabilities	-1.426	-5.845	-1.426	-5.845	-	-
Net deferred tax assets and liabilities	35.882	29.817	549	607	35.333	29.210

x € 1.000

The movement in the statement of financial position of the deferred tax assets and liabilities in 2018 breaks down as follows:

	Net amount at 31 December 2017	IFRS 15 adjustment	Recognised in income tax	Recognised in other comprehen- sive income	Net amount at 31 December 2018
Property, plant and equipment	-259	-	113	-	-146
Intangible assets	-2.987	-	1.158	-	-1.829
Employee benefits	-3.206	-	649	5.530	2.973
Provisions	33	-	-33	-	0
Other items	0	535	-90	-	445
Recognised tax-loss carryforwards	35.629	-	-1.739	-	33.890
Total	29.210	535	58	5.530	35.333

The movement in the statement of financial position of the deferred tax assets and liabilities in 2017 breaks down as follows:

	Net amount at 01 January 2017	Recognised in income tax in income tax	Recognised in other comprehen- sive income	Net amount at 31 December 2017
Property, plant and equipment	-510	251	-	-259
Intangible assets	-3.291	304	-	-2.987
Employee benefits	-2.473	-606	-127	-3.206
Provisions	90	-57	-	33
Other items	0	-	-	0
Recognised tax-loss carryforwards	35.521	108	-	35.629
Total	29.337	0	-127	29.210

Measurement of deferred tax assets

At year-end 2018, the recognised loss carry forward was €34 million, which relates to the loss carryforward of the Dutch tax group. This loss carryforward has been set off against the tax group's deferred tax liabilities. The Dutch tax group's currently recognised tax losses from prior years are subject to a loss carryforward period of 9 years. A deferred tax asset is recognised to the extent that it is probable, based on forecasts, that sufficient future taxable profits will be available that can be utilised towards realising the deferred asset. A relatively small number of large problem projects produced the losses, Measures have been taken to prevent such losses. Most of the activities perform according to plan. The forecasts are based on the order book, the 2019 business plan, and the long-term forecast. These also underlie the measurement of the recoverable amount

x € 1.000

of goodwill (for impairment tests). For the long-term forecast, the average EBIT margin of the Dutch tax group is assumed to grow to approximately 3% of revenue. The remaining settlement term of 9 years is longer than the period currently used until 2023. A factor inherent in the measurement of the deferred tax assets is that the utilisation of losses depends on the realisation of the 2019 business plan and the long-term forecasts, which are the Group's best estimates. Based on the projected results for the years 2019-2023 and the current and future tax rates of 25% for 2019, 22.5% for 2020 and 20.5% for 2021 and ensuing years, there will be sufficient taxable profits over the next few years to enable the tax asset recognised as at 31 December 2018 to be realised.

Measurement of deferred tax liabilities

For determining the amount of the deferred tax liabilities, the value for tax purposes of the construction work in progress in the Netherlands (including residential building projects) is largely treated as being equal to the value under IFRS.

Deferred tax assets or liabilities are recognised for any temporary differences originating at subsidiaries, joint operations or joint ventures. No deferred tax assets or liabilities have been recognised for temporary differences arising from investments in associates in view of their relative insignificance.

The majority of the deferred tax liabilities have a term of more than one year.

Tax losses not recognised in the statement of financial position

At year-end 2018, the tax-deductible losses of the Heijmans NV tax group amounted to €258.4 million (2017: €261.3 million). An analysis of this figure shows that €27.8 million relates to 2012, €69.6 million to 2014, €43.1 million to 2015, and €117.9 million to 2016. Out of the total, €103.1 million has not been recognised. At year-end 2018, the other tax losses not recognised in the statement of financial position amounted to €42.5 million (2017: €40.9 million). This relates to one German and two Belgian subsidiaries that conduct no operations.

x € 1.000

6.15 Inventories

	31 december 2018	1 january 2018 after IFRS 15	31 december 2017
Strategic land portfolio	127.351	150.043	150.043
Residential property in preparation and under construction	69.295	44.621	27.040
Raw materials and consumables	8.919	8.769	8.769
Finished products	1.370	1.341	1.341
Total	206.935	204.774	187.193
Carrying amount of inventories pledged as security	80.295	75.588	75.588
Finished products measured at net realisable value	1.313	1.313	1.313

Strategic land portfolio

The strategic land portfolio comprises land holdings that are measured at cost or net realisable value if lower. The net realisable value of these holdings may be either the direct realisable value or the indirect realisable value. The recognised net realisable value depends on the expected manner and time horizon of realisation and in most cases, therefore, is measured using an indirect realisable value method. The indirect realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, the expected cash flows usually being discounted to net present value using a discount rate of 6% unless a different rate has been agreed, for example on the basis of favourable financing arrangements available within a joint undertaking. In fixing the discount rate, account is taken of the expected capital structure, operational risks and specific circumstances affecting Heijmans or the project concerned.

Determining the indirect realisable value involves the use of judgements and estimates. The strategic land portfolio is affected by several elements of uncertainty, such as demographic changes, location and details and implementation of development plans and administrative decisions, with as local a focus as possible. This provides a location-specific forecast of developments in land and house prices and other variables, which ultimately determine the indirect revenue value of the land holdings. The Group makes a comprehensive internal assessment of the value of its land holdings twice a year.

In general, the risk of deviations from the judgements and estimates is greater for strategic land holdings without planning permission than for those with. Moreover, this risk keeps increasing the longer the expected delay is before the start of development.

The net realisable value of the strategic land portfolio was calculated in 2018 and compared with the carrying amount. This led to a write-down of €6.4 million (2017: write-downs totalling €5.2 million and a reversal of an earlier write-down of €1.0 million concerning a joint venture). The decreases in value are partly due to specific local conditions that have adversely affected the success of projects, time to completion, expected margins and the number of homes completed.

x € 1.000

In principle, the strategic land portfolio and the residential property in preparation and under construction have terms of more than 12 months after the closing date (mostly 2 to 10 years). The other items in principle have a term of less than 12 months.

For more information on the pledging of land portfolios in connection with the financing agreements, refer to note 6.21.

Projects relating to residential property in preparation and under construction representing a liability are accounted for under IFRS 15 under a heading of work in progress on the liabilities side of the balance sheet. Under the previous requirements, the Group presented such projects in the net amount of work in progress on the assets side of the balance sheet. See Section 5 Accounting Principles, paragraph 3.1.2, for further disclosures concerning the consequences of applying IFRS 15.

6.16 Work in progress

	31 december 2018	1 january 2018 after IFRS 15	31 december 2017
Costs less provisions for losses and risks, plus profits based on percentage of completion	-	-	1.789.727
Performance obligations fulfilled and transferred to clients (in practical terms, this item comprises realised revenue based on percentage of completion)	2.635.681	1.999.392	-
less: Invoiced instalments	-2.726.655	-2.052.198	-1.857.428
Balance of work in progress	-90.974	-52.806	-67.701
Work in progress assets (positive balance of work in progress)	51.415	64.747	61.264
Work in progress liabilities (negative balance of work in progress)	-142.389	-117.553	-128.965
Balance of work in progress	-90.974	-52.806	-67.701

With effect from 1 January 2018, following the application of IFRS 15 Revenue from Contracts with Customers, projects relating to residential property in preparation and under construction representing a net liability (totalling €18 million) are presented separately as work in progress liabilities. Up to year-end 2017, this item was included as a net amount in the balance sheet under inventories. As at year-end 2018, the residential property in preparation and under construction representing a net liability amounted to €41 million. See also Section 5 Accounting Principles, para 3.1.2, for further disclosures concerning the consequences of applying IFRS 15.

With effect from 1 January 2018, following the application of IFRS 15 Revenue from Contracts with Customers and having

x € 1.000

regard to IAS 37 concerning provisions, provisions for onerous contracts relating to projects (totalling €32 million) are included in 'Provisions'. Up to year-end 2017, the provision was deducted from work in progress. As at year-end 2018, the provision for onerous contracts relating to projects amounted to € 26 million. See also Section 5 Accounting Principles, para 3.1.2, for further disclosures concerning the consequences of applying IFRS 15.

A periodical assessment of the carrying amount of work in progress is made for each project by the project owner and the management of the unit concerned. This assessment is essentially performed on the basis of the figures in the project files, the project accounts and the knowledge and experience of those involved. Inherent in this process and the project-related activities is that estimates have to be made and that the Group is involved in negotiations and discussions concerning the financial progress of projects, such as contract savings or extras, claims, incentives and penalties, completion dates and the quality standard of the work. It may turn out at a later stage that actual results differ from the estimates. This will be so particularly for long-term projects that include considerable customisation. It can also occur if there are unsettled claims or discussions with clients about additional work that are still continuing on the closing date. For further details on a number of specific projects, refer to note 6.30.

The degree of uncertainty surrounding these estimates becomes greater the more, for example:

- types of contract and associated specific agreements involve increased risks for the Group. In a DC contract, for example, the Group assumes the design risk (as well as construction). DBMO contracts also include responsibility for maintenance and operation;
- projects are still at the design stage. It is possible for substantial changes to occur in the process of turning a provisional design into the final design, leading to adjustments both up and down compared with the initial projection. Projects are also fraught with opportunities and risks during execution. For example there may be extra work, claims or unforeseen circumstances with a potential cost to the Group.

Variable consideration is only recognised if it is highly unlikely that a significant revenue reversal will occur.

- Revenue from additional work is included in the overall contract revenue if the client has accepted the sum involved in any way.
- Claims and incentives are recognised in the amount for work in progress where they derive from enforceable rights, it is highly probable that they will lead to revenue and can be reliably measured.
- Unless it is highly unlikely that a penalty will be applied, the amount of any penalties will be deducted from the revenue.

Bonuses are recognised as revenue from work in progress if the project is far enough advanced and it is highly probable that the performance indicators specified will be met (and it is highly probable that no significant reversal will occur), and the bonus amount can be reliably determined. If the bonus can only be received after expiry of a predetermined period following completion of the project, then that bonus is only recognised when it is highly probable that the bonus will be received (and it is highly probable that no significant reversal will occur).

Work in progress assets concerns the right to consideration in respect of work on projects carried out and transferred to the

x € 1.000

client.

Work in progress liabilities concerns the obligation to carry out work on projects for clients for which the Group has received a consideration from the client (or the client owes that amount).

Work in progress assets and liabilities generally have a term of less than 12 months.

Work in progress assets and liabilities do not include any items of a material nature relating to marginal costs for securing or fulfilling a contract.

6.17 Trade and other receivables

	31 december 2018	31 december 2017
Trade receivables	132.425	120.304
Amounts still to be invoiced on concluded projects	7.579	15.146
Receivables from joint operations	12.534	5.016
Prepayments	9.070	10.642
Other receivables	14.077	14.554
Total trade and other receivables	175.685	165.662

Trade receivables are presented after deduction of impairment losses. On the amounts still to be invoiced on concluded projects no impairment losses have been deducted. The write-down for expected bad debts is recognised in the statement of profit or loss under administrative expenses. At year-end 2018, a provision of €1.3 million was formed for impairment of trade receivables (2017: €2.0 million).

Trade and other receivables are mainly short-term.

x € 1.000

6.18 Cash and cash equivalents

	31 december 2018	31 december 2017
Bank balances	86.836	69.172
Cash in hand	0	0
Funds in blocked accounts	2.096	5.265
Total cash and cash equivalents	88.932	74.437

Of the total cash and cash equivalents, €36 million (2017: €48 million) is held by joint ventures. These cash and cash equivalents are exclusively available in consultation with the joint venture partners concerned.

The funds in blocked accounts mainly relate to the obligatory G accounts (guarantee accounts) under the Dutch Wages and Salaries Tax and Social Security Contributions (Liability of Subcontractors) Act.

Cash is utilised to reduce the Group's financing to the extent contractually and practically permitted, for example, by making the balances concerned part of notional cash pool arrangements.

6.19 Equity

Paid-up and called-up share capital In thousands of shares	2018	2017
Outstanding at 1 January	21.409	21.407
Share Matching Plan	0	2
Outstanding at 31 December	21.409	21.409

Refer to statement 2b for disclosures on the changes in equity, and to the Company financial statements for disclosures on the authorised share capital, the statutory reserve for investees, the hedging reserve, the appropriation of results and other figures.

In April 2017, the Group issued 2,289 shares in connection with the vesting of deferred bonus shares awarded to members of the Executive Board in April 2014 under the Share Matching Plan (see note 6.29).

x € 1.000

6.20 Earnings per share

Basic earnings per ordinary share

The basic earnings per share in 2018 on the combined operations amounted to €0.96 (2017: €0.91 for all operations and 2017: €-0.44 for continued operations). The calculation is based on the result after tax attributable to the holders of ordinary shares or depositary receipts for ordinary shares and the weighted average number of ordinary shares that were outstanding during 2018.

Result attributable to holders of ordinary shares (all operations)	2018	2017
Result attributable to holders of ordinary shares after tax	20.489	19.542
Weighted average number of ordinary shares In thousands of shares	2018	2017
Ordinary shares outstanding on 1 January	21.409	21.407
Effect of shares issued under the Share Matching Plan on 28 April 2017	-	1
Weighted average number of ordinary shares at 31 December	21.409	21.408

Diluted earnings per ordinary share

The calculation of the diluted earnings per share in 2018 is based on the weighted average number of ordinary shares during the year, which was 21,409 thousand. In the calculation of the dilution effect, the dilution is related to the award of deferred bonus shares under the Bonus Investment Share Matching Plan (see note 6.29).

x € 1.000

6.21 Interest-bearing loans and other financing liabilities

The breakdown of interest-bearing loans and other financing liabilities is shown below.

31 December 2018	Non-current portion	Current portion	Total
Cumulative financing preference shares B	45.100	-	45.100
Syndicated bank financing	-	-	-
Project financing	4.245	0	4.245
Other non-current liabilities	3.068	4.701	7.769
Current account overdrafts with credit institutions	-	1.165	1.165
Total liabilities	52.413	5.866	58.279

31 december 2017	Non-current portion	Current portion	Total
Cumulative financing preference shares B	45.100	-	45.100
Syndicated bank financing	-	-	-
Project financing	67	267	334
Other non-current liabilities	9.370	4.834	14.204
Current account overdrafts with credit institutions	-	1.128	1.128
Total liabilities	54.537	6.229	60.766

x € 1.000

Cumulative financing preference shares B

At year-end 2018, 4,510,000 cumulative financing preference shares B were outstanding at €10 a share. The annual dividend coupon on these shares, with effect from 1 January 2014, is 7.9% and is payable annually, 14 days after the General Meeting of Shareholders. The Group has the right to repurchase or cancel these preference shares before their maturity date in case of an interest rate change or at any other time subject to payment of compensation. There is no repayment obligation. The dividend will be reviewed on 1 January 2019 and every 5 years thereafter. The terms applicable with effect from 1 January 2019 have now been agreed, subject to the approval of the General Meeting of Shareholders. See the financial developments section of the report for further details.

Syndicated bank financing

The syndicated bank facility amounted to €121.4 million as at year-end 2018. This amount is fully committed and is made up of an overdraft facility of €25 million with ING and a revolving credit facility of €96.4 million with ABN Amro, ING and Rabobank. This facility was refinanced in May 2018, providing an extension of three years, with a maturity date of 30 June 2022. Efforts made to achieve more robust balance sheet ratios, have resulted in a gradual reduction in the facility from €256 million in 2016 to the present €121 million. In order to achieve this, KBC was removed from the banking syndicate prematurely in October 2018, a repayment that was originally scheduled for the first half of 2019.

At the start of the year, the interest margin on the committed facility was 4% and this was reduced to 3% at the time of the refinancing, with effect from 16 May 2018. The future amount of the interest margin depends on the performance agreements, with the potential to drop to 1.65%. Improved performance means that the interest margin will improve to 2.25% in Q1 2019. Collateral security has been provided for the facility. This is predominantly in the form of pledging of trade receivables and bank balances as well as a first mortgage on land holdings recognised at a combined carrying amount of approximately €70 million.

At the time of the refinancing, the financial covenants were also reviewed. If these covenants are not met, the facility is in default. A new requirement is a minimum solvency ratio of 20% as at year-end 2018 and 2019 and 22.5% as at year-end 2020 and subsequent years. This ratio is measured only once a year and the effects on the balance sheet resulting from IFRS 15 (already implemented, with a downward impact of approximately two percentage points) and from IFRS 16 (to be implemented next year) have to be eliminated for the purposes of the calculation. The solvency ratio calculation involves dividing the capital base by total assets, the capital base being made up of equity plus the cumulative financing preference shares B.

An interest cover ratio also applies, calculated at the end of each quarter, the minimum value being 4. In addition, a leverage ratio is to be calculated twice a year (30 June and 31 December), which must not exceed 3, and a maximum average leverage ratio of 1.5 calculated quarterly. The maximum permitted average leverage ratio reduces to 1.0 with effect from 31 March 2019. Satisfying the covenants is actively monitored within Heijmans. Based on the 2019 business plan, together with the already achieved quarterly figures during 2018, the Group expects to be able to continue operating within the covenants in the year ahead, the key parameters here being the development in EBITDA and net debt. Changes in the net debt position are a function of fluctuations in working capital, behind which lie seasonal effects and fluctuations due to specific projects in particular. During the course of the year, the working capital requirement is traditionally higher than at year-end, leading to an increase in net debt by as much as €50-100 million. The syndicated loan, which was not drawn on at all as at year-end 2018, is available to fund fluctuations in working capital.

x € 1.000

The interest cover ratio is calculated as EBITDA divided by net interest expense. The leverage ratio is obtained by dividing net debt by EBITDA (earnings before interest, tax, depreciation and amortisation). The definitions of these items include several adjustments to the reported figures, as agreed with the bank consortium in the credit agreement. The main adjustments compared with the net debt for accounting purposes are an increase in respect of the net debt from joint ventures and a decrease in respect of the outstanding amount of the cumulative financing preference shares B and certain specific project financing arrangements where there is no recourse against Heijmans. The main adjustments compared with the accounting EBITDA concern the capitalised interest, results relating to business units that have been sold off, fair value adjustments, reorganisation costs and EBITDA results from joint ventures. The main adjustments to the reported net interest expense concern the exclusion of interest expense on non-recourse project financing and cumulative financing B preference shares. Heijmans operated within the agreed covenants throughout the year.

Reconciliation between the underlying results, EBITDA, net debt and net interest expense as reported and in accordance with the definitions agreed with the bank consortium, and the calculation of the 2018 ratios, is presented below.

Amounts x €1 million	note	2018	2017
Interest-bearing debt	6.21	58,3	60,8
Cash and cash equivalents	6.18	-88,9	-74,4
Net debt		-30,6	-13,6
<i>Adjustments for:</i>			
Net debt of joint ventures		78,1	89,2
Non-recourse net debt for project financing		-92,4	-95,0
Cumulative financing preference shares B	6.21	-45,1	-45,1
Other		2,1	5,3
Covenant net debt (A)		-87,9	-59,2
Reported EBITDA	6.1	34,2	59,0
EBITDA of joint ventures	6.1	5,8	-14,0
Exceptional items	6.1	3,2	-14,2
Underlying EBITDA		43,2	30,8
<i>Adjustments for:</i>			
Capitalised interest	6.7	1,5	1,5
EBITDA for project with non-recourse financing		-4,2	-5,2
Other		-1,3	-1,3
Covenant EBITDA (B) - Interest Cover		39,2	25,8
EBITDA attributable to disposals		-	0,9
Covenant EBITDA (C) - Leverage Ratio		39,2	24,9

x € 1.000

Amounts x €1 million	note	2018	2017
Net interest expense		9,4	11,3
<i>Adjustments for:</i>			
Joint venture net interest expense		1,1	1,1
Non-recourse project financing interest expense		-2,8	-2,8
Interest on cumulative financing preference shares B	6.21	-3,6	-3,6
Other		-3,9	-2,7
Net covenant interest expense (D)		0,2	3,3
Equity	2.	149,1	162,2
Cumulative financing preference shares B	6.21	45,1	45,1
Capital base		194,2	207,3
<i>Adjustments for:</i>			
IFRS 15 adjustments	5.	1,3	-
Capital base covenants (E)		195,5	207,3
Total assets		776,1	770,8
<i>Adjustments for:</i>			
IFRS 15 adjustments	5.	-40,4	-
Total assets covenants (F)		735,7	770,8
Leverage ratio (A/C) <3		-2,3	-2,4
Interest cover ratio (B/D) >4		180,3	7,7
Average net debt covenants <1.5		-0,3	
Solvency ratio (E/F) >20%		26,6%	26,9%

Minimum levels of EBITDA and solvency were agreed in 2017.

x € 1.000

Project financing

Project financing arrangements have been entered into in connection with specific real estate and other projects. The project financing repayment schedules are usually related to the progress on projects. Project financing generally expires no later than the date of completion and/or sale of the projects. Recourse is limited to project assets only, including future positive cash flows from these projects, as well as the contracts and mortgage collateral related to the project / project company in most cases. Heijmans N.V. has guaranteed the repayment of principal and/or payment of interest up to an amount of €4.2 million (2017: €0.3 million) of the total project financing.

Other liabilities

The other liabilities concern financing arrangements provided by related parties in a number of specific investments in land. As security for these financing arrangements, amounting to €7.8 million (2017: €14.2 million), Heijmans has provided guarantees in respect of repayments/payment of interest.

Average interest rate	2018	2017
Cumulative financing preference shares B	7,9%	7,9%
Syndicated bank financing*	3,7%	3,9%
Project financing	1,1%	1,6%
Other bank financing	3,3%	2,5%
Other non-current liabilities	3,0%	3,1%

* The disclosed percentage is exclusive of amortised refinancing costs and fees. Including fees, the figure is 6.1% (2017:4.9%) and, including amortised refinancing costs, the figure is 15.2% (2017:7.3%).

Movements in interest-bearing liabilities

The movements in 2017 in the interest-bearing liabilities were as follows:

	2018	2017
Opening balance	60.766	177.035
Recognised liabilities	4.243	-
Liabilities redeemed	-6.730	-116.269
Closing balance	58.279	60.766

x € 1.000

6.22 Employee benefits

Movement in the liability for defined benefit plans and long-service payments

	Liability		Fair value of assets		Net liabilities relating to defined benefit rights and long-service payments	
	2018	2017	2018	2017	2018	2017
Balance at 1 January	417.170	427.891	429.999	437.966	-12.829	-10.075
<i>Recognised in profit or loss</i>						
Service cost	264	282	-	-	264	282
Interest expense/income	7.531	7.455	7.507	7.575	24	-120
Settlements and curtailments	-5.951	-	-	-	-5.951	0
Actuarial result long-service payments	243	-87	-	-	243	-87
Administrative and other expenses	-	-	-910	-580	910	580
<i>Recognised in other comprehensive income</i>						
Actuarial result, experience	301	-729	-	-	301	-729
Actuarial result, life expectancy	-3.921	-	-	-	-3.921	-
Actuarial result, indexing	7.407	3.398	-	-	7.407	3.398
Actuarial result, discount rate	6.218	-6.769	-	-	6.218	-6.769
Actuarial result, return on investments	-	-	-27.122	-3.505	27.122	3.505
<i>Contributions and benefits</i>						
Employer contributions	-	-	2.726	2.814	-2.726	-2.814
Pension and long-service payments	-14.688	-14.271	-14.688	-14.271	-	-
Total at 31 December	414.574	417.170	397.512	429.999	17.062	-12.829

The pension and long-service payments in 2019 will amount to approximately €15 million. Over the next few years, this amount should not change significantly.

x € 1.000

The total liability arising from defined benefit pension plans and long-service payments is recognised in the statement of financial position as follows:

	31 december 2018	31 december 2017
Non-current employee benefits	15.451	15.298
Current employee benefits	1.611	1.995
Employee-related receivable	0	-30.122
	17.062	-12.829

The employee-related receivable as at year-end 2017 concerned the pension plan administered by the Heijmans pension fund Stichting Pensioenfonds Heijmans N.V. The asset was based on the assumption that this closed plan will gradually wind down and, on conclusion, that the Group, as the employer, will eventually be the sole remaining stakeholder and that the final balance will therefore logically accrue to Heijmans. In April 2018, the obligations were reinsured with an insurer, so that the asset became nil as at year-end 2018. See the note below on the Heijmans pension fund Stichting Pensioenfonds Heijmans N.V. for further disclosures on the effects of the reinsurance.

Liability for defined benefit plans in the Netherlands

Stichting Pensioenfonds Heijmans N.V.

No new members will be admitted to the Pensioenfonds Heijmans plan. Pension rights are currently being accrued at a pension provider on the portion of salary that exceeds the maximum salary threshold of the industry-wide pension fund. The pension accrual of employees who became members of the supplementary plan before the end of 2012 remains guaranteed by Stichting Pensioenfonds Heijmans N.V. In April 2018, the obligations were transferred to an insurer, and a pension cut of 2% imposed in 2013 was simultaneously reversed. If the pension fund has a deficit, under the terms of the agreement with the pension fund, the employer immediately incurs a liability to contribute to the pension fund. For this reason, the plan continues to be treated as a defined benefit plan. The reinsurance and the reversal of the pension cut gave rise to an actuarial expense of €37 million that has been recognised as an unrealised result. Also, the annual pension increases accrued prior to 2012 of members of the previous plan still employed by the Group, which depended on the CLA pay rise for the whole of the Dutch construction industry (Bouw & Infra), were put on an actual pay footing, with effect from 1 January 2019. The amount released from the liability recognised in respect of these increases produced income of €6 million in the statement of profit or loss. The reinsurance process and the conversion of the accrued pension increases resulted in an incidental increase in pension charges in 2018, particularly on account of the costs of professional advice to the pension fund. Approximately 23% of the members are still employed by Heijmans, 52% are former employees and 25% are pensioners. The average term of the pension liability is approximately 15 years. The pension contributions and required buffers are calculated in accordance with the rules stated in the Pensions Act. In accordance with these rules, the level of contributions has to be cost-covering, and the pension fund's policy funding ratio needs to be 101% at year-end 2018 (2017: 108%). The actual policy funding ratio as at 31 December 2018 was 102.3%. The Board of Trustees of the fund comprises representatives of the employer, employees and pensioners.

x € 1.000

Insured plans

The Group has some 15 insured pension plans in the form of guarantee contracts. The Group is only required to meet the costs of indexation, not for funding increased liabilities due to adverse changes in life expectancy, so the pension plan risk is largely borne by the insurers. Responsibility for holding sufficient funds to pay out all benefits rests with the insurers. Regulatory responsibility lies with DNB. The amount of the additional contribution required to meet annual increases is calculated on the basis of the assumptions contained in the insurance contract. The average term of the pension liabilities is approximately 15 years.

Industry-wide pension funds

The majority of the pensions have been placed with industry-wide pension funds, the main ones being the Pension Fund for the Construction Industry (Bouwnijverheid) and the Pension Fund for the Engineering, Mechanical and Electrical Contracting Sector (Metaal en Techniek). Both these funds operate average pay plans with annual increases. The funding ratio set by the policy of the Construction Industry pension fund was 118.3% at year-end 2018 (year-end 2017: 115.2%). The policy funding ratio for the Engineering, Mechanical and Electrical Contracting Sector stood at 102.3% at year-end 2018 (year-end 2017: 100.6%). These funding ratios have been calculated on the basis of the actuarial assumptions used by the various industry-wide pension funds, in accordance with the Pensions Act and the Financial Assessment Framework. Since their funding ratios have a marginal effect on the contribution adjustments, these plans qualify as defined benefit pension plans. Despite this, they are treated as defined contribution plans because the administration of the industry pension funds is not designed to supply the required information.

With regard to these plans, the Group is only required to pay the predetermined contributions. The Group has no obligation to make up any deficit, other than through future contribution adjustments. The Group has no claim to any surplus in the funds.

Long-service payments

The long-service payments are a month's salary, or a portion thereof, for employment periods of 25 and 40 years.

x € 1.000

Income and expense items recognised in connection with defined benefit plans and long-service payments for continued operations	2018	2017
Service cost	-264	-282
Interest expense	-7.531	-7.368
Expected return on assets	7.507	7.575
	-288	-75
Administrative and other expenses	-910	-580
Settlements and curtailments	5.951	-
Actuarial result on long-service payment liabilities	-243	87
Total income and expense for defined benefit plans and long-service payments	4.510	-568

The principal actuarial assumptions as at year-end are:

	31 december 2018	31 december 2017
Discount rate	1,75%	1,85%
Expected return on plan assets	1,75%	1,85%
Future wage inflation	2,25%	2,25%
Future pay increases	0-1,5%	0-1,5%
Future annual increase	0-1,00%	0-1,00%
Staff turnover	7,0-16,0%	7,0-16,0%
Life expectancy	AG Mortality Table 2018 0/0	AG Mortality Table 2016 0/0

The discount rate is based on high-quality corporate bonds adjusted for the term of the payment obligation. This also applies to the expected yield.

The future annual increase is based on the increase that is expected to be granted by the industry-wide pension fund for the Construction Industry (Bouwnijverheid).

The annual increase for the supplementary plan that was administered by Stichting Pensioenfonds Heijmans N.V. up to beginning of 2018, tracked wage inflation.

x € 1.000

Financing liability for defined benefit plans and long-service payments	31 december 2018	31 december 2017
Fully funded defined benefit plans	409.556	412.287
Long-service payments (unfunded)	5.018	4.883
Liability for defined benefit plans and long-service payments at 31 December	414.574	417.170

Breakdown of plan assets as a percentage of the total	31 december 2018	31 december 2017
Equities	0%	10%
Fixed-income securities	0%	40%
Liquid assets	1%	0%
Other/insured plans	99%	50%

Stichting Pensioenfonds Heijmans N.V. assets

The reinsurance entered into by Stichting Pensioenfonds Heijmans N.V. in 2018 means that almost the entirety of the pension fund's assets is accounted for by a receivable from the insurer.

Reasonably possible changes in one of the relevant actuarial assumptions on the reporting date, with the other assumptions remaining unchanged, could potentially affect the liabilities associated with the vested pension rights to the extent shown below.

x €1 million	2018		2017	
	Increase	Decrease	Increase	Decrease
Change of 0.5%-points in the discount rate	-30,5	34,4	-32,3	36,6
Change of 0.25%-points in wage and price inflation and rate of annual increase	8,9	-3,3	10,7	-4,2
Change of 1 year in life expectancy	16,5	-16,6	16,2	-16,4

The above effects were determined by the actuary who performed the calculations. The combined effect of changes to more than one of the assumptions can be different from the sum of the corresponding individual effects owing to interactions.

The effects presented apply only to the liabilities and not to the fair value of the investments. For a plan in the form of an insurance contract, the effects of these changes are largely mitigated by an equal effect on the plan investments.

The Group expects to contribute approximately €2 million to its defined pension plans in 2019 and approximately €30 million to defined contribution plans. The expected contributions in subsequent years are likely to be in line with those expected for 2019, depending on changes in the above-mentioned actuarial assumptions and other factors.

x € 1.000

6.23 Provisions

General

Provisions for such things as losses on work in progress, warranty obligations, restructuring costs and environmental risks are recognised if Heijmans has an existing obligation and it is probable that an outflow of resources will occur. The amount of each provision can be reliably estimated. The provisions are stated at face value, unless the time value of money is material.

	31 December 2017	IFRS 15 adjustment	Reversal of unused amounts	Additions to provisions	Provisions used	31 December 2018
Work in progress losses	-	32.215	-3.957	8.255	-10.307	26.206
Warranty obligations	1.536	-	-58	2.233	-318	3.393
Restructuring costs	2.915	-	-580	1.616	-2.564	1.387
Environmental risks	3.570	-	-1.000	0	-893	1.677
Provision for loss-making interests	11.070	-	0	2.432	-11.047	2.455
Other provisions	4.395	-	-289	2.028	-1.107	5.027
Total provisions	23.486	32.215	-5.884	16.564	-26.236	40.145

Ageing of provisions	31 december 2018	31 december 2017
Non-current portion	20.596	1.949
Current portion	19.549	21.537
Total	40.145	23.486

Work in progress losses

If a contract with a client for the execution of a project shows a loss, the entire amount of the loss is immediately recognised in the statement of profit or loss and included as a provision for losses on work in progress in the provisions on the balance sheet. Up to year-end 2017, these loss provisions were included within work in progress (see Section 5 Accounting Principles, para 3.1.2 concerning the implications of applying IFRS 15 Revenue from Contracts with Customers).

Provision for warranty obligations

The provisions relate to complaints and deficiencies that become apparent after the delivery of projects and that fall within the warranty period. The magnitude of the costs provided for is dependent partly on the estimated allocation of the claim to the related construction partners. It is expected that most of the obligations will materialise in the next two years.

Provision for restructuring costs

The provision for restructuring costs relates to the expected severance costs related to organisational changes. Most of the provision will be used in 2019.

x € 1.000

Provision for environmental risks

This item represents possible site reinstatement costs. The costs have been estimated by site, based on government regulations concerning the clean-up method and soil investigation. The periods within which restoration needs to take place vary by site. In the event that the restoration does not have to take place for another few years, there is an obligation to monitor the pollution. The expected monitoring costs have also been included in the provision.

Provision for loss-making interests

The provision for loss-making interests relates to joint ventures in which the Group's share is negative. The decrease in this provision in 2018 has to do with payments of capital.

Other provisions

The other provisions include lawsuits, amounting to €3.2 million (2017: €2.2 million), quarry site reinstatement obligations of €1.1 million (2017: €1.3 million). Among the remainder is a provision for potential expenses in connection with occupational disability.

6.24 Trade and other payables

Trade and other payables	31 december 2018	31 december 2017
Suppliers and subcontractors	220.466	220.160
Invoices due for work in progress	24.965	23.892
Invoices due for work completed	25.990	28.822
Pension obligations	2.172	3.400
Staff costs payable	16.666	14.795
VAT payable	40.751	36.149
Wage tax and social security contributions payable	14.093	13.763
Administrative expenses and costs of sales payable	1.555	2.520
Interest payable	5.249	5.252
Other liabilities	16.529	28.647
Total trade and other payables	368.436	377.400

The trade and other payables are predominantly of a short-term nature.

x € 1.000

6.25 Financial risks and risk management

General

In the normal course of business, Heijmans is exposed to various financial risks, including credit, liquidity, market, price and interest-rate risks.

This section describes the degree to which these risks manifest themselves, the objectives set regarding the risks and the policy and procedures for measuring and managing them, as well as the management of capital.

The risk policy is focused on the identification and analysis of the risks to which the Group is exposed and the setting of acceptable limits.

The risk policy and systems are assessed on a regular basis and then modified if necessary for changes in market conditions and the operations of the Group. The objective is to create a disciplined and constructive approach to risk management, with the aid of training, standards and procedures whereby all employees are aware of their roles and responsibilities.

The Audit Committee periodically reviews the risk management policy and procedures. In addition, the Committee reviews the risk policy used in the light of the risks to which the Group is exposed.

Credit risk

Credit risk is the risk that the Group will be exposed to financial loss if a party against which Heijmans has a claim fails to meet its contractual obligations. Credit risks arise primarily from receivables due from customers and consortium partners.

The credit risk associated with residential property development is limited, as future residents can only take possession of the new home once they have met all their obligations and there is pre-financing during the construction stage. The creditworthiness is assessed in transactions involving the development of commercial property, construction contracts and infrastructure projects, with additional collateral possibly being requested. Additional forms of security are particularly important in the case of turnkey projects (paid for on completion), although normally there is pre-financing of transactions in the 'business to business' segment as well. Especially within Infra and Non-Residential Building, Heijmans carries out many assignments for public authorities, for which the credit risk is considered extremely limited. In these areas of the business, Heijmans will be part of consortiums working on various large-scale, integrated projects. The more specific the expertise of a consortium partner, the greater the importance that is attached to the creditworthiness of that partner. In such cases, a poor credit rating is grounds for not entering into partnership, since financial guarantees are not worth anything if essential know-how is lost.

The assessment of creditworthiness is part of the standard procedure, and involves using company-specific reports produced by rating agencies. Credit risk is mitigated by pre-financing arrangements and payments in instalments. Risks are insured with a credit insurer if considered necessary.

The large number of clients, a substantial proportion of which are private individuals and public authorities, means there is no concentration of credit risk.

x € 1.000

The cash and cash equivalents are held at different banks that are assessed as regards creditworthiness. The credit risk is further mitigated by concentrating the cash as far as possible in cash pools, the cumulative balance of which is predominantly negative over the year,

Doubtful receivables are subjected to an impairment test and written down as necessary to the present value of the future cash flows if lower.

The carrying amount of the financial assets exposed to credit risk can be analysed as follows:

	31 december 2018	31 december 2017
Loans granted	22.636	29.631
Cash and cash equivalents	88.932	74.437
Trade and other receivables	175.685	165.662
Total	287.253	269.730

Loans granted are mainly loans granted by the Group to joint arrangements in which it participates.

Age analysis of outstanding trade receivables without impairment, from due date:

	31 december 2018	31 december 2017
< 30 days	13.661	12.760
30-60 days	1.161	1.314
60-90 days	888	1.094
> 90 days - ≤ 1 year	2.191	1.202
> 1 year	5.262	6.097
Total	23.163	22.467

Including accounts not yet due and accounts for which an impairment has been recognised, the balance of trade receivables at year-end 2018 was €132 million (2017: €120 million).

The due dates of the other financial assets have not been exceeded.

Trade receivables are reported after deduction of impairment losses relating to doubtful receivables. The movement in the provision was as follows:

x € 1.000

	2018	2017
Balance at 1 January	2.033	2.659
Additions	379	0
Withdrawals	-769	-525
Release	-332	-101
Balance at 31 December	1.311	2.033

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations at the time it is required to do so. See also note 6.21, Interest-bearing loans. The liquidity-risk management assumption is that sufficient liquidity levels will be maintained to meet current and future financial obligations, in both normal and exceptional circumstances, without incurring unacceptable risks and without endangering the reputation of the Group.

Weekly 3-month rolling and monthly 12-month rolling liquidity forecasts are among the tools used to determine whether the Group has sufficient liquidity available. In addition, the availability of credit, including in the form of headroom available from credit insurers or providers of guarantees, is continuously monitored by regularly making projections of the score in relation to financial covenants and engaging in an active dialogue with all financial stakeholders. Based on this forecast, the Group considers that sufficient liquidity is available to conduct operations.

To secure the availability of financial resources for both the long term and the short term, Heijmans has access to the following facilities:

- €45 million in cumulative financing preference shares B without a repayment obligation; (year-end 2018) €121 million committed syndicated bank financing, €25 million of which is in the form of a committed overdraft facility linked to a cash pool.
- project financing for which committed financing is available for most of the anticipated principal sum and duration of the project in question; and
- several operational leases.

In order to satisfy clients' requirements for bank guarantees, Heijmans has access to guarantee facilities with various institutions. These facilities are uncommitted. Every month, a projection is made of the use of the available bank guarantee facilities, based on current tenders and expectations regarding the discharge of existing bank guarantees. Based on these projections, Heijmans believes that the present size of the facilities is adequate.

At year-end 2018, the bank guarantee facilities totalled €291 million (2017: €286 million) provided by a total of 10 parties. As at year-end 2018, almost €1 million in guarantees was outstanding relating to the international activities that were disposed of in 2017, with the rest exclusively concerning guarantees for projects associated with operations in the Netherlands.

x € 1.000

The contractual maturity dates of the financial obligations, including interest payments for continued operations, are as follows:

31 december 2018	Carrying amount	Contractual cash flow	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Cumulative financing preference shares B	-45.100	-61.671	-3.563	-	-3.252	-9.756	-45.100
Syndicated bank financing	-	-	-	-	-	-	-
Project financing	-4.245	-4.245	-	-	-	-	-4.245
Other non-current liabilities	-7.769	-9.025	-5.046	-	-157	-471	-3.351
Current account overdrafts with credit institutions	-1.165	-1.165	-1.165	-	-	-	-
Trade and other payables	-368.436	-368.436	-368.436	-	-	-	-
Total	-426.715	-444.542	-378.210	0	-3.409	-10.227	-52.696

31 december 2017	Carrying amount	Contractual cash flow	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Cumulative financing preference shares B	-45.100	-62.915	-3.563	-	-3.563	-10.689	-45.100
Syndicated bank financing	-	-	-	-	-	-	-
Project financing	-334	-334	-138	-133	-63	-	-
Other non-current liabilities	-14.204	-15.784	-229	-42	-9.690	-2.315	-3.508
Current account overdrafts with credit institutions	-1.128	-1.128	-1.128	-	-	-	-
Trade and other payables	-377.400	-377.400	-377.400	-	-	-	-
Total	-438.166	-457.561	-382.458	-175	-13.316	-13.004	-48.608

For the cumulative financing preference shares B, the nominal value has been taken into account on the maturity date and on the dividend review date. The cumulative financing preference shares B do not have a repayment obligation. In the liquidity analysis, the nominal value of the loan has been included in the period > 5 years.

Market risk

Market risk is the risk that the income of the Group or the value of financial instruments is adversely affected by changes in market prices, for example, due to movements in exchange rates, interest rates and share prices. The objective of managing market risk is to keep the market risk position within acceptable limits while achieving optimum returns.

To manage market risk, derivatives may be bought and sold, and financial commitments may be undertaken. Transactions of this nature are carried out within established guidelines. As at year-end 2018, the Group's subsidiaries and joint arrangements had not contracted any derivative instruments (2017: none).

x € 1.000

Price risk

Price risk associated with the purchase of raw materials and consumables as well as with outsourced work, is mitigated by making price indexation agreements with clients, or where possible by making price agreements with suppliers at an early stage. If necessary, derivatives may be used occasionally to hedge the price risk of procuring raw materials.

Interest-rate risk

The interest rate policy at Heijmans is directed towards limiting the impact of changes in interest rates on the Group's results. For the majority of the project financing arrangements, fixed interest rates are preferred, giving greater certainty with respect to results on the various projects. Where the syndicated loan is used, financing is at a floating rate. Since this involves financing of working capital, which is generally not required at the end of the year, Heijmans currently sees no benefits for fixing interest rates for longer periods. The present negative Euribor rate is another factor here. This policy is subject to constant evaluation.

If the interest rate for 2018 had been 2 percentage points higher on average, the result before tax based on the average level of debt would have been approximately the same (2017: €1.1 million lower). The effect of a 2 percentage point difference in interest rates on the Group's equity (assuming all other variables remained constant) would have been almost nil (2017: decrease of €0.9 million).

The table below shows the periods in which interest rates for interest-bearing financial assets and financial liabilities are reviewed:

	Note	31 december 2018					
		Total	0-6 months	6-12 months	1-2 years	2-5 years	> 5 years
Loans granted	6.13	22.636	6.681	3.419	11.232	60	1.244
Cash and cash equivalents	6.18	88.932	88.932	-	-	-	-
Cumulative financing preference shares B	6.21	-45.100	-45.100	-	-	-	-
Syndicated bank financing	6.21	-	-	-	-	-	-
Project financing	6.21	-4.245	-4.245	-	-	-	-
Other non-current liabilities	6.21	-7.769	-4.889	-	-	-	-2.880
Current account overdrafts with credit institutions	6.21	-1.165	-1.165	-	-	-	-
Total		53.289	40.214	3.419	11.232	60	-1.636

x € 1.000

	Note	31 december 2017					
		Total	0-6 months	6-12 months	1-2 years	2-5 years	> 5 years
Loans granted	6.13	29.631	3.664	60	14.233	10.430	1.244
Cash and cash equivalents	6.18	74.437	74.437	-	-	-	-
Cumulative financing preference shares B	6.21	-45.100	0	-	-45.100	-	-
Syndicated bank financing	6.21	-	-	-	-	-	-
Project financing	6.21	-334	-334	-	-	-	-
Other non-current liabilities	6.21	-14.204	-30	-9.450	-	-1.844	-2.880
Current account overdrafts with credit institutions	6.21	-1.128	-1.128	-	-	-	-
Total		43.302	76.609	-9.390	-30.867	8.586	-1.636

As at the closing date, 83% (2017: 82%) of the interest-bearing debt had been negotiated at a fixed rate of interest, and 17% (2017: 18%) at a floating rate. Due to seasonal effects, the average debt during the year is higher than the debt at the closing date. The portion of the gross debt subject to a floating interest rate is also higher during the year. The gross floating rate interest debt is offset by items such as cash and cash equivalents, which are also subject to floating rate interest.

The average weighted term to maturity of the project financing is 0.2 years (2017: 0.2 years).

The interest-bearing loans are measured at amortised cost rather than at fair value. The carrying amount of the loans is therefore not affected by changes in interest rates.

Currency risk

The currency risk on sales, purchases and loans is extremely limited for Heijmans, since by far the greater part of the cash flows within the Group are in euros.

Fair values

The table below shows the fair values and the carrying amounts of the financial instruments. The fair values are allocated to different levels of the fair-value hierarchy, depending on the inputs used to determine the measurement methods. The levels are defined as follows:

Level 1: quoted (unadjusted) market prices available to the Group on the measurement date, in active markets for identical assets or liabilities.

Level 2: input that is not a quoted market price at level 1 but is obtainable for the asset or liability concerned, either directly (as a price) or indirectly (derived from a price).

Level 3: input for the asset or liability not based on data available in a market (unobservable input).

Heijmans has no financial assets or liabilities measured at fair value.

x € 1.000

			31 december 2018		31 december 2017	
			Carrying amount	Fair value	Carrying amount	Fair value
Note	Level	Loans and receivables				
6.13	2	Loans granted	22.636	23.261	29.631	29.593
6.17	*	Trade and other receivables	175.685	175.685	165.662	165.662
6.18	*	Cash and cash equivalents	88.932	88.932	74.437	74.437
6.21	*	Current account overdrafts with credit institutions	-1.165	-1.165	-1.128	-1.128
6.21	2	Cumulative financing preference shares B	-45.100	-45.100	-45.100	-49.987
6.21	2	Syndicated bank financing	-	-	-	-
6.21	2	Project financing	-4.245	-4.245	-334	-334
6.21	2	Other non-current liabilities	-7.769	-8.294	-14.204	-14.520
6.24	*	Trade and other payables	-368.436	-368.436	-377.400	-377.400
			-139.462	-139.362	-168.436	-173.677

* The carrying amount is a reasonable approximation of the fair value.

The above values are based on the present value of future cash flows. The loans with a fixed interest rate are discounted using the yield curve for 31 December 2018, plus the relevant risk mark-up. Because of the agreed change in the interest rate on the cumulative financing preference shares B coming into effect on 1 January 2019 (see the 'Financial developments' section of the report for further details), the fair value has been taken as equal to the carrying amount.

All loans with a variable interest rate are assumed to have a fair value equal to their carrying amount.

Capital management

The policy has been designed to achieve a sound capital position with sufficient availability of credit to be able to ensure continuity for stakeholders. A sound long-term capital structure is based on operating with sufficient headroom within the limits of the covenants, in particular the leverage ratio. This means net interest-bearing debt after deduction of cumulative preference finance shares B plus non-recourse finance divided by EBITDA not exceeding 3.0, an average leverage ratio not exceeding 1.0 and an interest cover ratio of at least 4.0 (see also note 6.21 for a description of the financial ratios in the conditions agreed with the banks).

x € 1.000

6.26 Rental and other lease contracts

	31 december 2018	31 december 2017
Rental contracts		
Instalments due within 1 year	9.846	10.096
Instalments due between 1 and 5 years	25.268	26.286
Instalments due after 5 years	25.880	24.958
Total	60.994	61.340
Other lease contracts		
Instalments due within 1 year	19.203	19.980
Instalments due between 1 and 5 years	30.941	33.382
Instalments due after 5 years	617	790
Total	50.761	54.152

A charge of €22 million for operating leases was recognised in the statement of profit or loss for 2018 (2017: €22 million).
A charge of €11 million for rental costs was recognised in the statement of profit or loss for 2018 (2017: €12 million).

The other lease commitments primarily relate to future instalments on leases for vehicles and equipment. The rental commitments are for the renting of company buildings. The joint ventures in which Heijmans participates have undertaken neither rental commitments nor lease commitments.

x € 1.000

6.27 Investment commitments

	31 december 2018	31 december 2017
Contractual commitments for:		
- acquisition of property, plant and equipment	2.003	500
- acquisition of land	41.379	72.830
	43.382	73.330

There are no Group guarantees for the capital expenditure commitments (2017: none).

In general, the contractual commitments to purchase land will materialise in 1 to 10 years.

Of the investment commitments, €8 million (2017: €8 million) was undertaken by joint operations in which Heijmans participates. The amount presented is Heijmans' share of the commitments undertaken by the joint operations.

The joint ventures in which Heijmans participates have undertaken investment commitments of €5 million (2017: €3 million), this amount being Heijmans' portion.

6.28 Contingent liabilities

General

Contingent liabilities are potential liabilities resulting from events prior to the closing date. The liabilities are potential because the outflow of economic resources depends on the occurrence of uncertain events in the future.

Contingent liabilities can be divided into bank guarantees, parent Group guarantees and other contingent liabilities.

x € 1.000

Bank and Group guarantees	31 december 2018	31 december 2017
Bank guarantees relating to:		
Execution of projects	177.337	179.632
Tenders	490	5.250
Other	6.412	13.179
	184.239	198.061
Group guarantees relating to:		
Execution of projects	383.360	378.331
Contingent liabilities	0	0
Credit and bank guarantee facilities	23.788	29.287
	407.148	407.618
Total	591.387	605.679

The Group guarantees associated with financing facilities have been provided in connection with project financing, bank guarantees and credit facilities applying to subsidiaries, joint operations and joint ventures. Heijmans has guaranteed its share of the debt of various joint operations and property joint ventures, which amounts to €24 million (2017: €29 million).

The Group guarantees issued for divested operations (Leadbitter) are not included in the above table. They amount to €59 million (2017: €68 million). With regard to work completed and work in progress, the guarantees will be taken over by the buyer if possible. Where this is not possible, the buyer has provided a bank or corporate guarantee.

Other contingent liabilities

The other contingent liabilities with a significant cash impact as at year-end 2018 amount to €37 million (2017: €17 million) and those with a limited cash impact €84 million (2017: €97 million), making a total of €121 million (2017: €114 million). Of the total amount, €14 million (2017: €18 million) is recognised under joint operations. This relates mainly to commitments to acquire land when the building permit is obtained and/or a certain sales percentage is achieved. No Group guarantees were issued in respect of this in 2018 (2017: none).

At year-end 2018, the joint ventures in which Heijmans participates had contingent liabilities with significant cash impact amounting to €2 million (2017: €3 million), and with a limited cash impact amounting to €4 million (2017: €4 million), making a total of €6 million (2017: €7 million). This relates mainly to commitments to acquire land when the building permit is obtained and/or a certain sales percentage is achieved. The aforementioned amounts relate to Heijmans' share in the joint ventures.

x € 1.000

6.29 Related parties

Related parties for Heijmans can be divided into subsidiaries, associates, joint arrangements (joint ventures and joint operations), a company pension fund, the members of the Supervisory Board and the members of the Executive Board. Transactions with related parties are conducted at arm's length, on terms comparable to those for transactions with third parties.

Transactions with subsidiaries, associates, joint ventures and joint operations

Heijmans undertakes a number of operating activities together with related parties, including in the form of joint arrangements. Significant transactions in this context are the contribution of land holdings to joint arrangements and/or their financing.

In addition, large and complex projects are carried out in partnership with other companies.

There are no transactions with the organisation's management, with the exception of the remuneration discussed below. For information on the relationships with joint ventures and associates, see note 6.12.

The Group's share in the revenue and total assets of joint operations relating to continued operations is analysed by segment below:

2018 Business segments in € millions	Property Development	Residential Building	Non- Residential	Building & Technology	Infra	Eliminations	Total
Revenue	48,9	34,0	55,2	89,2	119,5	-35,6	222,0
Costs	-46,4	-31,6	-54,0	-85,6	-115,3	35,6	-211,7
Non-current assets	3,9	0,0	0,0	0,0	0,4	-	4,3
Current assets	49,3	18,8	21,0	39,8	19,8	-	108,9
Total assets	53,2	18,8	21,0	39,8	20,2	-	113,2
Non-current liabilities	4,2	0,0	0,0	0,0	0,0	-	4,2
Current liabilities	7,2	17,6	20,7	38,3	17,1	-	62,6
Total liabilities	11,4	17,6	20,7	38,3	17,1	-	66,8
Equity	41,8	1,2	0,3	1,5	3,1	-	46,4

x € 1.000

2017 Business segments in € million	Property Development	Residential Building	Non- Residential	Building & Technology	Infra	Eliminations	Total
Revenue	32,2	16,0	28,2	44,2	118,8	-8,4	186,8
Costs	-26,0	-14,0	-26,7	-40,7	-110,0	8,4	-168,3
Non-current assets	4,0	0,0	0,0	0,0	0,7	0,0	4,7
Current assets	55,8	7,0	8,7	15,7	55,6	0,0	127,1
Total assets	59,8	7,0	8,7	15,7	56,3	0,0	131,8
Non-current liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Current liabilities	9,8	5,3	11,7	17,0	48,9	0,0	75,7
Total liabilities	9,8	5,3	11,7	17,0	48,9	0,0	75,7
Equity	50,0	1,7	-3,0	-1,3	7,4	0,0	56,1

Company pension fund

Heijmans is affiliated with Stichting Pensioenfonds Heijmans N.V. The principal function of this company pension fund is to operate pension plans for Heijmans' current and former employees and retired staff.

In 2018, some €1.8 million (2017: €2.1 million) in pension contributions was paid by Heijmans to the above-mentioned company pension fund.

Remuneration of Supervisory Directors

None of the Supervisory Directors hold depositary receipts for shares in Heijmans N.V, nor have they been allocated any options or depositary receipts for shares. All Supervisory Directors receive a fixed annual fee that is not dependent on the results in any single year. They also receive a fixed or variable expense allowance. None of the Supervisory Directors has any other business links to Heijmans from which they could derive personal gain.

The total payments granted to Supervisory Directors in 2018 and 2017 were as follows:

in €	2018	2017
Sj.S. Vollebregt – Chair*	60.000	47.723
Drs. P.G. Boumeester**	46.000	37.723
Mr. M.M. Jonk***	3.333	-
Ing. R. van Gelder BA****	52.000	42.723
Drs. S. van Keulen*****	54.000	42.723
R. Icke RA*****	53.000	37.723
Total	268.333	208.615

*Supervisory Director since 15 April 2015 and Chairman since 13 April 2016

** Supervisory Director since 28 April 2010

*** Supervisory Director since 6 December 2018

**** Supervisory Director since 1 July 2010

***** Supervisory Director since 18 April 2007

***** Supervisory Director since 9 April 2008

x € 1.000

Remuneration of members of the Executive Board

Fixed and variable remuneration paid to members of the Executive Board

The amounts paid out in 2017 and 2018 and the amounts payable in 2019 in respect of fixed and variable remuneration for the current members of the Executive Board are as follows:

in €	Gross fixed remuneration			Variable remuneration			Total remuneration		
	Payable in 2019	Paid in 2018	Paid in 2017	Payable in 2019	Paid in 2018	Paid in 2017	Payable in 2019	Paid in 2018	Paid in 2017
AGJ. Hillen	500.000	500.000	500.000	437.500	425.000	-	937.500	925.000	500.000
J.G. Janssen	425.000	425.000	74.053	212.500	-	-	637.500	425.000	74.053
	925.000	925.000	574.053	650.000	425.000	0	1.575.000	1.350.000	574.053

The variable remuneration payable to Mr Hillen in 2019 includes the long-term variable remuneration for the period 2016–2018 (see below). Mr Janssen does not qualify for long-term variable remuneration in respect of this period as he was only appointed at the end of October 2017.

Charges recognised in the statement of profit or loss relating to the remuneration of the members of the Executive Board

The composition of the remuneration paid to each member of the Executive Board is as follows:

in €		Gross fixed remuneration	Short term variable remuneration	Long-term variable remuneration	Termination payment	Pension contributions	Expense allowances including reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan	Total
AGJ. Hillen*	2018	500.000	250.000	437.500	-	201.141	57.252	1.445.893
	2017	500.000	345.868	-102.050	-	200.273	43.463	987.554
J.G. Janssen**	2018	425.000	212.500	212.500	-	88.000	48.801	986.801
	2017	74.053	-	-	-	14.667	9.059	97.779
R.F. Majenburg***	2018	-	-	-	-	-	-	-
	2017	331.409	248.557	-64.484	404.563	72.822	34.304	1.027.171
L.J.T. van der Els****	2018	-	-	-	-	-	-	-
	2017	115.954	-	-	-	28.671	14.892	159.517
M.C. van den Biggelaar*****	2018	-	-	-	-	-	-	-
	2017	68.209	-	-	-	11.870	9.372	89.451
Total	2018	925.000	462.500	650.000	0	289.141	106.053	2.432.694
	2017	1.089.625	594.425	-166.534	404.563	328.303	111.090	2.361.472

* Chairman of the Executive Board since 1 December 2016 and member of the Executive Board since 18 April 2012

** Member of the Executive Board since 30 October 2017

*** Member of the Executive Board from 13 April 2016 to 26 October 2017

**** Member of the Executive Board from 28 April 2010 to 13 April 2017 and Chairperson of the Executive Board from 18 April 2012 to 1 December 2016

***** Member of the Executive Board from 1 September 2009 to 1 March 2017

x € 1.000

The members of the Executive Board have been awarded short-term variable remuneration for 2018 equal to 50% of their respective basic salaries because of achieving the 2018 targets. Long-term variable remuneration amounting to €187,500 has been awarded to Mr Hillen in respect of the period 2016–2018 because of achieving the set target for this period. For more information, refer to the section on remuneration in the directors' report. The members of the Executive Board have been awarded short-term variable remuneration for 2017 equal to 85% of Mr Hillen's basic salary and 75% of Mr Majenburg's basic salary in view of the achievement of targets set for 2017. The members of the Executive Board have been awarded conditional short-term variable remuneration for 2015 equal to 20% of their respective basic salaries. With respect to Mr. A.G.J. Hillen, Heijmans formed a provision of €79,132 which was charged to the result for 2015. This award did not become vested in 2017 and the sum was therefore released in the result for 2017. The negative amounts under the heading of long-term variable remuneration in 2017 concern amounts released in 2017.

A provision of €462,500 million has been formed for the variable remuneration payable to the current members of the Executive Board for the periods 2017-2019 and 2018-2020 (2017: nil for the periods 2016-2018 and 2017-2019). Specifically, €250,000 has been reserved for Mr A.G.J. Hillen (2017: nil) and €212,500 for Mr Janssen (2017: nil).

In order to bind directors to the Company for the long term and to encourage a focus on long-term value creation, with effect from 2010 a Bonus Investment Share Matching Plan has been applicable under which directors can opt to use part of their variable short-term remuneration to purchase Heijmans shares.

In April 2014, Mr. Van der Els and Messrs Van den Biggelaar and Hillen acquired shares in Heijmans for 50% and for 20% respectively of the net short-term variable remuneration for 2013. In the context of the Share Matching Plan, a conditional share was granted for each share acquired - a total of 2,289 shares. The shares granted conditionally became vested after three years, followed by a mandatory lock-up period of two years. The total charge associated with the granting of the shares was calculated at the time the shares were awarded and recognised pro rata in terms of timing in the statement of profit or loss during the period in which the awarded shares became vested. In April 2017, a total of 2,289 shares became vested. In April 2017, the Group issued 2,289 shares and awarded them to the relevant existing and former members of the Executive Board; these shares are subject to a mandatory two-year lock-up period, ending in April 2019.

In April 2018, Mr Hillen used 12% of the short-term bonus granted to him in respect of 2017 to purchase 5,000 depositary receipts for Heijmans shares. Under the Share Matching Plan, a conditional depositary receipt was granted for each depositary receipt acquired. These conditionally granted depositary receipts for shares become vested after three years, after which they are subject to a mandatory lock-up period of two years. The total charge associated with the granting of the shares was calculated at the time the shares were awarded and recognised pro rata in terms of timing in the statement of profit or loss during the period in which the awarded shares become vested. In the 2018 statement of profit or loss, Heijmans recognised a charge of €10,917 (2017: €nil) with respect to the shares awarded in April 2018.

x € 1.000

The pension scheme for Mr. Hillen pertains to the pension scheme of the industry pension fund and the directly insured average salary scheme. He also receives compensation in respect of termination of the early retirement plan. This compensation is currently €35,082 (2017: €34,021) and is increased in line with pay increases under the collective labour agreement. In addition, Mr Hillen received compensation of €96,757 in 2018 (2017: €97,188) for the loss of pension accrual on his salary above €100,000 and compensation of €50,232 (2017: 50,232) for the loss of annual increases on the Delta Lloyd average-pay plan. Mr Janssen receives a fixed amount in the form of pension contributions of €88,000 in 2018 (in 2017, this was : €14,667).

The pension charge is calculated in accordance with accounting policy 22.

As at year-end 2018, the members of the Executive Board owned a total of 16,971 depositary receipts for Heijmans shares. The ownership of these shares is partly a consequence of the Share Matching Plan as described above and partly the result of the purchase of shares by members of the Executive Board. The ownership of depositary receipts for Heijmans shares by the individual members of the Executive Board at year-end 2018 is as shown below:

Shares owned on 31 December	2018
A.G.J. Hillen - voorzitter	16.971
J.G. Janssen	-
Total	16.971

Remuneration of former members of the Executive Board

An amount of €238,500 has been recognised in the statement of profit or loss for 2018 (2017: €180.000) in respect of the fees that Mr Witzel, a former member of the Executive Board, receives under his management agreement that came into effect on 1 November 2014. The duties of Mr Witzel involve deputising as chairman of the Infra activities, consultancy work and the management of major projects. Also recognised in the statement of profit or loss for 2018 €98,038 (2017 is an amount of : €151,320 in respect of the remuneration received by Mr Majenburg, who was a member of the Executive Board until 26 October 2017. At the request of the Executive Board, Mr Majenburg performed consultancy activities until 1 March 2018. In the statement of profit or loss for 2017, an amount of €177,785 has been recognised in respect of the remuneration received by Mr Van den Biggelaar, who was a member of the Executive Board until 1 March 2017. At the request of the Executive Board, Mr Van den Biggelaar performed consultancy activities until 1 July 2017.

x € 1.000

6.30 Management estimates and judgements

The accounting information in the financial statements is partly based on estimates and assumptions. The Group makes these estimates and makes assumptions about future developments, based on factors such as experience and expectations about future events that may reasonably be expected to occur given the current state of affairs. These estimates and assumptions are continually reassessed.

Revisions of estimates and assumptions, or differences between estimates and assumptions and actual outcomes, may lead to material adjustments to the carrying amounts of assets and liabilities.

Supplementary to the estimates already described in the accounting policies (section 5) and the explanatory notes (6.1 to 6.29), the key elements of estimation uncertainty are explained below.

Measurement of projects

For more information on the key assumptions used in the measurement of projects, refer to note 6.16, Work in progress. A higher estimation uncertainty applies in the case of the Wintrack project. The contract, with an agreed price of €250 million, concerned the construction of pylons on two new high-voltage transmission lines, Eemshaven–Vierverlaten and Borssele–Rilland, to be carried out by a consortium made up of Heijmans (60%) and Eurocoles (40%). Early September 2018 the client TenneT has dissolved ('ontbonden') or alternatively terminated ('opgezegd') the agreements.

The various parties have filed considerable claims and counterclaims with regard to the agreed price and are currently negotiating a possible settlement. If this proves impossible, the Group will initiate arbitration proceedings. The Group has not recognised a provision because, based on detailed analysis and supported by external legal advice, it believes it unlikely that the matter will lead to an outflow of resources. If a decision goes against the Group, there may well be a considerable outflow of resources.

The Group has not recognised an asset in respect of its claim because the criteria for doing so are not satisfied in view of the complexity of the case. The Group has written off approximately €10 million, mainly in respect of unpaid invoices and costs incurred, as well as the settlement of obligations to which it is already committed. As a consequence, the Group has not recognised any amounts relating to this cancelled project on the face of the statement of financial position.

Financing

Note 6.21 discloses the conditions attached to the financing in greater detail. An important condition involves satisfying the banking covenant ratios, specifically the interest cover ratio, the leverage ratio, the average leverage ratio and the solvency ratio. Proper management of project risks (see above) is crucial to meeting the ratios. The same applies to the achievement of the 2019 business plan and longer-term projection..

Pensions

The key actuarial assumptions for the calculation of the pension obligations are outlined in note 6.22.

x € 1.000

Deferred tax assets

For more information on the key assumptions used in the measurement of deferred tax assets, refer to note 6.14 'Deferred tax assets and liabilities'.

Strategic land portfolio

For more information on the key assumptions used in the measurement of the strategic land portfolio, refer to note '6.15 Inventories'.

Intangible assets

For the main principles used in the annual determination of the recoverable amount of intangible assets, refer to note 6.11 'Intangible assets'.

7. Subsidiaries and joint operations

The following entities were included in the consolidation in 2018. Wholly owned entities are subsidiaries. The remaining entities are joint operations. For practical reasons, entities of only minor significance are not included in this list. A complete list of the subsidiaries included in the consolidation is deposited with the Trade Register at the Chamber of Commerce in ~~the Netherlands~~.

	31 december 2018	31 december 2017
Heijmans Nederland B.V., Rosmalen	100%	100%
Heijmans Vastgoed B.V., Rosmalen	100%	100%
Heijmans Vastgoed Deelnemingen B.V. Rosmalen	100%	100%
Bouwcombinatie Gasthuiskwartier V.O.F., Rosmalen	50%	50%
Mondriaanlaan V.O.F., Utrecht	35%	35%
Het Parc Amstelveen Beheer B.V.	50%	-
Heijmans Woningbouw B.V., Rosmalen	100%	100%
Heijmans Huizen B.V., Huizen	100%	100%
Bouwcombinatie Westergouwe V.O.F., Rosmalen	50%	50%
Heijmans Utiliteit B.V., Rosmalen	100%	100%
Heijmans Utiliteit Metaal B.V., Rosmalen	100%	100%
Hart van Zuid V.O.F., Nieuwegein	50%	50%
Bouwcombinatie EMA V.O.F., Cruquius	50%	-
S-MAC Realisatie V.O.F., Rosmalen	50%	-
Heijmans Infrastructuur B.V., Rosmalen	100%	100%
Heijmans Infra B.V., Rosmalen	100%	100%
Sanders & Geraedts B.V., Koningsbosch	100%	100%
A4All V.O.F., Rotterdam	45%	45%
3Angle EPCM V.O.F., Hoofddorp	50%	50%
Sas van Vreeswijk V.O.F., Barendrecht	33%	33%
ZuidPlus V.O.F., Amstelveen	15%	15%
De Stichtse Kraan V.O.F., Rosmalen	67%	67%
Combinatie Heijmans-Ploegam Brainport V.O.F., Rosmalen	50%	-
Combinatie Heijmans-Ploegam N-280 - Werkend Hardt V.O.F., Rosmalen	67%	-
Heijmans Facilitair Bedrijf B.V., Rosmalen	100%	100%
Heijmans Materieel Beheer B.V., Rosmalen	100%	100%
Heijmans International B.V., Rosmalen	100%	100%

8. Company financial statements

x € 1.000

8.1 General

The company financial statements are part of the 2018 financial statements of Heijmans N.V.

Please refer to the notes to the consolidated statement of profit or loss and statement of financial position for items in the company statement of profit or loss and statement of financial position for which no additional explanations are provided.

8.2 Accounting policies for measuring assets and liabilities and the determination of results

For determining the accounting policies to use for measuring the assets and liabilities and the determination of results of its separate financial statements, Heijmans N.V makes use of the option provided in Section 362, subsection 8 of Book 2 of the Dutch Civil Code. This means that the basis for measuring assets and liabilities and the determination of results (accounting policies) applied in the separate financial statements of Heijmans N.V are the same as those applied in the consolidated EU-IFRS financial statements. Investees over which significant control is exercised are recognised using the equity method. Any impairment of the receivables from group companies relating to expected credit losses is eliminated in the recognised amounts and consequently does not affect the statement of profit or loss or the statement of financial position in any way. Heijmans N.V. is registered with the Chamber of Commerce under number 16004309.

The share in the result of participating interests consists of the share of Heijmans N.V in the result of these participating interests. Results from transactions where there is a transfer of assets and liabilities between Heijmans N.V. and its investees or between investees themselves are not recognised insofar as they can be deemed to be unrealised.

For details of the remuneration of the members of the Supervisory Board and the Executive Board, see note 6.29 to the consolidated financial statements.

x € 1.000

8.3 Company statement of profit or loss for 2018

	2018	2017
Administrative expenses	-1.889	-1.898
Operating result	-1.889	-1.898
Finance income	27.262	24.771
Finance expense	-10.915	-15.070
Result before tax	14.458	7.803
Income tax	-1.849	-1.241
Share in profit or loss of investees	7.880	12.980
Result after tax	20.489	19.542

The employee benefits for the members of the Supervisory Board, the Executive Board and the Board's Secretariat are recognised in the company financial statements (see note 6.29 to the consolidated financial statements).

x € 1.000

8.4 Company statement of financial position at 31 December 2018 (before appropriation of result)

Assets	31 december 2018	31 december 2017
Non-current assets		
Intangible assets	21.207	21.207
Financial assets	38.755	40.351
Deferred tax asset	34.023	34.605
	93.985	96.163
Current assets		
Receivables	392.748	404.293
Cash and cash equivalents	26.969	0
	419.717	404.293
	513.702	500.456
Equity and liabilities		
Equity		
Issued capital	6.423	6.423
Share premium reserve	242.680	242.680
Hedging reserve	-214	160
Reserve for actuarial results	-59.188	-27.584
Reserve for Bonus Investment Share Matching Plan	253	242
Statutory reserve for investees	51.959	64.559
Retained earnings	-113.305	-143.845
Result after tax for the current financial year	20.489	19.542
	149.097	162.177
Non-current liabilities	45.100	45.100
Current liabilities	319.505	293.179
	513.702	500.456

x € 1.000

8.5 Notes to the company statement of financial position

Intangible assets (goodwill)	2018	2017
Carrying amount		
Balance at 1 January	21.207	21.207
Balance at 31 December	21.207	21.207
Financial assets	2018	2017
Investments in Group companies		
Balance at 1 January	-49.972	-146.713
Share in results of investees after tax	7.880	12.980
Dividends received from investees	-10.698	-3.154
Capital contributions	7.422	86.181
IFRS 15 adjustment	-1.602	-
Changes in cash flow hedges	-374	353
Changes in actuarial results relating to employee-benefits	-31.604	381
Balance at 31 December	-78.948	-49.972
Set off against receivables from Group companies	-117.703	-90.323
Recognised under financial assets	38.755	40.351

The share in results of investees after tax includes the gains on the sale of investees. The investments in Group companies are direct or indirect interests in them. The principal Group companies are listed on page 178.

x € 1.000

Receivables	31 december 2018	31 december 2017
Group companies	392.033	403.623
Other receivables	715	670
	392.748	404.293

The receivables are due within one year.

Cash and cash equivalents

Cash balances are at the free disposal of the Company.

Equity

2018	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for investees	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January	6.423	242.680	-27.584	160	242	64.559	-143.845	19.542	162.177
IFRS 15 adjustment	0	0	0	0	0	0	-1.602	0	-1.602
Issue of share capital	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	-12.600	12.600	0	0
Bonus Investment Share Matching Plan	0	0	0	0	11	0	0	0	11
Appropriation of result for 2017	0	0	0	0	0	0	19.542	-19.542	0
Comprehensive income	0	0	-31.604	-374	0	0	0	20.489	-11.489
Balance at 31 december	6.423	242.680	-59.188	-214	253	51.959	-113.305	20.489	149.097

2017	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for investees	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January	6.423	242.680	-27.965	-193	239	58.959	-27.751	-110.494	141.898
Issue of share capital	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	5.600	-5.600	0	0
Bonus Investment Share Matching Plan	0	0	0	0	3	0	0	0	3
Appropriation of result for 2016	0	0	0	0	0	0	-110.494	110.494	0
Comprehensive income	0	0	381	353	0	0	0	19.542	20.276
Balance at 31 December	6.423	242.680	-27.584	160	242	64.559	-143.845	19.542	162.177

x € 1.000

Authorised share capital

Composition of the authorised share capital is as follows:

Authorised share capital in €	31 december 2018
35,100,000 ordinary shares, each with a nominal value of €0.30	10.530.000
7,000,000 cumulative financing preference shares B, each with a nominal value of €0.21	1.470.000
8,000,000 protective preference shares, each with a nominal value of €1.50	12.000.000
	24.000.000

As at 31 December 2018, the number of ordinary shares issued was 21,409,169. All the outstanding shares are paid up, which represents a value of €6,422,751 (at €0.30 per share). Depositary receipts are issued for ordinary shares. Holders of depositary receipts have the option to convert these into shares under certain conditions. This option has been exercised for 7 depositary receipts. The holders of ordinary shares or their depositary receipts are entitled to dividend and have the right to exercise 30 votes per share at meetings of the Company's shareholders.

Refer to section 6.21 of the consolidated financial statements for the notes on the rights and obligations relating to the cumulative financing preference shares B.

Share premium reserve

The share premium reserve consists of the capital paid up in excess of the nominal value.

Reserve for actuarial results

The reserve for actuarial results represents the actuarial results on employee-benefits (see note 6.22 to the consolidated financial statements).

Hedging reserve

The hedging reserve represents the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to hedged transactions that have not yet occurred. This reserve is not freely distributable.

Reserve for Bonus Investment Share Matching Plan

For information on the reserve for the Bonus Investment Share Matching Plan, see note 6.29 to the consolidated financial statements.

Reserve for investees

The statutory reserve for investees represents the difference between the retained earnings and the direct changes in equity as calculated using the parent company's accounting policies on the one hand and that portion for which the parent company can determine distribution on the other hand. The statutory reserve is determined for each investee individually. This reserve is not freely distributable.

x € 1.000

Appropriation of result

It is proposed to add the result after tax, of approximately €20 million, to the reserves, as stated in the 'Appropriation of result' section of the report.

Liabilities	31 december 2018	31 december 2017
Non-current liabilities		
Financing preference shares	45.100	45.100
Syndicated bank financing	0	0
	45.100	45.100
Current liabilities		
Group companies	314.985	283.332
Dividend payable on financing preference shares	3.522	3.522
Banks	0	3.672
Syndicated bank financing	0	0
Other liabilities	998	2.653
	319.505	293.179

x € 1.000

8.6 Liabilities not disclosed in the statement of financial position

Contingent liabilities	31 december 2018	31 december 2017
Bank guarantees	184.239	198.061
Group guarantees to clients	383.360	378.331
Group guarantees to credit institutions	23.788	29.287
	591.387	605.679

For information on the guarantees, see note 6.28 to the consolidated financial statements.

Joint and several liability and guarantees

With the exception of Heijmans Deutschland B.V., Heijmans Technology B.V., Brabotech Metselwerken B.V., Heijmans Management Deelnemingen B.V., Heijmans Management Gebiedsontwikkeling a/d Maas B.V. and Heijmans Infra A27/A1 B.V., statements of joint and several liability as referred to under Section 403(1)(f) of Book 2 of the Dutch Civil Code have been filed with the Trade Register of the respective Chambers of Commerce for all the Dutch wholly owned subsidiaries included in the consolidated figures.

Tax group

Together with its Dutch subsidiaries, Heijmans N.V. forms a tax group for the purposes of corporate income tax and value added tax. In accordance with the standard applicable conditions, each company is jointly and severally liable for the tax liabilities of every company that is part of the tax group.

Share in results of investees

This is the company's share in the results of its investees, all of which are Group companies.

x € 1.000

Auditors' fees

The following fees for Ernst & Young Accountants LLP have been charged to the Company, its subsidiaries and other companies included in the consolidated figures. These are disclosed in accordance with the provisions in Section 382a Book 2 of the Dutch Civil Code.

x € 1.000	2018		
	Ernst & Young Accountants LLP	Other EY network firms	Total EY
Examination of the financial statements	1.795	-	1.795
Other audit engagements	102	9	111
Tax consultancy services	-	-	0
Other non-audit services	-	-	0
	1.897	9	1.906

In addition to performing the audit of the financial statements required by law, Ernst & Young Accountants LLP provided the following permitted services: assurance report relating to the sustainability information contained in the directors' report, in particular agreed activities with respect to the 'Compliance Certificate' for the banking group and various specific declarations concerning revenue, key figures and projects. The costs relating to the examination of the financial statements for the foreign subsidiaries are billed directly by Ernst & Young Accountants LLP.

x € 1.000	2017		
	Ernst & Young Accountants LLP	Other EY network firms	Total EY
Examination of the financial statements	1.630	-	1.630
Other audit engagements	77	9	86
Tax consultancy services	-	-	0
Other non-audit services	-	-	0
	1.707	9	1.716

Events after balance date

In the period prior to signing, no significant events occurred that would have an effect on these financial statements other than those explained in the consolidated financial statements.

Rosmalen, 21 February 2019

The members of the Executive BoardA.G.J. Hillen
J.G. Janssen**The members of the Supervisory Board**Sj.S. Vollebregt
P.G. Boumeester
M.M. Jonk
R. van Gelder
R. Icke
S. van Keulen



Project leader Jack Geerlings (left) and senior project manager Otto van Loockeren Campaigne (right),
N23 Westfrisiaweg



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9.1 Result appropriation

In accordance with Article 31 of the Articles of Association, profit is distributed as follows:

- Subject to the approval of the Supervisory Board, the Executive Board transfers as much of the profit to the reserves as it deems necessary;
- Insofar as the profit is not transferred to the reserves, it is available to the General Meeting of Shareholders in whole or in part for transfer to the reserves or in whole or in part for distribution to the holders of ordinary shares in proportion to the number of ordinary shares owned.

As approved by the Supervisory Board, the Executive Board has decided to add the result after tax, amounting to € 20 million, to the reserves. In view of the importance of the recovery of the balance sheet, the company proposes to refrain from paying out a dividend on (depository receipts for) ordinary shares.

Dividend policy

Heijmans N.V. maintains a dividend policy whereby, except in special circumstances, the pay-out ratio amounts to 40% of the profit from ordinary business operations after tax.

9.2 Statement by the Executive Board

To fulfil their legal obligation pursuant to Section 2:101(2) of the Dutch Civil Code and Section 5: 25c(2)(c) of the Dutch Financial Supervision Act (Wft), each member of the Executive Board states that to the best of their knowledge:

- the financial statements give a true and fair view of the assets, the liabilities, the financial position and the results of the Company and the companies included in the consolidation;

and;

- the annual report provides a true and fair view of the situation as at 31 December 2018 and the developments at the Company and its affiliated companies, and of the data presented in its financial statements during the 2018 financial year, and that the annual report provides information on the material risks the issuing institution faces.

's-Hertogenbosch, 21 February 2019

A.G.J. Hillen

J.G. Janssen

9.3 Risk matrix

Risk matrix legend

Risk impact on EBITDA

H High risk
M Medium risk
L Low risk

Trend compared with 2017

↑ Improved
↓ Deteriorated
= Unchanged

Strategic risks	H/M/L	↑ ↓ =		
Economic downturn	H	↓	Heijmans' property development and construction activities are subject to economic cycles. Economic upturns result in rising input and output prices and economic downturns result in less demand and declining input prices. The infra activities are not cyclical and in an economic downturn may even compensate declines elsewhere due to government stimulation measures.	<ul style="list-style-type: none"> The construction of property development projects only starts if pre-sale targets have been met. Heijmans aims for a healthy balance between home sales to private buyers and home sales to the likes of housing corporations. Maintaining room in financing facilities to absorb rising working capital requirements in the event of a downturn.
Availability Insufficient availability of materials, services and workers, resulting in the hiring of foreign professionals.	H	=	<p>Threat to the continuity and throughput time of projects, rising prices and declining margins on projects.</p> <p>Risks in the deployment of foreign workers related to employment conditions, labour law, safety and working methods.</p> <p>Risks related to the availability of raw materials and other materials due to extreme weather conditions and climate change (e.g. low water levels).</p>	<ul style="list-style-type: none"> Early involvement and contracting of suppliers, advisers and subcontractors, (early supplier involvement), with the aim of laying down quality and availability requirements in agreements at the earliest possible stage. Lean planning sessions with the subcontractors and suppliers involved in the project. Framework agreements with preferred suppliers to enable the company to adapt quickly in projects within the parameters of conditions agreed in advance. Procurement project strategy for projects in risk categories 2 and 3. Availability of the right market and pricing information for calculation departments. Close contact between category buyers, project buyers and calculation departments. Working with a single quote platform to bring together the supply and demand of goods and services. Implementation of subcontracting-related legislation and measures in the supply chain (including the Dutch Sham Employment Arrangements Act (WAS) and the Dutch Employment of Foreign Nationals Act (WAV)), including a control protocol and audit plan. Ensuring continued compliance with regard to HR-related risks by virtue of the Dutch Sham Employment Arrangements Act (WAS), the Dutch Chain Responsibility Act, changes to employment laws for freelancers, foreign workers and the protection of private data, in the knowledge that there have been or will be changes in the legislation in many of these domains. <p>Additional focus 2019:</p> <ul style="list-style-type: none"> Addition of control measures for foreign workers

General Insufficient availability of the right quality in the supply chain in terms of working methods, sustainability, certification, regulations, etc.	M	↑	Inability to meet requirements of and commitments to clients, missing contracts, as well as higher prices, as costs are incurred in the supply chain to meet those requirements.	<ul style="list-style-type: none"> Working with selected preferred suppliers and subcontractors. Supplier development, acting in unison with these preferred suppliers and subcontractors to meet certification requirements in the chain. Evaluations to improve the performance of suppliers and subcontractors. We implemented a supplier performance tool for this purpose in 2018.
Environmental risks	L	↓	Heijmans works with hazardous substances and produces industrial waste in the normal course of its business operations. In addition, these operations may result in emissions of exhaust fumes or other pollutants.	<ul style="list-style-type: none"> Heijmans has an ISO 14.001 certified environmental management system that identifies and assesses environmental risks and ensures that measures are taken to prevent or limit the impact of these risks. Measures vary from physical interventions (containment tanks, filters) to organisational measures (procedures, inspections, audits, training courses).
Climate risks (TCFD)	L	↓	Due to the accelerating climate change, the impact of storms is increasing. In addition, there will be more extremely hot summers and this may restrict the transshipment of raw materials by water.	<ul style="list-style-type: none"> Measures at building sites to prevent damage as a result of weather conditions (cover). Storm damage insurance. Development of a heat protocol and the inclusion of heat-resistant clothing in the clothing package. Adjustments to working hours and planning. For more detailed information, see the Carbon Disclosure Project.
Real estate and land holdings Risk of deviations from assessments and estimates.	M	↑	This risk is generally greater for land holdings without a zoning plan than land holdings with a zoning plan.	<ul style="list-style-type: none"> Heijmans manages risks arising from investments in land holdings or from entering into long-term commitments via strict procedures, with explicit approval from the Executive Board required for all larger investments. Heijmans has tightened this policy further and now only invests in land holdings that can be developed within five years. Any determination of the indirect revenue value takes into account uncertainties related to strategic land holdings, such as demographic developments, location, the design and working up of development plans and management decision-making, and as location-specifically as possible. This provides a location-specific forecast of developments in land and house prices and other variables, which ultimately determine the indirect revenue value of the land holdings. Heijmans conducts twice-yearly internal assessments of the valuation of its entire portfolio of land holdings.
Residential Building The demand for the redesignation of vacant buildings into residential complexes results in the demarcation of responsibilities between existing buildings and renovation. The inability to respond to market developments such as digitalisation and energy transition.	M	=	Unforeseen costs in the event of insufficient contractual clarity on liabilities.	<ul style="list-style-type: none"> Selective acquisition of contracts (margin-over-volume). Extra attention for contract management from the tender phase through to delivery, especially for the demarcation issues in transformation projects. <p>Additional focus 2019:</p> <ul style="list-style-type: none"> Continued integration of construction operations in 'Building & Technology' to enable Heijmans to deploy non-residential and maintenance knowledge and expertise in transformation projects. Knowledge bundling and centralised management of the development of Multi-functional high-rise residential construction projects.
Residential Building Residential supply lags demand – tight market and capacity shortage.	M	↓	Not possible to achieve planned production.	<ul style="list-style-type: none"> Rapid development of projects through internal collaboration Residential Building and Property Development. Early contracting of suppliers and subcontractors and working with fixed concepts such as Heijmans' <i>Huismerk</i> homes. Selective collaboration with external construction firms, mainly in the peripheral regions of the Netherlands, in so far as Heijmans has insufficient in-house construction capacity to meet demand.

<p>Non-Residential Lagging growth in the granting of contracts for integrated non-residential new-build projects, including service and maintenance, while competition and pricing pressure remain fierce. The inability to respond to market developments such as digitalisation and energy transition.</p>	M	↑	Low margins and major impact of increase or decrease in volume coverage ratio.	<ul style="list-style-type: none"> • Selective acquisition of contracts (margin-over-volume), with focus on sub-segments that are a good fit with core competencies and experience: Heijmans' appetite for risk in this market is limited. • Continued expansion and monitoring of the Be-Sense concept. Building management on the basis of data.
<p>Infra and Non-Residential Range of contract types in the market, contract types that impose increasing levels of responsibility on Heijmans.</p>	H	=	Responsibilities for issues in areas where Heijmans has insufficient in-house expertise, or in the absence of insight into or influence on the related risks. This can lead to unacceptable risks.	<ul style="list-style-type: none"> • Selective acquisition policy, with particular attention for the type of tender, the acquisition process, as well as the procurement, project and contract management. • Tender board and independent risk review. • Professional contract management. • Consistent compliance with guidelines for the accurate pricing of risks with an appropriate profit margin. • Increased interaction between Risk Management, Risk Office, Contract management, Project Management, Legal Affairs and Procurement disciplines. • Bringing the contracting of suppliers and subcontractors into line with the liabilities assumed. • Strategic partnering with clear parameters and premises laid down in Consortium Guidelines. • Consortium Guidelines includes checklist for relevant actions taken in the various phases of a consortium. • Focus on risk awareness, attitude and behaviour via corporate culture programmes and GRIP programme to increase the predictability of projects.
<p>Infra and Non-Residential Inability to respond to developments in the market: e.g. digitalisation and the energy transition.</p>	H	=	No response to clients' issues, not a relevant player in the infrastructure market.	<ul style="list-style-type: none"> • Integrated approach to developments and revenue models so Heijmans can realise added value for clients. • Including specialisms of third parties so Heijmans can offer total solutions. • Strategic focus on 'smarter' (incl. digitalisation) and 'sustainable' (incl. energy). • Development and embedding of specific energy-related expertise in business segments. • Continued development of parameterised subjects. • Cooperation with strategic partners. <p>Additional focus 2019:</p> <ul style="list-style-type: none"> • Implementation of the 'Smarter' and 'Sustainable' strategy (see strategy chapter)

Operational risks	H/M/L	↑ ↓ =		
<p>Complex and integrated projects Errors in design and/or calculations and interpretation differences in design liability.</p>	H	↑	The failure to recognise or the late recognition of material project risks, resulting in time and money-related surprises.	<ul style="list-style-type: none"> • Heijmans has implemented a GO / NO GO procedure and gate reviews with respect to tenders in various phases of the tender process, with particular attention devoted to risk analysis, risk appetite and the producibility of the design and contractual terms. • Heijmans uses independent risk reviews when the project risk profile calls for same. • GRIP programme started; focused on improvement of Project Control, risk management and process improvements throughout the lifecycle of a project. • Collaboration with risk-bearing partners, at least in projects that require competencies that are less prevalent at Heijmans, or for projects with a scope that is not a good fit with Heijmans' risk profile. • Specific Project Status Updates in the first months after acquiring a project. • Embedding contract and risk management in the tender phase, the preparation phase and the execution phase. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Continued roll-out of independent risk reviews on both tenders and realisation projects. • Identifying the impact of the risk profile of individual projects on the risk profile of the total project portfolio. • Continued roll-out of the GRIP programme. • Further use of the SAP/ERP platform for deeper analyses of projects. • Explicit focus on embedding construction safety.
<p>Safety risks These increase in line with the complexity of projects and any increase in reciprocal coordination, and when work pressure increases – partly driven by economic growth. An increase in the number of foreign workers.</p>	M	↓	Personal injury of a temporary or permanent nature, or even death. Legal liability for Heijmans. Loss of productivity and delays to projects.	<ul style="list-style-type: none"> • Safety programme GO!, with a focus on attitude and behaviour, a uniform and shared image of safety and collaboration on safety, order and orderliness on the building site. Heijmans deployed a sophisticated range of instruments and took a number of actions on this front in 2018. For more information, see the 'People and Organisation' chapter in this annual report <p>Additional focus 2019:</p> <ul style="list-style-type: none"> • Workshops to increase the awareness among senior and middle management employees of the role they play in safety. • Approach to developments to encourage more reports of unsafe situations at every level of the organisation. • Develop standards and norms for order and orderliness. • Develop a plan of approach to improve the way we handle multilingual workforces on building sites, for instance by producing an English-language version of the GO! app, plus safety manuals and communications in several languages. • In collaboration with subcontractors and suppliers, the development of joint standards for dealing with specific risks in projects • Contributing to national initiatives to make the industry safer (Governance Code Safety).

<p>Retention and recruitment of personnel Risks on this front are increasing as a result of the upturn in demand in the sector and in the economy in general, but also in view of the fact that skilled workers have left the sector in recent years due to the crisis.</p>	H	↓	<p>Having access to qualified and motivated personnel is a prerequisite for the execution of the company's core activities in a professional manner.</p>	<p>1. Engaging and retaining qualified personnel by:</p> <ul style="list-style-type: none"> - Management development and talent development policy, with the aim of encouraging upward mobility and job rotation. - Engagement scans in the business areas to measure employee engagement and to make the right interventions per target group. - Adequate follow-up to fleet review and execution of the strategic personnel plan. - Continuous management training and trainee programmes focused on early recruitment, engagement and internal training of young, talented university and college-educated employees. - Regular evaluation of employment terms and conditions, in both a material and immaterial sense, to make sure these remain sufficiently competitive. <p>2. Safeguarding operational quality through a steady inflow of new employees: by investing in recruitment capacity and involving management and existing personnel in the filling of vacancies; by investing in labour market communications and targeted, individual approaches to candidates, largely via the use of social media. In addition to this, campus recruitment and collaboration with relevant student associations and cooperation with educational institutions via covenants. Gross risk has increased, but the hiring of extra recruiters has neutralised this risk.</p>
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Financial risks		H/M/L	↑ ↓ =
Liquidity risk	H	↑	<p>The liquidity risk pertains to the chance that the company's financing needs are at some point greater than the available financial leeway provided by the financing facilities made available.</p> <ul style="list-style-type: none"> Active monitoring of liquidity movements on the basis of daily and weekly cash reports. Testing whether liquidity forecasts are still valid. All the business areas draw up weekly liquidity forecasts for the next twelve months. The first three months in this format are subjected to detailed forecasting, partly on the basis of current receivables and payables ledgers and partly on the basis of budgeted income and expenses. For the remaining period, each quarter is assessed as part of the quarterly reviews. If the budgeted turnover and profit levels are adjusted in these reviews, then these changes are translated to the liquidity forecasts. Every month, the company conducts a cash review with the financial directors of the business areas to discuss assumptions and map out risks for the period ahead. These reviews are also used to address specific cash themes to maintain continuous focus on cash and working capital management. The GO / NO GO criteria for new projects and the monitoring of existing projects also put a great deal of emphasis on the requirement that projects have effective financing plans. Following the refinancing of the syndicate loan (through to mid-2022) and the reset of the coupon for the cumulative preference financing shares B, Heijmans has safeguarded its financing facilities for the long term. The financial covenants were carefully assessed in this process, and we foresee no hurdles in these agreements.
Solvency risk	H	↑	<p>Clients / suppliers may decide to exclude Heijmans from certain tenders or require additional bank guarantees for compliance with execution obligations if Heijmans fails to meet solvency requirements. In addition, limited solvency reduced the chances of buying from suppliers on credit, and can also limit access to credit from financiers.</p> <ul style="list-style-type: none"> From the end of 2016, Heijmans has taken a series of measures to improve its balance sheet ratios. On the operational front, the company has worked on the recovery of its profitability, which resulted in two years of net profit after a number of loss-making years. On top of this, the company continues to focus on strict working capital management, driven by the Fit for Cash programme. In 2018, this focus clearly paid off in the form of a strong improvement in the work in progress positions on projects. Heijmans has further optimised its balance sheet by reducing invested capital and using the proceeds to reduce borrowings. The sale of the foreign activities in early 2017 was the biggest step in this process. Heijmans also took steps on this front in 2018, largely through the reduction of invested capital in land holdings by accelerating various development positions. Because Heijmans added the entire profit for 2018 to its reserves, solvency stood at 25% at year-end 2018. In the years ahead, Heijmans aims to gradually increase this figure to 30%. Clear agreements and information sent to other financial stakeholders to limit the risk of credit-limiting measures by guarantors and credit insurers. The introduction of IFRS 15 (Revenues from contracts with customers) in 2018 had a negative impact of around 2% on solvency. The introduction of IFRS 16 (Leases) (comes into effect on 2019) is expected to have a negative impact of around 3% on solvency. In addition to this, the buy-in from the pension fund in Q1 2018 led to a 2% reduction in solvency. Although solvency declined as a result of these changes, Heijmans believes that its risk profile has actually improved.

Availability of bank guarantee facilities	M	↑	<p>If bank guarantee facilities are withdrawn, this may result in a situation in which Heijmans no longer has access to new bank guarantees, which may in turn mean that it cannot meet its contractual requirements in project tenders. A (negative) change in the terms could lead to more stringent conditions, which could in turn damage Heijmans' competitive position.</p>	<ul style="list-style-type: none"> • Heijmans has a guarantee policy, which includes a detailed description of which conditions are set per type of guarantee, terms, amounts guaranteed, etc. The aim of this policy is to avoid unreasonably high, long-term and double sureties, thereby limiting the call on guarantee facilities. Treasury ultimately tests all guarantee requests against the guarantee policy and these are then submitted to the various guarantors. • For the issuance of new guarantees, Heijmans has five bank guarantee facilities. The available exposure on these bank guarantees is more than enough to meet any requests. • Heijmans closely monitors the headroom on the guarantee facilities by drawing up a monthly Heijmans-wide overview that both estimates the progress of issued guarantees and the need for new guarantees on the basis of current tender processes and projects. This makes it possible to both estimate whether current guarantee facilities are adequate for the coming period, and to identify any potential hurdles to individual guarantee requests vis-a-vis the guarantee policy at an early stage in the process. • Intensive stakeholder management with bilateral financiers. In other words, keeping guarantors up-to-date on the financial situation and the importance of current exposure. <p>Additional focus in 2019:</p> <ul style="list-style-type: none"> • Heijmans will investigate whether it is possible to set up new bank guarantee lines, to realise a better spread in the current system of guarantees.
Creditworthiness of partners	M	↑	<p>If a partner is unable to meet its obligations, it is possible that Heijmans, as co-partner in the consortium formed for the project (usually a general partnership (V.O.F) or private limited liability company) could become liable for the execution of the entire scope of the project. This would render Heijmans financially and operationally responsible for precisely that part of the scope for which Heijmans had sought a partner.</p>	<ul style="list-style-type: none"> • It is standard procedure to test the creditworthiness of partners in advance. If this is considered inadequate, Heijmans seeks additional assurances. This can take the form of a financial guarantee, or Heijmans might explore the possibility of accruing sureties at the level of the consortium, such as the retention of consortium-based pre-financing reserves or safeguarding specific expertise and assets in the project company. • The parties involved also sign a consortium agreement before submitting a tender quote. This includes a detailed demarcation of the respective obligations.

Legal and compliance risks	H/M/L	↑ ↓ =		
<p>New business models are resulting in new forms of cooperation and new partners</p>	M	=	<p>The manner of the cooperation and the intended goal are insufficiently defined and/or the need to do so is recognised too late, which means that Heijmans interests are inadequately safeguarded.</p>	<ul style="list-style-type: none"> • Heijmans has several professionals in its Legal Affairs and Procurement departments who are specifically tasked with guarding against this risk. • There is a growing awareness of the need to think about the manner of the cooperation and to lay down agreements related to same at an early stage, and Heijmans' management teams and Legal Affairs, Contract management, the Insurances department and Procurement are involved at an early stage of any alliances. • Existing knowledge is made as widely available as possible internally and whenever possible Heijmans draws up model agreements. Heijmans organises training courses to increase the depth of knowledge on this front. • Heijmans selects external experts to provide support whenever necessary. <p>Additional focus in 2019:</p> <ul style="list-style-type: none"> • In 2019, Heijmans will deepen and expand in-house IT and IP law expertise.
<p>New business models imply an increase in the importance of legal fields outside our traditional legal fields, such as intellectual property law and IT law</p>	H	=	<p>Due to the lack of knowledge and involvement, Heijmans might reach agreements (or fail to reach agreements) that do not serve Heijmans' best interests.</p>	<ul style="list-style-type: none"> • Several lawyers in Heijmans' Legal Affairs department have improved their knowledge in this field. • Heijmans employees know which internal experts to approach if they have any questions. • Heijmans does its utmost to preserve the value of know-how. How the company handles intellectual property is subject to careful analysis (cost-benefit analysis). • Intellectual property rights are administered centrally. The administration is kept up to date and Heijmans responds adequately to any infringements. • In addition, Heijmans has contracted several external advisers to provide support. Among other things, this means we have effective and practical standard statements and agreements. <p>Additional focus in 2019:</p> <ul style="list-style-type: none"> • In 2019, Heijmans will work on increasing and deepening its expertise in this field. Lawyers are the company-wide contact point within Heijmans. All in-house lawyers will acquire and/or deepen their IT law expertise.

(Long-running) disputes and legal procedures	H	↑	Disputes and legal procedures can have a major financial impact. If a dispute arises during a project in progress, this can have serious consequences for the execution and progress of a project (in terms of time and money).	<ul style="list-style-type: none"> • In the tender phase, certainly for larger, more complex projects, Heijmans carries out intensive contract assessments (according to a fixed format). • Heijmans makes sure contracts with various parties are harmonised by, whenever possible, using standard contracts, ensuring effective transition from tender to execution phase, and by limiting any changes in a project team. • The insurance policy is tailored as much as possible to the business operations. Insurability is a major attention point in the tender phase. • Heijmans is alert to so-called early warnings, such as delays, poor liquidity, cost overruns and bad atmosphere, and acts upon these warnings. • In the event of (potential) disputes, Heijmans frequently puts together inter-disciplinary teams, who come together according to a standard procedure, providing the right knowledge, expertise and commitment to arrive at a good result. If it proves impossible to prevent a legal procedure, Heijmans devotes careful consideration to which lawyer, expert and/or mediator it would be best to deploy. • Due to the fact that any dispute involves not only those responsible for the project, but also colleagues with a little more distance from the problem that has arisen, it is easier to not get bogged down in principles and not to lose sight of the best end result, such as an amicable settlement. • Initiation of alternative dispute mediation, ideally before there is an actual concrete dispute. • Via the Heijmans Academy, Heijmans organises training courses on standard terms and conditions in the construction industry, such as the UAV and UAV-GC (uniform administrative conditions). <p>Additional focus in 2019: Heijmans will further strengthen the role of Contract Management in the execution phase.</p>
Implementation of and compliance with the European General Data Protection Regulation (GDPR)	M	↑	From 25 May 2018, Heijmans' business operations must be in compliance with the GDPR. Failure to comply could result in heavy fines.	<ul style="list-style-type: none"> • Heijmans has appointed a data protection officer. • Heijmans has brought its Model Data Processing Agreement into line with the GDPR and it has been presented to/agreed with its subcontractors. • Heijmans has drawn up a privacy policy and communicated this to all employees. • Heijmans has drawn up a privacy code of conduct and communicated this to all employees. • Reporting Procedure Data Breaches. • Heijmans has established a data processing register and this is maintained. • All employees are required to take an e-learning course in IT security. • All employees are required to take an e-learning course in Privacy. <p>Additional focus in 2019:</p> <ul style="list-style-type: none"> • Continuous focus on internal awareness via various means, such as training, introduction and intranet messages.

<p>Heijmans fails to abide by laws and regulations</p>	<p>H</p>	<p>=</p>		<ul style="list-style-type: none"> • Heijmans has embedded monitoring and control mechanisms in operational processes. • All employees are bound by the Heijmans Code of Conduct. • Lawyers and other specialists identify and implement legal or regulatory changes and when necessary Heijmans informs relevant staff and/or runs pilot projects and conducts audits. Heijmans' membership of various industry organisations and working groups generally makes it possible to identify developments at an early stage. • The Compliance Officer initiates compliance consultations (with all relevant disciplines), in which the parties involved discuss compliance in the broadest sense. • For specific subjects, Heijmans has semi-permanent programmes to support adequate follow-up. <p>Additional focus in 2019:</p> <ul style="list-style-type: none"> • Heijmans will continue to closely monitor culture and conduct with respect to laws and regulations.
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9.4 Independent auditor's report

To: the shareholders and supervisory board of Heijmans N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Heijmans N.V. (also referred to as 'the company'), based in Rosmalen. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Heijmans N.V. as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The company financial statements included in this annual report give a true and fair view of the financial position of Heijmans N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2018;
- The following statements for 2018: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended;
- The notes comprising a summary of the significant accounting policies applied and other explanatory information.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2018;
- The company statement of profit or loss for 2018;
- The notes comprising a summary of the significant accounting policies applied and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Heijmans N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 7,6 million (2017: € 7 million)
Benchmark applied	0.5% of the revenues for the financial year
Explanation	Profit before tax is generally considered as the most appropriate basis for determining the materiality. However, the results in recent years were slightly positive and not at a level that represents the size of the company. Therefore we consider the revenues to provide a more stable basis for determining the materiality. The percentage used is at the lower end of the range.

We have also taken misstatements and/or possible misstatements into account that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 380.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Heijmans N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heijmans N.V.

Our group audit mainly focused on the operating segments, of which Infra is the largest. We performed the audit procedures at those segments ourselves. We also used the work of other EY and non-EY auditors when auditing a number of partnerships. Where we used the work of other auditors, we have provided instructions and were closely involved during the execution of the audit and reporting by these auditors.

In the aggregate, these audit procedures nearly represent the group's entire revenues, results and assets.

By performing the procedures mentioned above at (group) entities, together with additional procedures carried out at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter Funding and covenants that we included in last year, is not included because there is no longer a specific reason for inclusion due to the current financial position of the company. No new key audit matters have been identified.

Risk	Our audit approach	Significant observations
Recognition of project results and the valuation of work in progress (see notes 5.3, 6.16 and 6.30)		
<p>The valuation of work in progress is affected by subjective elements such as estimates of costs and expected (additional and less) revenue, the technical progress and (potential) claims and fines. This is partly due to the nature of the operations, which may be affected by the complexity of projects, the level of estimations in the tender process and developments during the realisation of a project. The recognition of revenue and result, including the implementation of new reporting standard IFRS 15, requires the Executive Board to make significant estimates and therefore has a significant impact on our audit.</p>	<p>We audited the project management and estimates related to project results, including the expected costs and revenue on the basis of the contractual conditions and (potential) claims and disputes. We devoted specific attention to the implementation of new reporting standards. We also carried out data-driven audit procedures with respect to project calculations and the Executive Board's estimates of same. We also assessed the outcome of previous estimates. We also audited the explanatory notes to the work in progress. In this assessment, we devoted specific attention to the Wintrack project prematurely terminated by Tennet, due to the increased uncertainty of estimates with respect to the claims filed by both parties.</p>	<p>It is our opinion that the management has chosen reasonable accounting policies for the recognition of project results and that these have been applied adequately. We have determined that the premises and estimates used by the Executive Board are within the acceptable bandwidth and that the explanation provided is adequate.</p>

Risk	Our audit approach	Significant observations
Valuation of intangible fixed assets (see note 6.11)		
<p>The intangible fixed assets are largely comprised of goodwill. The Executive Board conducts an annual impairment test on these assets. This test is largely based on the Executive Board's expectations and estimates with respect to future results and cash flows. The goodwill related to the business areas Non-Residential and Infra are the most significant due to the scope of these operations. The testing is significant for our audit, in view of the complexity of the estimation process, including the potential developments on a number of significant projects.</p>	<p>Our audit devoted specific attention to the expected results and cash flows, as these are included in the Business Plan 2019. We also assessed the realisation of the Business Plan 2018, as this gives an indication of the quality of the estimates made. With some help from our own valuation experts, we focused our work primarily on the parameters that have the greatest impact, such as the discount rate, revenue volume and EBIT. We also assessed whether the explanatory notes contain sufficient information and provide sufficient insight into the chosen assumptions and the sensitivity of same for the valuation.</p>	<p>It is our opinion that the Executive Board's estimates with respect to potential impairments are adequate and the parameters and expectations they use are within the acceptable bandwidth. We also determined that the explanation provided is adequate.</p>
Valuation of strategic land holdings and land in-use (see note 6.15)		
<p>The valuation of strategic land holdings and land in-use is strongly affected by market developments in the Dutch housing market. The land holdings are generally only taken into use after a long period, partly under the influence of developments on the spatial planning front. The company runs an impairment test on these assets twice a year. This test is significant for our audit, as the estimation process requires the Executive Board to make significant estimates. The net recoverable value is based on the expected future cash flows, which depend among other things on the estimated chance of realisation, the expected timing of the realisation and the estimated sales prices and building costs. This valuation is substantiated using qualitative descriptions and key figures. The calculation models for the land holdings are also updated each year.</p>	<p>We carried out audit procedures with respect to the estimates. This included assessing whether the correct source data was used and whether the calculation models applied were used correctly. We made use of our own valuation specialists for this assessment. We also included the outcome of previous estimation processes in the determination of our detailed auditing activities. We also devoted attention to the assumptions that have the greatest impact on the determination of the net recoverable value, such as the design and execution of development plans. This included specific attention to the devaluation of the land holding in Almere as a result of a ruling by the Dutch Council of State. We also assessed whether the explanations given provide sufficient information and provide sufficient insight into the assumptions chosen for the valuation.</p>	<p>It is our opinion that the Executive Board's estimates with respect to potential impairments are adequate and that the parameters and expectations they used are within the acceptable bandwidth. We also determined that the explanation provided is adequate.</p>

Risk	Our audit approach	Significant observations
Valuation of deferred tax claims (see note 6.14)		
Deferred tax claims are recognised for deductible tax losses in so far as it is probable that there will be sufficient future taxable profit to settle against said losses. The assessment of same is significant for our audit, because the estimation process is complex and is affected by Executive Board estimates. These estimates include expected operational and fiscal results that are partly based on assumed future economic and market developments.	We carried out audit procedures with respect to, among other things, the assumptions in the forecast that have the greatest impact on the fiscal result, such as EBIT and non-deductible or deferred items. The Business Plan 2019 is also partly based on these forecasts. In the execution of our activities, we made use of our own tax experts. We also assessed whether the explanatory notes provide sufficient information and provide sufficient insight into the choice of the assumptions made for the valuation.	It is our opinion that the Executive Board applied the accounting policies for the valuation of deferred tax claims in an adequate fashion. We determined that the premises and estimates used by the Executive Board are within the acceptable bandwidth and that the explanation provided is adequate.

Report on other information included in the annual report

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

- Report of the Executive Board;
- Other information shown in the list of contents, namely, the Report of the Supervisory Board, Remuneration Report, and result appropriation.

On the basis of the procedures stated below, we consider that the other information:

- Is consistent with the financial statements and contains no material misstatements;
- Includes all the information required pursuant to Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Heijmans N.V. on 30 April 2014 as of the audit for the 2014 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others things:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the key matters communicated with the Supervisory Board, we determine those key matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these key matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 21 February 2019

Ernst & Young Accountants LLP

signed by W.P. de Pater RA

9.5 Assurance report of the independent auditor

To: the shareholders and the Supervisory Board of Heijmans N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2018 of Heijmans N.V. at Rosmalen. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to corporate social responsibility
- The thereto related events and achievements for the year 2018

in accordance with the Sustainability Reporting Standards (option Core) of the Global Reporting Initiative (GRI) and additional reporting criteria as disclosed in the appendices "Reporting Methodology" and "KPI Table" of the annual report.

The sustainability information consists of the following chapters of the annual report:

- Profile
- How Heijmans creates value
- Non-financial results
- Conduct, integrity and dilemmas

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N, "Assurance-opdrachten inzake maatschappelijke verslagen" (Assurance engagements relating to sustainability reports), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section Our responsibilities for the review of the sustainability information of our report.

We are independent of Heijmans N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Heijmans N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the appendices "Reporting Methodology" and "KPI Table" of the annual report.

Limitations to the scope of our review

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory Board for the sustainability information

The executive board is responsible for the preparation of the sustainability information in accordance with the reporting criteria as included in the section Reporting Methodology and KPI Table of the annual report, including the identification of stakeholders and the definition of material matters. The choices made by executive board regarding the scope of the sustainability information and the reporting policy are summarized in appendices Reporting Methodology and KPI Table of the annual report.

The Executive Board is also responsible for such internal control as the executive board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of Heijmans N.V.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit.

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review engagement, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our review included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders’ dialogue and the reasonableness of estimates made by the management board
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These further review procedures consisted amongst others of:
 - Interviewing management [and/or relevant staff] at corporate [and business/division/cluster/local] level responsible for the sustainability strategy, policy and results
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information
 - Obtaining assurance information that the sustainability information reconciles with underlying records of the company
 - Reviewing, on a limited test basis, relevant internal and external documentation
 - Performing an analytical review of the data and trends.
- Reconciling the relevant financial information with the financial statements.

- Evaluating the consistency of the sustainability information with the information in the annual report which is not included in the scope of our review.
- Evaluating the overall presentation, structure and content of the sustainability information
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Rotterdam, 21 February 2019

Ernst & Young Accountants LLP

signed by J. Niewold

9.6 Remuneration report

Principles of the remuneration policy

The Supervisory Board of Heijmans N.V. pursues a remuneration policy for the Company's Executive Board that is based on the following principles:

- Executive remuneration must be such that it is possible to attract and retain top managers, not only from the building industry but also from related sectors, such as property development and electrical and mechanical engineering;
- The remuneration policy must be consistent with the Company's corporate governance policy;
- Remuneration must be focused on long-term value creation, the strategic and financial objectives and must be performance-based to a significant degree, with an appropriate balance between short-term and long-term results and/or objectives;
- Remuneration must not include any incentives that could result in individual behaviour that is in conflict with the Company's interests;
- The Executive Board operates as a team with ultimate responsibility clearly resting with the Chairman, although the other Executive Board members are also accountable for the overall end result, in addition to their specific areas of responsibility.

Relationship with the Corporate Governance Code

Heijmans endorses the principles relating to the remuneration of Executive Board members stated in the Corporate Governance Code. Heijmans also endorses the recommendations relating to the remuneration-related responsibilities of the Supervisory Board and the role of the Remuneration Committee.

Heijmans observes the principle of a maximum appointment term of four years for Executive Board members, as well as the compensation stated in the Code in the event of involuntary dismissal.

Positioning of the remuneration packages

Heijmans' remuneration policy aims to position remuneration packages at a median level in the Dutch 'remuneration market' for the directors of comparable enterprises in the Netherlands. In addition, the remuneration package must be competitive and include the right incentives to generate effective strategy and above-average performance. The Supervisory Board plans to update this policy on a regular basis by reviewing it against market developments and socially accepted standards.

Principles of the remuneration policy for the Heijmans N.V. Executive Board members

Heijmans has opted for a system that comprises a fixed basic salary and a variable bonus that depends on short-term targets (variable bonus on an annual basis) and long-term targets (annually recurring variable remuneration on a three-year basis). If both the short-term and long-term targets are achieved, the total variable remuneration amounts to 100% of the fixed annual salary. If performance significantly exceeds or falls below the agreed targets, the variable remuneration may vary between a maximum of 150% of the fixed salary to zero. On-target performance will result in a total variable bonus consisting of 50% of the variable annual bonus, and 50% of the annually recurring variable remuneration on a three-year basis. Half (50%) of the variable annual bonus depends on financial targets set each year. The remaining 50% is determined on the basis of individual qualitative performance, as assessed by the Supervisory Board.

If the Company closes any year with a net loss, the right to a variable annual bonus for that year is only vested if and when the company realises a net profit in the subsequent year or the year thereafter, subject to a minimum level to be determined by the Supervisory Board. Thereafter, any right to a variable annual bonus for the year in question lapses. Half (50%) of the variable remuneration on a three-year basis depends on financial targets, and 50% on individual qualitative performance and other non-financial criteria, at the discretion of the Supervisory Board.

The entire variable remuneration is subject to a claw-back clause: any variable remuneration that has been allocated can be reclaimed if it was awarded on the basis of incorrect information. Furthermore, the Supervisory Board has the discretionary power to adjust the variable remuneration component granted in a previous financial year if the Supervisory Board believes this remuneration results in an unfair or unreasonable situation due to highly exceptional circumstances in the relevant assessment period (measure of last resort).

The Supervisory Board has the right to final review and potential adjustment of any and all awards of variable remuneration. The principles of the remuneration policy for Executive Board members of Heijmans N.V. were established by the General Meeting of Shareholders on 28 April 2010. The Supervisory Board sets the targets for

determining the variable remuneration of members of the Executive Board. This pertains to the financial targets and the qualitative performance targets used to determine the annual remuneration and the long-term remuneration.

Pay ratios within the company in 2018

In line with best practice 3.4.1. sub iv, the pay ratio in the company, the difference between the salaries of management-level employees and other employees has been analysed. This was calculated on the basis of the fixed agreed remuneration, including holiday bonus, with reference date 30 November 2018. The average fixed agreed remuneration of the members of the Executive Board as of the reference date was compared to a reference group comprising all employees who, on said reference date, had an employment contract with the company (Heijmans N.V.) or one of its subsidiaries in the Netherlands. The average fixed remuneration of the members of the Executive Board was € 462,500 on the reference date (2017: € 462,500), compared with a fixed remuneration of € 52,797 (2017: € 52,553) for the reference group. Based on the above, the pay ratio can be expressed as 1 to 8.8 (2017: 1 to 8.8).

The Remuneration Committee takes the pay ratio into account in the proposal it submits to the Supervisory Board with respect to the remuneration of the individual members of the Executive Board.

Activities in 2018

In 2018, the Remuneration Committee held two scheduled meetings, in which it discussed the usual annually recurring items, such as the remuneration of the members of the Executive Board, the targets in the context of the variable remuneration, the variable remuneration

itself and the Bonus Investment Share Matching Plan. In addition, the Remuneration Committee had reciprocal consultations on a number of occasions. The committee devoted a great deal of time and attention to the formulation of a proposal to adjust the remuneration of the Supervisory Board. The proposal to adjust said remuneration, which was originally on the agenda for the General Meeting of Shareholders dated 11 April 2018, was adjusted and put on the agenda for the Extraordinary General Meeting of Shareholders dated 6 December 2018, and was adopted unanimously at said meeting.

Variable remuneration

The Supervisory Board assessed the short-term and long-term targets applicable to the members of the Executive Board for the year 2018 and the years 2016-2018 respectively. The short-term targets for 2018 applied to both members of the Executive Board. In view of the results realised with regard to the financial and qualitative performance targets, the Supervisory Board decided to award both members of the Executive Board a short-term bonus for 2018 of 50% of the agreed fixed annual remuneration.

The long-term targets for 2016-2018 do not apply to Mr. Janssen, in view of his appointment as per 30 October 2017. The Supervisory Board awarded Mr. Hillen a long-term variable bonus of 37.5% of the agreed fixed annual salary on the basis of the realised qualitative and financial targets.

Remuneration members of the Executive Board

in €	Gross fixed remuneration			Variable remuneration			Total fixed and variable remuneration		
	To be paid in 2019	Paid in 2018	Paid in 2017	To be paid in 2019	Paid in 2018	Paid in 2017	To be paid in 2019	Paid in 2018	Paid in 2017
A.G.J. Hillen	500.000	500.000	500.000	437.500	425.000	-	937.500	925.000	500.000
J.G. Janssen	425.000	425.000	74.053	212.500	-	-	637.500	425.000	74.053
	925.000	925.000	574.053	650.000	425.000	0	1.575.000	1.350.000	574.053

in €		Gross fixed remuneration	Short term variable remuneration	Long-term variable remuneration	Termination payment	Pension contributions	Expense allowances including reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan	Total
A.G.J. Hillen*	2018	500.000	250.000	437.500	-	201.141	57.252	1.445.893
	2017	500.000	345.868	-102.050	-	200.273	43.463	987.554
J.G. Janssen**	2018	425.000	212.500	212.500	-	88.000	48.801	986.801
	2017	74.053	-	-	-	14.667	9.059	97.779
R.F. Majenburg***	2018	-	-	-	-	-	-	-
	2017	331.409	248.557	-64.484	404.563	72.822	34.304	1.027.171
L.J.T. van der Els****	2018	-	-	-	-	-	-	-
	2017	115.954	-	-	-	28.671	14.892	159.517
M.C. van den Biggelaar*****	2018	-	-	-	-	-	-	-
	2017	68.209	-	-	-	11.870	9.372	89.451
Total	2018	925.000	462.500	650.000	0	289.141	106.053	2.432.694
	2017	1.089.625	594.425	-166.534	404.563	328.303	111.090	2.361.472

* Chairman of the Executive Board with effect from 1 December 2016 and member of the Executive Board with effect from 18 April 2012

**Member of the Executive Board with effect from 30 October 2017

*** Member of the Executive Board from 13 April 2016 to 26 October 2017

**** Member of the Executive Board from 28 April 2010 to 13 April 2017 and Chairman of the Executive Board from 18 April 2012 to 1 December 2016

***** Member of the Executive Board from 1 September 2009 to 1 March 2017

- The members of the Executive Board were awarded a short-term variable bonus for 2018 of 50% of the basic salary due to the targets realised in 2018. Mr. Hillen was awarded a long-term variable bonus for the period 2016-2018 of € 187,500 due to the targets realised in that period. The members of the Executive Board were awarded a short-term bonus for 2017 of 85% of the basic salary for Mr. Hillen and 75% of the basic salary for Mr. Majenburg due to the targets realised in 2017. The members of the Executive Board were awarded a conditional short-term variable bonus for 2015 of 20% of the basic salary. With respect to Mr. Hillen, Heijmans set aside a reservation of € 79,132, which was charged to the result for 2015. This award did not vest in 2017 and was therefore released to the result for 2017.
- The negative amounts for 2017 in the column 'Long-term variable remuneration' pertain to the amounts released in 2017. Heijmans has set aside a reservation of € 462,500 for the current members of the Executive Board for variable remuneration relating to the periods 2017-2019 and 2018-2020 (2017: nil for the periods 2016-2018 and 2017-2019); and has reserved € 250,000 for Mr. Hillen (2017: nil) and reserved € 212,500 for Mr. Janssen (2017: nil).
- The pension scheme for Mr. Hillen pertains to the pension scheme of the industry pension fund and the directly insured average salary scheme. Mr. Hillen also receives an annual compensation of € 35,082 (2017: € 34,021), adjusted for possible collective labour agreement salary increases, for the lapse of the early retirement pension scheme. Mr. Hillen also received compensation of € 96,757 in 2018 (2017: € 97,188) for the loss of pension accrual on his salary over and above € 100,000, plus a compensation of € 50,232 (2017: 50,232) for the loss of the indexation in the Delta Lloyd average salary scheme. Mr. Janssen receives a fixed compensation for pension expenses, which was € in 88,000 in 2018 (2017: € 14,667).
- In April 2014, Mr. Van der Els and Messrs. Van den Biggelaar and Hillen acquired shares in Heijmans for 50% and for 20% respectively of the net short-term variable remuneration for 2013. In the context of the Share Matching Plan, a conditional share was granted for each share acquired – a total of 2,289 shares. The shares granted conditionally were vested after three years, after which they are subject to a mandatory lock-up period of two years. The total charge associated with the granting of the shares is calculated at the time the shares are awarded and is recognised on a

time-weighted basis in the statement of profit or loss during the period in which the awarded shares are vested. In April 2017, a total of 2,289 shares were vested. In April 2017, the Group issued 2,289 shares and awarded same to the relevant (former) members of the Executive Board; these shares are subject to a mandatory two-year lock-up period that expires in April 2019.

In April 2018, Mr. Hillen acquired 5,000 (depository receipts for) Heijmans shares for 12% of the awarded short-term bonus for 2017. In the context of the Share Matching Plan, a conditional share was granted for each share acquired. The shares granted conditionally are vested after three years, after which they are subject to a mandatory lock-up period of two years. The total charge associated with the granting of the shares is calculated at the time the shares are awarded and is recognised on a time-weighted basis in the statement of profit or loss during the period in which the awarded shares are vested. In the statement of profit or loss for 2018, Heijmans recognised an amount of € 10,917 (2017: nil) as a charge related to the shares granted in April 2018.

Pension

The pension scheme for one member of the Executive Board is a conditionally indexed average salary scheme, in which pension is accrued on the gross fixed salary up to € 59,379 and becomes payable at the age of 67 years of age. This pertains to the accrual of retirement pension, surviving dependants' pension and orphan's pension. This Board member participates in the defined contribution pension scheme for the portion of their salary up to € 105,075. This Board member also receives compensation for the loss of pension accrual on their salary in excess of €105.075. In deviation from the above, the other member of the Executive Board receives a fixed payment for the accrual of his own pension provision. Heijmans does not have any early retirement schemes.

Bonus Investment Share Matching Plan

This plan is intended to secure the longer-term commitment of executive directors and reinforce their focus on the long term and value creation for Heijmans by encouraging them to buy (depository receipts for) ordinary shares in the Company's capital and hold these for an extended period. Members of the Executive Board can opt to invest part of their short-term variable annual bonus after tax in shares in the Company's capital. If a director (hereinafter referred to as "participant"), decides to invest, the investment is limited to 50% of their gross short-term variable annual remuneration.

The minimum contribution is 10% of the gross short-term variable annual remuneration.

The shares purchased by the participant are subject to a mandatory lock-up period of three years, during which the participant may not transfer the purchased shares. However, the participant is entitled to dividend during the lock-up period. Immediately upon purchase, each purchased share grants the participant the right to one conditionally granted share (matching share), which are only vested after three years, provided the participant is still employed by Heijmans at that point. The matching shares are then subject to a mandatory lock-up period of two years. If the participant's employment is terminated at any time during the three-year period, the right to the matching shares lapses (except in the case of retirement or death). If the employment ends during the two-year lock-up period, the matching shares remain blocked until the end of the lock-up period. The regulations for the Bonus Investment Share Matching Plan for the members of the Executive Board were established by the Supervisory Board in 2011 on the basis of a proposal from the Remuneration Committee.

Remuneration Committee

The members of the Remuneration Committee are Mr. S. van Keulen (Chairman), Ms. P.G. Boumeester, and Mr. R. van Gelder. To prepare the matter for consideration by the Supervisory Board, the Remuneration Committee focuses on the remuneration of members of the Executive Board and members of the Supervisory Board.

's-Hertogenbosch, 21 February 2019

Mr. Sjoerd van Keulen, Chair
Ms. Pamela G. Boumeester
Mr. Rob van Gelder

9.7 Other appendices

9.7.1 Heijmans Share Administration Trust

The following report is presented in line with the best practice provisions 4.4.6 and 4.4.7 of the Corporate Governance Code.

Methods

To emphasise the independence of the Heijmans Share Administration Trust (hereinafter referred to as 'the SA Trust'), its Board of Trustees first meets in the absence of the members of the Company's Executive Board. The members of the Executive Board and the Chairman of the Supervisory Board then join the meeting.

Number of shares for which depositary receipts have been issued

The SA Trust has issued depositary receipts for ordinary shares of Heijmans N.V. with the company's cooperation. The SA Trust is an independent legal entity, as defined in Section 5:71 (1)(d) of the Financial Supervision Act.

As at 31 December 2018, the SA Trust had depositary receipts for ordinary shares with a nominal value of €6,422,748.60 in administration, for which 21,409,162 bearer depositary receipts with a nominal value of €0.30 had been issued.

Number of meetings of the Board of Trustees and most important agenda items

The Board of Trustees of the SA Trust met on three occasions during the year under review.

Meeting of 21 March 2018

The following subjects were discussed during this regular meeting of the Board:

- The 2017 annual report of Heijmans N.V. and the press release of 23 February 2018;
- Discussion of the items on the agenda for the General Meeting of Shareholders of Heijmans N.V. to be held on 11 April 2018;
- The annual report of the SA Trust for 2017;
- The evaluation of the Meeting of Depositary Receipt Holders of 17 November 2017;
- The reappointment of a trustee;
- The amendment of the Articles of Association and the Trust Conditions of the SA Trust.

During the meeting, the SA Trust Board made a number of comments and asked the chairman of the Executive Board questions with respect to subjects including:

- The company's progress with respect to the structural recovery of profitability;
- The company's expectations with regard to the resumption of dividend payments;
- The company's strategy.

In the spring of 2018, one trustee was scheduled to step down. The trustee in question was Mr. J.J.G.M. Sanders. The Meeting of Depositary Receipt Holders did not submit a recommendation for the filling of this vacancy. The Board reappointed Mr. Sanders for a second term of four years. The Board took into consideration the importance of continuity within the Board, partly in view of the term in office of the other board members.

The Board decided to amend its articles of association regarding terms of appointment, in the sense that a board member can be appointed for two terms of four years and then for two subsequent terms of two years. This maximum number of appointment terms can be deviated from in exceptional circumstances. The Board also decided to amend the Trust conditions in the sense that a Meeting of Depositary Receipt Holders can never be held in a period of six weeks prior to an AGM of Heijmans N.V.

Meeting of 14 September 2018

Subjects discussed in this regular meeting included:

- The 2018 interim results of Heijmans N.V.;
- The resolution to hold a Meeting of Depositary Receipt Holders on 13 November 2018;
- The composition of the Board: Mr. P. Moerland will step down as of the spring meeting of 2019.

During the meeting, the SA Trust Board made a number of comments and asked the chairman of the Executive Board and the chairman of the Supervisory Board questions on subjects including:

- The Executive Board's vision regarding gas-free construction and the opportunities offered by same;
- Heijmans' strategy and the Executive Board's specific focus in this respect;
- How the market in general and investors in particular view Heijmans.

Mr PW. Moerland will step down from the Board at the spring meeting of 2019. The Board has decided to create a vacancy and to give the Meeting of Depositary Receipt Holders the opportunity to make recommendations.

Meeting of 13 November 2018

The extra board meeting focused on the preparations for the Meeting of Depositary Receipt Holders of 13 November 2018.

Meeting of Depositary Receipt Holders 13 November 2018

During the Meeting of Depositary Receipt Holders of 13 November 2018, the SA Trust Board gave an explanation of its policy, partly on the basis of best practice 4.4.6 of the Dutch Corporate Governance Code.

The depositary receipt holders/proxies present at the meeting represented 1,017 (depositary receipts for) shares. At 13 November 2018, the SA Trust had issued a total of 21,409,162 (depositary receipts for) shares. This means that 0% of the (depositary receipts for) shares issued by the SA Trust were represented at this meeting (the same as in 2017).

Participation SA Trust Board in the General Meeting of Shareholders of 11 April 2018

The Board of Trustees of the SA Trust was represented at the General Meeting of Shareholders on 11 April 2018 and voted in favour of all the resolutions that were put to a vote.

At the General Meeting of Shareholders, the SA Trust Board asked questions on subjects including the process of de-risking, why Heijmans now believes that major projects are running smoothly and regarding the Executive Board's statement to the effect that it expects all sectors to make a positive contribution to the result for 2018.

The SA Trust granted authorisation to holders of depositary receipts who attended the General Meeting of Shareholders in person or who were represented by a third party, to vote independently on the number of depositary receipts reported for shares prior to the meeting, with due observance of the Articles of Association and Trust Conditions.

As was the case in 2010 through 2017, in its convening notice for the 2018 General Meeting of Shareholders, the board of the SA Trust offered holders of depositary receipts who were unable to attend the shareholders meeting in person the opportunity to express their view on certain issues via e-mail or otherwise in writing. The SA Trust is thus able to take these views into consideration when determining how it will cast its vote. Once again, there was no response.

Votes cast at the General Meeting of Shareholders of 11 April 2018

Of the 21,409,162 (depositary receipts for) shares SA Trust had issued by 11 April 2018, 4,917,923 (depositary receipts for) shares were registered as present at the meeting (approximately 22.97%; 2017: approximately 20.1%). Of the total of 4,917,923, the holders of 1,566,641 (depositary receipts for) shares attended the Meeting, and the holders of another 3,347,329 had issued voting instructions to ABN AMRO. The SA Trust therefore represented 16,495,192 (depositary receipts for) shares, or approximately 77%, at the AGM.

Participation SA Trust Board in the Extraordinary General Meeting of Shareholders of 6 December 2018

There were two agenda items put to a vote at this meeting. One was the appointment of a member of the Supervisory Board and the other a motion to adjust the remuneration of the Supervisory Board. The Board of Trustees of the SA Trust was represented at this meeting by Messrs. Van den Goorbergh and Hooghoudt and voted in favour of the aforesaid agenda item.

Votes cast at the Extraordinary General Meeting of Shareholders of 6 December 2018

Of the 21,409,162 (depositary receipts for) shares SA Trust had issued by 6 December 2018, 1,389,097 (depositary receipts for) shares were registered as present at the meeting (approximately 6.5%). Of the total of 1,389,097, the holders of 1,384,153 (depositary receipts for) shares attended the Meeting, and the holders of another 4,004,193 had issued voting instructions to ABN AMRO. The SA Trust therefore represented 16,020,816 (depositary receipts for) shares, or approximately 75%, at the EGM.

Activities

The activities related to the administration of the (depositary receipts for) shares are carried out by the administrator for the SA Trust, SGG Netherlands N.V. in Amsterdam.

Costs

The costs associated with the activities of the SA Trust are primarily related to the costs of administration (which are charged by SGG) and the fees charged by the auditor EY for the audit of the financial statements. There are also expenses relating to the remuneration of the trustees (see the section Board of Trustees and Remuneration).

External advice

The Board did not seek any external advice in 2018.

Board of Trustees and Remuneration

The Board of Trustees of the SA Trust consists of:

W.M. van den Goorbergh (Chairman)

H. Hooghoudt

P.W. Moerland

J.J.G.M. Sanders

W.M. van den Goorbergh is Chairman of the supervisory boards of NIBC Bank and Coöperatie DELA. Until 2002, Mr. Van den Goorbergh was Vice-Chairman and CFO of the Executive Board of Rabobank Nederland.

P.W. Moerland is Chairman of the Supervisory Board of Enexis N.V., member of the General Board of the Dutch Bach Association, Chairman of Stichting Berenschot Beheer and Chairman of the Board of Supervision of Stadhuismuseum Zierikzee. Prior to this, in the period 2003 to October 2013, he was a member of the Executive Board of Rabobank the Netherlands, for the last four years as Chairman. Between 1980 and 2013, Mr. Moerland was Professor of Business Administration at the Royal University of Groningen and Professor of Business Finance, and from 1999 also Professor of Corporate Governance at the University of Tilburg.

R. H. Hooghoudt has been a lawyer since 1975 and in 1990 joined NautaDutilh, where he currently acts as an adviser.

J.J.G.M. Sanders is Chairman of the Supervisory Board of Bolsius N.V., Chairman of the Board of Supervision of the Catherinaziekenhuis in Eindhoven, Chairman of the Stichting Evenementen Liliane Fonds, a member of the Supervisory Board of Greenchoice, Chairman of the Advisory Board of Nemo Healthcare B.V. and a member of the Advisory Committee of Voedselbank Eindhoven. From 2010 to mid-2014, Mr. Sanders was Managing Director of PSV N.V. and prior to this he spent 16 years at FrieslandCampina, for the last eight years as Chairman of the Executive Board. Mr. Sanders was appointed as a trustee of the SA Trust on 26 March 2014.

The remuneration of the Board of Trustees in 2018 amounted to €12,000 for the Chairman and €10,000 for each other trustee.

Contact information

Heijmans Share Administration Trust

Heijmans N.V.

Attn. Ms. N. Schaeffer

Graafsebaan 65

5248 JT Rosmalen

e-mail: nschaeffer@heijmans.nl

9.7.2 The Heijmans Preference Share Trust

The Heijmans Preference Share Trust (hereinafter 'the Trust') is an independent legal entity as defined in Section 5:71 (1)(c) of the Financial Supervision Act.

As stated in its articles of association of 10 October 2018, the purpose of the Trust is:

- To promote the interests of Heijmans N.V. (the company) and of the business that is maintained by the company and the companies affiliated with the company in a group, in such a way that the interests of the company and of that business and of all those involved are optimally safeguarded, and that influences that could compromise the independence and/or continuity and/or the identity and/or the strategy of the company and of those businesses contrary to those interests, are defended against to the greatest extent possible, as well as to take any action connected with or possibly conducive to the above;
- The Trust endeavours to attain its goal by, among other things, acquiring and managing shares, in particular preference shares, in the capital of the Company and by exercising - in court proceedings or elsewhere - the rights granted to it pursuant to the law, articles of association or by virtue of agreement; and
- The Trust may dispose of the shares it has acquired or may pledge them, provided that the voting rights associated with the relevant shares do not transfer to the pledgee, or may otherwise encumber these shares, on the understanding that the Company's approval is necessary for any disposal of shares.

The Trust has the right (a call option) to acquire preference shares in the capital of Heijmans N.V. up to a maximum of almost 100% of the nominal value of the capital issued in ordinary shares and financing preference shares B.

The Trust was granted the right of inquiry in 2008.

During the board meeting of 5 April 2018, Mr. S.C.J.J. Kortmann was appointed as chairman of board of the Trust. At that same meeting, Mr. H.H. Meijer stepped down in accordance with the retirement schedule. As at the above-mentioned date, the board consisted of three members.

The composition of the Board of Trustees is as follows:

Mr. S.C.J.J. Kortmann

Mr. F.J.G.M. Cremers

Mr. A. Westerlaken

9.7.3 Reporting methodology

Scope

Heijmans is reporting key figures only for its Dutch operations in 2018. Combined projects have not been included in the non-financial information of the annual report, with the exception of safety-related information.

Information gathering and verification

Those involved in preparing the content and design of this report held regular consultations during the year. They organised a kick-off session in October at which they shared experiences from the previous year, together with targets and ambitions. Those involved reached agreements regarding content, ambition and planning. This formed the basis for the underlying report. The data used originate from the various administrations, systems and databases in the Heijmans organisation, including a number of management systems and the registration data on operating processes they produce. Examples include Workday for HRM-related aspects, energy management systems, as well as the likes of SMILE software for quality-related information and IRES for accident statistics. Information is also derived from other sources, such as the ERP systems and information from suppliers, including those supplying the company's vehicle fleet, companies providing timber and waste processing and energy companies. The environmental reporting of the asphalt plants is verified externally and the data are submitted to the competent authority.

Finally, reporting also includes data originating from the certified management systems ISO 14001, ISO 9001, VCA and SKAO. Although Heijmans has implemented several procedures for the reporting of incidents and we have actually received reports of incidents, Heijmans cannot be entirely certain that every incident has been reported.

Reporting methodology

Sustainability-related disclosures are presented in line with the Global Reporting Initiative (GRI Standards, Core option). Heijmans also applies the supplement for the construction sector. Where possible, Heijmans uses the same terminology used in ISO 26000 and the Integrated Reporting Framework of the International Integrated Reporting Council. The report covers the reporting period 01-01-2018 through 31-12-2018. Heijmans uses the Greenhouse Gas Protocol for the disclosure of CO₂ emissions.

Heijmans assigned Ernst & Young Accountants LLP to provide limited assurance. The assurance report they issued has been included in this report.

In 2018, Heijmans acquired Brabotech. In the year under review, this company maintained its own personnel administration. The personnel numbers for 2018 cited in the 'Non-financial results' chapter included the 35 Brabotech employers, but these employees were not included in the KPIs or the personnel movements shown.

9.7.4 Management Approach

Material aspect	Explanation material aspect	Scope and boundaries	Management of processes	Evaluation of processes
Being financially healthy	Stakeholders have indicated that a good price/quality ratio is essential. This also adds economic value that provides employment and continuity.	Scope is the Dutch market, in which Heijmans is often dependent on public tenders to win contracts. Many activities are also framed by legislation and regulations.	In its annual report, Heijmans reports extensively on the financial values and management processes within Heijmans for economic performance.	Evaluation by internal audit, external auditor, annual reporting and reporting to AGM.
Reduction of CO ₂ emissions from own operations	Heijmans takes measures to minimise the CO ₂ footprint of its own operations.	The measures taken to reduce CO ₂ emissions focus on scope 1 and scope 2 emissions. Heijmans does take measures to influence scope 3 emissions, for instance via its sustainable procurement policy.	Clients and the government have expressed a desire for more sustainability. This is expressed in targets for our own business operations and those of our chain partners.	Heijmans uses the ISO 90001/14001 management systems to evaluate performance on this front.
Circular construction	Heijmans reduces the environmental impact of material flows by building with reusable materials and by minimising waste or reusing said materials as efficiently as possible.	Materials are subject to innovation. Functional requirements (strength, bearing capacity) are often limiting factors. The market for waste materials can also be a limiting factor.	Heijmans has reached agreements on the separation of materials at building sites and with processors on how waste is processed. This is monitored on a monthly basis.	Heijmans uses the ISO 90001/14001 management systems to evaluate performance on this front, together with workplace reports.
Health and safety in the workplace	A safe workplace is one of Heijmans' key policy priorities. From the perspective of the stakeholder group, employees are of primary importance. Many construction activities are also dangerous due to large masses and numerous vehicles.	Heijmans operates almost exclusively in the Netherlands, which means that Dutch labour legislation governs the creation of a safe and healthy working environment.	Within Heijmans, employees are trained according to SCC methods. Subcontractors are also expected to have SCC or comparable certification. Heijmans also takes physical precautions on building sites to promote safety. Finally, Heijmans has a semi-internal health and safety service (ASC).	Evaluation is part of the SCC system. A range of indicators are also measured by the specific organisation of Quality & Safety. KPIs include the number of accidents, subcontractors' SCC certification and the IF.
Training and development of employees	Heijmans invests in the development of the right skills for all its employees via its educational and training courses.	The basic premise is to select the right people right at the start. Heijmans has an annual training budget and takes into account the wishes expressed in the performance evaluations.	The processes are embedded and safeguarded in the management system. The Heijmans Academy plays a key role on this front.	The performance on this front is evaluated in the discussions between HR and the Executive Board and evaluation is also a component in management reviews of the various sections of the organisation.
Healthy and safe environments	Heijmans takes into account continuing urbanisation in its construction projects by designing safe and healthy neighbourhoods and road systems.	Heijmans has the most influence on its own area development projects. This influence also depends on the level of design responsibility it is assigned by clients and the ambitions of the public sector bodies involved in the project.	The ambitions on this front are a part of the regular process of defining the programme of Requirements and are managed via the processes in the management system.	Clients conduct evaluation and assessment following the completion of the project. Heijmans still needs to define specific KPIs on this front.
Co-creation with chain partners	Heijmans organises construction projects with its partners in the chain, to learn from each other and to optimise processes	Heijmans has a very strong focus on working with preferred suppliers.	Heijmans evaluates its suppliers in the context of its procurement discussions, with the help of an automated evaluation system.	In the management system, the evaluation of chain partners is part of the project evaluations. The evaluation system also provides data for this evaluation.

Material aspect	Explanation material aspect	Scope and boundaries	Management of processes	Evaluation of processes
Client-centric services	The client stakeholder group is of course crucial to Heijmans. In meetings, clients indicate that delivering added value for a good price creates satisfaction.	Most of Heijmans' clients are Dutch, and virtually all users are located in the Netherlands. Heijmans mostly acquires projects through tenders for which the design and client specifications have already been established.	Heijmans measures customer satisfaction in different ways, but there is no uniform total figure available. Components that ensure customer satisfaction is measured are project evaluations, customer satisfaction measurements in residential building and delivery points.	Heijmans has implemented mechanisms for evaluation as part of the ISO 9001 quality management system. Measurements are often very different per section of the organisation. Heijmans reports on Infra and Residential Building for the KPIs in this report.

9.7.5 KPI Table

Key Performance Indicator	Strategic priority & Material aspect	Score 2018	Score 2017	Target 2018	Target 2018 and beyond
Revenue (x bn)	Better, 11	1.6	1.4	-	-
Order book (x bn)	Better, 11	2.0	1.9	-	-
Underlying EBITDA (x mln)	Better, 11	43	30	-	-
Solvency	Better, 11	25%	27%	-	-
Expenditure on innovation (x mln)	Smarter, 9	3.0	2.8	-	-
Homes delivered with no snagging items	Better, 16	55%	66%	100%	100%
Client appreciation Ministry of Infrastructure and Water Management	Better, 16	8.0	8.1	> 8	> 8
Client appreciation ProRail	Better, 16	7.3	7.2	> 8	> 8
Client appreciation private residential building via SKB	Better, 16	7.1	7.2	7.5	7.5
Total absenteeism	Better, 4, 10	4.9%	4.2%	< 4.0%	< 4.0%
Number of accidents: total incl. subcontractors	Better, 1, 4	87	77	< 65	
Number of fatal accidents	Better, 1, 4	0	1	0	0
Accident incidence (IF figure)	Better, 4	3.9	3.7	< 2.5	< 2.5
Procurement spend subcontractors with a valid SCC certificate	Better, 6, 12, 15	97%	97%	100%	100%
Procurement spend preferred suppliers	Better, 6	54%	55%	50%	50%
Absolute CO ₂ emissions scope 1+2	Sustainable, 4, 14	53,781	51,088	10% reduction vis-a-vis 2016 in 2020	10% reduction vis-a-vis 2016 in 2020
Total amount of waste residual material	Sustainable, 5	20,819	19,176		
Separation of residual materials at building sites	Sustainable, 5	70%	75%	70%	70%
Re-use of residual materials after removal	Sustainable, 5	91%	91%	90%	90%
Procurement spend preferred suppliers with framework contract and signed sustainability statement	Sustainable, 6, 19	96%	94%	100%	100%

Explanation/definition	Bronnen
Income from realisation of projects (in proportion to the progress of the projects) and sales of goods (mainly homes and land) of the continued operations	Financial statements
The total portion of works in progress not yet completed and projects acquired but not yet in progress at reporting date	Finance & control
Underlying EBITDA is the operating result before depreciation and including the EBITDA from joint ventures, excluding devaluation of real estate, reorganisation expenses, book profits on the sale of entities and other non-operational results that the groups considers exceptional.	Financial statements
Capital base (equity plus the cumulative preference share capital) compared to total assets	Financial statements
Expenditure on innovation for group and business areas in EUR million	Finance & control
Percentage of total number of homes delivered with zero snagging points in reporting year	SMILE
RWS score consisting of a weighted average from Q3 2017 - Q3 2018 on the basis of a methodology validated by them	RWS
ProRail score consisting of a weighted average from Q3 2017 - Q3 2018 on the basis of a methodology validated by them	ProRail
Score submitted to the SKB website by private home owners of delivered homes in the year in question. SKB adjusted its measurement method compared with the previous year	Stichting Klantgericht Bouwen (SKB)/ BouwNu.nl
Number of absentee days compared to available number of calendar days. Health and Safety Service guidelines for measuring absenteeism rates	Absenteeism register ASC
All accidents at Heijmans projects according to SCC definitions.	IRES reporting
All fatal accidents at Heijmans projects (including subcontractors)	IRES reporting
Incidence Frequency (IF): number of accidents resulting in absenteeism of at least one day per million hours worked. This includes the accidents in which an injury becomes apparent within 24 hours.	IRES reporting
Percentage of total procurement spend at subcontractors with valid SCC certification	Esize, SAP/ERP
Percentage of procurement spend preferred suppliers in 2018, not including the category non-procurement.	Esize, SAP/ERP
SKAO CO ₂ performance ladder, GHG protocol	Various business area administrations, SAP
ENCORD Construction Waste Measurement Guide for definitions (including industrial waste, but not excavated material), measured in tonnes	Sum of information from waste service providers
ENCORD Construction Waste Measurement Guide for definitions (including industrial waste, but not excavated material), measured in tonnes	Sum of information from waste service providers
Sustainable re-use means re-use as raw material or for generation of green energy. Based on waste profile of Renewi; incl. amounts SITA and other waste processors. Based on tonnage	Sum of information from waste service providers
Percentage of total procurement spend at preferred suppliers with a framework contract and signed sustainability statement.	Esize, SAP/ERP

Explanation KPI table:

- Heijmans no longer reports on the category 'Number of patent applications submitted' as it was found that there was little correlation between the innovative strength of a construction company and the number of patent applications submitted.
- Heijmans no longer reports on the category 'Division of employees according to level of education', as it was found that given the nature of Heijmans' activities the company strives for optimisation per educational category and not for optimisation of the categories as a whole.
- The total amount of residual material is a material aspect and is therefore reported in the annual report. It has proven impossible to link this with concrete reduction targets in past years, due to the high level of dependence the nature of the projects (including or excluding demolition). Via its activities in the field of LEAN design and circular construction, Heijmans does focus on the minimisation of waste and high-grade processing of residual material flows in the design phase.
- From 2018 onwards, Heijmans uses EBITDA as the definition of result. Heijmans therefore already reported on this KPI in its annual report, but it was not included in this key table.
- Satisfied clients and end-users: Heijmans measures client satisfaction in a number of ways, which is why no total score is available. Project evaluations, client satisfaction measurements at residential building and the number of snagging items ensure that Heijmans can still monitor client satisfaction.
- Safety: the IF figures for 2017 and 2018 include combined projects calculated pro rata.
- CO₂ measurement: to measure and report on CO₂ emissions, Heijmans uses the division into scopes of the Green House Gas (GHG) protocol. Scope 1 covers the emissions from fuels we purchase and consume ourselves (mainly gas, petrol and diesel), while Scope 2 covers CO₂ emissions resulting from the use of electricity (we do not cause these CO₂ emissions, they are generated by the power company) and business traffic. Scope 3 (which is not reported on in this annual report) covers the CO₂ emissions from commuter traffic and public transport (which is relevant for SKAO).
- CO₂ measurement: Heijmans applies the conversion factors taken from the www.CO2emissiefactoren.nl website. These are updated every four years in the reporting method that Heijmans uses. These factors were updated in 2017. In this annual report, these updated conversion factors have been applied to the CO₂ figures from 2017 onwards. The comparable figures from 2016, as shown in the section 'Ten years Heijmans in key figures', have not been adjusted due to non-material differences.

9.7.6 GRI Standards: general disclosures

GRI Content Index Heijmans – Core			
SRS	Disclosure	Disclosure Requirements - The reporting organization shall report the following information:	Reference
GRI 102: GENERAL DISCLOSURES 2016			
1. Organizational profile			
102-1	Name of the organization	a. Report the name of the organization.	Title page
102-2	Activities, brands, products, and services	a. A description of the organization's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets	Profile
102-3	Location of the organization's headquarters	a. Report the location of the organization's headquarters.	Organisation and CRO
102-4	Number of countries operating	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Profile
102-5	Nature of ownership and legal form	a. Report the nature of ownership and legal form.	Corporate Governance and Share capital
102-6	Markets served	a. Markets served, including: i. geographic locations where products and services are offered; ii. sectors served; and iii. types of customers and beneficiaries.	Profile
102-7	Scale of the reporting organization	a. Scale of the reporting organization, including: i. total number of employees; ii. total number of operations; iii. net sales (for a private sector organization) or net revenues (for a public sector organization); iv. total capitalization (for a private sector organization), with a breakdown in terms of debt and equity; and v. quantity of products or services provided.	Employee numbers 2018, Profile and Financial results
102-8	Information on employees and other workers	The reporting organization shall report the following information: a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	People and organisation Employee numbers 2018 Reporting methodology. A more detailed breakdown is currently seen as too detailed in relation to materiality.
102-9	Supply chain	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Profile and Heijmans strategy
102-10	Significant changes to the organization and its supply chain	a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	Profile Financial results Non-financial results

GRI Content Index Heijmans – Core			
SRS	Disclosure	Disclosure Requirements - The reporting organization shall report the following information:	Reference
102-11	Precautionary Principle or approach	a. Whether and how the reporting organization applies the Precautionary Principle or approach.	Heijmans' strategy & Non-financial results
102-12	External initiatives	a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the reporting organization subscribes or which it endorses.	Non-financial results
102-13	Memberships of associations	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Non-financial results
2. Strategy			
102-14	Statement from senior decision-maker	a. A statement from the most senior decision-maker of the reporting organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Foreword
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	a. A description of the reporting organization's values, principles, standards, and norms of behavior.	Corporate Governance
4. Governance			
102-18	Governance structure	a. Governance structure of the reporting organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	Organisational sustainability and Corporate Governance
5. Stakeholder Engagement			
102-40	List of stakeholder groups	a. A list of stakeholder groups engaged by the reporting organization.	Profile and In dialogue with stakeholders
102-41	Collective bargaining agreements	a. Percentage of total employees covered by collective bargaining agreements.	Non-financial results
102-42	Identifying and selecting stakeholders	a. The basis for identifying and selecting stakeholders with whom to engage.	In dialogue with stakeholders
102-43	Approach to stakeholder engagement	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Profile and In dialogue with stakeholders
102-44	Key topics and concerns raised	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its report; and ii. the stakeholder groups that raised each of the key topics and concerns.	Profile, Material aspects and In dialogue with stakeholders
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	a. A list of all entities included in the reporting organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the reporting organization's consolidated financial statements or equivalent documents is not covered by the report.	Financial statements and Reporting methodology
102-46	Defining report content and topic Boundaries	a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the reporting organization has implemented the Reporting Principles for defining report content. Clause 6.1 When compiling the information specified in Disclosure 102-46, the reporting organization shall include an explanation of how the Materiality principle was applied to identify material topics, including any assumptions made.	Reporting methodology and Management Approach
102-47	List of material topics	a. A list of material topics identified in the process for defining report content.	Material aspects
102-48	Restatements of information	a. The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	There have been no restatements

GRI Content Index Heijmans – Core

GRI Content Index Heijmans – Core			
SRS	Disclosure	Disclosure Requirements - The reporting organization shall report the following information:	Reference
102-49	Changes in reporting	a. Significant changes from previous reporting periods in the list of material topics and topic boundaries.	Material aspects
102-50	Reporting period	a. Reporting period for information provided.	Reporting methodology
102-51	Date of most recent report	a. If applicable, the date of the most recent previous report.	2017
102-52	Reporting cycle	a. Reporting cycle.	Reporting methodology
102-53	Contact point for questions regarding the report	a. The contact point for questions regarding the report or its contents.	Colophon
102-54	Claims of reporting in accordance with the GRI Standards	a. The claim made by the organization if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: core option'; or ii. 'This report has been prepared in accordance with the GRI Standards: comprehensive option'.	Reporting methodology
102-55	GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (disclosures covered by the GRI standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in another published material; and iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made. Clause 6.3 When reporting the GRI content index as specified in Disclosure 102-55, the reporting organization shall: 6.3.1 include the words 'GRI Content Index' in the title; 6.3.2 present the complete GRI content index in one location; 6.3.3 include in the report a link or reference to the GRI content index, if it is not provided in the report itself; 6.3.4 for each GRI Standard used, include the title and publication year (e.g., GRI 102: General Disclosures 2016); 6.3.5 include any additional material topics reported on which are not covered by the GRI Standards, including page number(s) or URL(s) where the information can be found.	Appendix GRI
102-56	External assurance	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	Reporting methodology and Assurance statement

9.7.7 GRI Standards: specific disclosures

GRI Content Index Heijmans – Core			
SRS	Disclosure	Disclosure Requirements - The reporting organization shall report the following information:	Reference
Topic Specific Standards			
Being financially healthy			
201-1	Direct economic value generated or distributed	<p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <p>i. Direct economic value generated: revenues;</p> <p>ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;</p> <p>iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.</p> <p>Clause 2.1 When compiling the information specified in Disclosure 201-1, the reporting organization shall, if applicable, compile the EVG&D from data in the organization's audited financial or profit and loss (P&L) statement, or its internally audited management accounts.</p>	Value creation model Financial results Financial statements
201-3	Coverage of the organization's defined benefit plan obligations	<p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p> <p>b. If a separate fund exists to pay the plan's pension liabilities:</p> <p>i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;</p> <p>ii. the basis on which that estimate has been arrived at;</p> <p>iii. when that estimate was made.</p> <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer.</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	Financial results Financial statements
Reduction of company's own CO₂ emissions			
305-1	Direct green-house gas (GHG) emissions (Scope 1)	<p>a. Report gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. Report gases included in the calculation (whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all).</p> <p>c. Report biogenic CO₂ emissions in metric tons of CO₂ equivalent.</p> <p>d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p> <p>Clause 2.1 When compiling the information specified in Disclosure 305-1, the reporting organization shall: 2.1.1 exclude any GHG trades from the calculation of gross direct (Scope 1) GHG emissions; 2.1.2 report biogenic emissions of CO₂ from the combustion or biodegradation of biomass separately from the gross direct (Scope 1) GHG emissions. Exclude biogenic emissions of other types of GHG (such as CH₄ and N₂O), and biogenic emissions of CO₂ that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG emissions from processing or transporting biomass). See also Clause 1.2: 1.2 When reporting on GHG emissions targets, the reporting organization shall explain whether offsets were used to meet the targets, including the type, amount, criteria or scheme of which the offsets are part.</p>	Value creation model Greenification of the operations CO ₂ figures KPI table

GRI Content Index Heijmans – Core

GRI Content Index Heijmans – Core			
SRS	Disclosure	Disclosure Requirements - The reporting organization shall report the following information:	Reference
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	<p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent.</p> <p>c. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>d. Base year for the calculation, if applicable, including:</p> <p>i. the rationale for choosing it;</p> <p>ii. emissions in the base year;</p> <p>iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used</p> <p>Clause 2.3 When compiling the information specified in Disclosure 305-2, the reporting organization shall: 2.3.1 exclude any GHG trades from the calculation of gross energy indirect (Scope 2) GHG emissions; 2.3.2 exclude other indirect (Scope 3) GHG emissions that are disclosed as specified in Disclosure 305-3; 2.3.3 account and report energy indirect (Scope 2) GHG emissions based on the locationbased method, if it has operations in markets without product or supplier-specific data; 2.3.4 account and report energy indirect (Scope 2) GHG emissions based on both the location-based and market-based methods, if it has any operations in markets providing product or supplier-specific data in the form of contractual instruments. See also Clause 1.2: 1.2 When reporting on GHG emissions targets, the reporting organization shall explain whether offsets were used to meet the targets, including the type, amount, criteria or scheme of which the offsets are part.</p>	Value creation model Greenification of the operations CO ₂ figures KPI table
Circular construction			
306-2	Waste by type and disposal method	<p>a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <p>i. Reuse</p> <p>ii. Recycling</p> <p>iii. Composting</p> <p>iv. Recovery, including energy recovery</p> <p>v. Incineration (mass burn)</p> <p>vi. Deep well injection</p> <p>vii. Landfill</p> <p>viii. On-site storage</p> <p>ix. Other (to be specified by the organization)</p> <p>b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <p>i. Reuse</p> <p>ii. Recycling</p> <p>iii. Composting</p> <p>iv. Recovery, including energy recovery</p> <p>v. Incineration (mass burn)</p> <p>vi. Deep well injection</p> <p>vii. Landfill</p> <p>viii. On-site storage</p> <p>ix. Other (to be specified by the organization)</p> <p>c. How the waste disposal method has been determined:</p> <p>i. Disposed of directly by the organization, or otherwise directly confirmed</p> <p>ii. Information provided by the waste disposal contractor</p> <p>iii. Organizational defaults of the waste disposal contractor</p> <p>Clause 2.3 When compiling the information specified in Disclosure 306-2, the reporting organization shall: 2.3.1 identify hazardous waste as defined by national legislation at the point of generation; 2.3.2 exclude non-hazardous wastewater from the calculation of non-hazardous waste; 2.3.3 if no weight data are available, estimate the weight using available information on waste density and volume collected, mass balances, or similar information.</p>	Materials: we are targeting 100% circular construction in 2023! KPI table

GRI Content Index Heijmans – Core

Disclosure Requirements - The reporting organization shall report the following information:			
SRS	Disclosure		Reference
Safety in the workplace			
403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	<p>a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by:</p> <p>i. region;</p> <p>ii. gender.</p> <p>b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by:</p> <p>i. region;</p> <p>ii. gender.</p> <p>c. The system of rules applied in recording and reporting accident statistics.</p> <p>Clause 2.2 When compiling the information specified in Disclosure 403-2, the reporting organization shall: 2.2.1 indicate whether minor (first-aid level) injuries are included or excluded in the injury rate (IR); 2.2.2 include fatalities in the injury rate (IR); 2.2.3 in calculating 'lost days', indicate: 2.2.3.1 whether 'days' means 'calendar days' or 'scheduled work days'; 2.2.3.2 at what point the 'lost days' count begins (for example, the day after the accident or three days after the accident).</p>	Safety figures: figures according to gender are not material, as virtually all construction workers are male and the safety risks are not distinctive. Heijmans uses SCC definitions to define days.
Training and development of employees			
Own indicator	Training-programmes		Personal attention
Own indicator	Training budget		Personal attention KPI table
Safe and healthy environment			
Own indicator	Number of homes sold		Value creation model Income KPI table
Own indicator	Number of homes delivered without snagging items		KPI table
Co-creation with chain partners			
Own indicator	Percentage turnover preferred suppliers		Value creation model KPI table
Client-centric services			
Own indicator	Client appreciation Ministry of Infrastructure and Waterways		Quality figures and client appreciation KPI table
Own indicator	Client appreciation ProRail		Quality figures and client appreciation KPI table
Own indicator	Client appreciation private residential building via SKB		Quality figures and client appreciation KPI table

Heijmans houdt voor dit overzicht de brontekst in het Engels aan.

9.7.8 EU Directive Non-Financial Information and Diversity information reference table

Topic	Subtopic	Included (yes/no)	
Business model		Yes	Profile and How Heijmans creates value
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence.	Yes	How Heijmans creates value and Non-financial results
	The outcome of those policies.	Yes	Non-financial results
	Principle risks in own operations and within value chain.	Yes	Risk management
	How risks are managed.	Yes	Risk management
	Non-financial key performance indicators.	Yes	Non-financial results and KPI table
Relevant Environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence.	Yes	Non-financial results
	The outcome of those policies.	Yes	Non-financial results
	Principle risks in own operations and within value chain.	Yes	Risk management and Non-financial results
	How risks are managed.	Yes	Risk management and Non-financial results
	Non-financial key performance indicators.	Yes	Non-financial results and KPI table
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due diligence.	Yes	Non-financial results and Human rights
	The outcome of those policies.	Yes	Non-financial results and Human rights
	Principle risks in own operations and within value chain.	Yes	Non-financial results and Human rights and Risk management
	How risks are managed.	Yes	Non-financial results and Human rights and Risk management
	Non-financial key performance indicators.	Yes	Non-financial results and Human rights and Risk management
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	Yes	Corporate Governance and Ethical behaviour and dilemmas
	The outcome of those policies.	Yes	Corporate Governance and Ethical behaviour and dilemmas
	Principle risks in own operations and within value chain.	Yes	Corporate Governance and Ethical behaviour and dilemmas
	How risks are managed.	Yes	Corporate Governance and Ethical behaviour and dilemmas
	Non-financial key performance indicators.	No	Corporate Governance and Ethical behaviour and dilemmas
Insight into the diversity (Executive Board and the Supervisory Board)	A description of the policies pursued.	Yes	Non-financial results and direct reference to the Corporate Governance Statement 2018 on the Heijmans website
	Diversity targets	Yes	Non-financial results and direct reference to the Corporate Governance Statement 2018 on the Heijmans website
	Description of how the policy is implemented	Yes	Heijmans' Strategy and Non-financial results
	Results of the diversity policy	Yes	Non-financial results

9.7.9 Sustainable Development Goals

An overview of all 17 SDGs



The top SDGs for Heijmans in order of importance:

1. SDG 9. Industry, innovation and infrastructure
2. SDG 12. Responsible consumption and production
3. SDG 8. Decent work and economic growth
4. SDG 11. Sustainable cities and communities
5. SDG 7. Affordable and sustainable energy



Top-5 Sustainable Development Goals



Develop reliable infrastructure, promote inclusive and sustainable industrialisation and stimulate innovation

#	SDG sub-goal	Description of Heijmans role
9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Heijmans develops high-quality infrastructure that is reliable, sustainable and reliable.
9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Heijmans plays a role in the modernisation and greenification of infrastructure as the 'director of the construction chain'. <ul style="list-style-type: none"> • Circular construction • Chain partner • Environment-friendly technologies

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION

Ensure sustainable consumption and production patterns

#	SDG sub-goal	Description of Heijmans' role
12.2	By 2030, achieve the sustainable management and efficient use of natural resources.	<p>Heijmans contributes to the sustainable management and efficient use of natural resources via its own business operations.</p> <ul style="list-style-type: none"> • Sustainable procurement of natural resources • Reduce CO₂ emissions • Efficient use of natural resources in the products/services Heijmans delivers
12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<p>Heijmans limits its own waste production via prevention, reduction, recycling and reuse.</p> <ul style="list-style-type: none"> • Separation of residual materials at building sites • Reuse of residual materials after removal • Reuse of packaging

8 DECENT WORK AND
ECONOMIC GROWTH

Promote inclusive and sustainable economic growth, full and productive employment and decent work for all

#	SDG sub-goal	Description of Heijmans' role
8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on sectors with high added value and labour-intensive sectors.	<p>Heijmans generates economic productivity in the construction industry through its own operations and by setting an example in terms of innovation, digitalisation and technological modernisation.</p> <ul style="list-style-type: none"> • Digitalisation • Industrialisation • Production technology
8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	<p>Heijmans ensures safe and healthy working environments for employees, subcontractors and other parties. Heijmans also provides an inspiring and motivating workplace that keeps employees engaged.</p> <ul style="list-style-type: none"> • Safety • Training and development of employees • Engagement of employees

11 SUSTAINABLE CITIES
AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

#	SDG sub-goal	Description of Heijmans' role
11.1	By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.	<p>Heijmans contributes to adequate, safe and affordable housing by developing various residential concepts and increasing the availability of homes in the Netherlands.</p> <ul style="list-style-type: none"> • Sufficient homes • High-quality homes • Affordable homes • Conceptual construction
11.3	By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	<p>Heijmans develops sustainable (urban) areas, while devoting attention to the needs of end-users and trends and developments.</p> <ul style="list-style-type: none"> • High-quality living environment • Urbanisation • Circularity of homes • Local energy networks • Climate adaptation and biodiversity

7 AFFORDABLE AND
CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all

#	SDG sub-goal	Description of Heijmans' role
7.2	By 2030, increase substantially the share of renewable energy in the global energy mix.	<p>Heijmans contributes to increasing the share of renewable energy by fitting homes with sustainable energy sources and building energy generating homes.</p> <ul style="list-style-type: none"> • Energy-neutral homes • Solar panels • Circular/sustainable homes
7.3	By 2030, double the global rate of improvement in energy efficiency.	<p>Heijmans contributes to the improvement of energy efficiency by striving for zero energy wastage in any form whatsoever, and by cooperating at neighbourhood level on the creation of sustainable and more efficient energy solutions.</p> <ul style="list-style-type: none"> • Energy grids/local solutions • Energy-efficient homes

9.7.10 Human rights

The EU directive on reporting non-financial information and information on diversity includes an explicit requirement to report on the relevance of human rights for Heijmans. The company can have a direct and indirect impact on human rights in the Netherlands and the rest of the world with its activities. Heijmans endorses the general premises of the Guiding Principles related to companies and human rights laid down in UN resolution 17/4 on 16 June 2011. These describe the exceptional obligation of companies to comply with all relevant legislation, to respect human rights, and to take appropriate, effective measures if rights or obligations are infringed.

Heijmans realises that it can also have a positive impact by, for example, drawing up fair collective labour agreements, procuring sustainable materials, and collaborating with partners that adhere to these same principles. A significant proportion of the human rights aspects that are relevant to Heijmans apply to the entire construction sector. When we talk about human rights, it is often in terms of violations, yet many of the issues related to this theme receive daily attention from management and are a standard part of the active management of safety, HR and the procurement policy. This involves issues such as safeguarding healthy working conditions, freedom of association (trade unions), applying fair and equal pay policies, and taking into consideration sustainability aspects in procurement. This also includes tracing the source of materials with a sustainability label, such as those for sustainable timber. In addition, Heijmans has attitude and behaviour rules based on a number of basic human rights principles.

These are an integral part of the employment terms and conditions and are actively promoted and brought to the attention of employees. They therefore have an impact on the conduct and actions of all Heijmans employees. Heijmans endorses various international human rights-related frameworks such as ILO directives, OECD directives and the aforementioned Guiding Principles, partly by signing a number of Green Deals. Heijmans also has various reporting mechanisms and a whistle-blower's scheme to monitor this aspect.

Human rights is also a fixed item in Heijmans' Socially Responsible Procurement policy. This requires a material analysis of the risks associated with the procured products and a discussion with stakeholders on the reach and depth of monitoring. Heijmans involves its suppliers and subcontractors in this dialogue. The implementation of the actions Heijmans has undertaken or has yet to undertake as part of the Act on Sham Employment Arrangements (WAS) also plays a role on this front. This is how Heijmans accepts its responsibility throughout the chain. The company has developed KPIs related to human rights, subdivided into the categories safety, HR and procurement policy. Heijmans monitors compliance with laws and regulations and its own policies via, among other things, its discussions with suppliers and its supplier evaluations. Performance indicators related to this aspect include the percentage suppliers statements and the various safety figures (scores) reported in this annual report and elsewhere.

9.7.11 Tax policy

Introduction

In this section, Heijmans explains its policy with respect to taxes. Heijmans' tax policy is drawn up by the company tax affairs department and endorsed by the Executive Board. Heijmans believes that transparency with respect to its fiscal position and a reasonable application of fiscal laws and regulations are appropriate in the context of the governing business principles within Heijmans.

Heijmans tax policy is expressed in the Fiscal Guidelines applicable within the group. These Fiscal Guidelines are part of the accounting manual that is available in a digital format to every employee involved in the application of fiscal laws and regulations. The Fiscal Affairs department communicates the tax policy within Heijmans and informs the employees involved regarding any new laws and regulations. To safeguard the correct application of fiscal laws and regulations, the Fiscal Affairs department (with or without the help of external parties) conducts periodic audits. In addition to this, the Fiscal Affairs department organises courses for the employees involved if this proves necessary and/or desirable.

Twice a year, the Fiscal Affairs department informs the audit committee regarding Heijmans' overall fiscal position and other relevant fiscal matters.

Relationship with the tax authorities

Heijmans believes that transparency is part of corporate social responsibility. This means Heijmans always operates with full transparency vis-à-vis the tax authorities and always shares all facts fully and completely. This also applies to the intended fiscal outcome of any potential points for discussion.

In the context of horizontal monitoring, Heijmans has agreed a covenant with the Dutch Tax Authorities (*Belastingdienst*). Horizontal monitoring equates to equal cooperation between the tax inspectorate and Heijmans on the basis of reciprocal trust and highly transparent communications. These premises are laid down in a covenant.

The Tax Authorities enters into these covenants only if the company has an effective Tax Control Framework or seeks to realise same together with the Tax Authorities in the short term. This means the company has a solid grip on its fiscal position and fiscal risks and that the company's Executive Board also attaches great importance to same. As a result of the horizontal monitoring, Heijmans has several consultations with the Tax Authorities throughout the year.

Fiscal planning

National tax laws, international treaties and known jurisprudence lay down which income is taxed and which costs are deductible. Individual taxable entities have no choice in this. Heijmans puts a high priority on compliance with laws and regulations and in its business operations applies these rules fairly. Heijmans prefers to avoid aggressive and/or fiscally-driven transactions and therefore chooses not to test the boundaries of what is permissible. The fair application of laws, regulations and jurisprudence is explicitly not aimed at artificially reducing the effective tax rate.

A term such as 'fair application of the law' is obviously always open to discussion. Because what one considers fair does not go far enough for another. Heijmans will take into consideration the views of the Tax Authorities when making definitive fiscal choices that involve potential discussion points.

Heijmans is frequently involved in alliances and complex projects that may result in complex financial transactions. These projects and/or transactions may be difficult to comprehend and the fiscal consequences can be substantial for the parties involved, depending on the interpretation of certain facts. In these projects or transactions, Heijmans' policy is to always act in line with the purpose or spirit of the prevailing fiscal legislation. This means therefore that certain, legally intended fiscal benefits are realised in such projects and/or transactions. However, Heijmans will not cooperate in transactions with the purpose of realising tax savings that are contrary to fiscal regulations.

Policy with respect to developing countries

Heijmans is not operationally active in any developing countries. Therefore Heijmans does not use any fiscal structures via developing countries that result in lower tax. This also applies to fiscal structures in countries where virtually no tax is levied (so-called tax havens).

Heijmans does not own any companies in the Netherlands or in other countries with the aim of artificially reducing the tax rate within the group.

Policy with respect to clients and/or sub-contractors

Heijmans believes that its clients and/or sub-contractors are responsible for their own fiscal decisions. The company does expect its clients and/or sub-contractors to be ethical. Heijmans will never knowingly cooperate in setting up fiscal structures that are contrary to the letter and the spirit of the law in order to realise tax savings.

Tax policy regarding multinationals

There is growing public attention for both the national and international tax policy of multinationals. Multinationals use so-called fiscal planning to seek out the boundaries of laws and regulations. They use a variety of structures to route their profits to countries with friendly tax rates and all in a legal manner. However, despite the legality of these constructions, they have prompted a broad social debate in the media about the tax planning of multinationals. This has resulted in various legislative initiatives at both national and international levels.

Heijmans recognises the importance of open and constructive discussion of tax ethics. Current laws and regulations and generally applicable and accepted principles of international tax law should be the basic premise in this. Heijmans believes that transparent communications, consideration of the intent of the legislator and a consistent application of the current tax policy should form the basis of this public discussion.

Heijmans occasionally signs tax settlement agreements with the Tax Authorities to obtain assurance in advance on certain specific positions. However, Heijmans has not entered into any long-term tax rulings with the Tax Authorities regarding the allocation of certain income and/or costs.

Tax rate (income tax)

The tax rate as shown in Heijmans' financial statements only refers to income tax, including Dutch corporate income tax. The nominal tax rate in the Netherlands is 25%. In the first half of 2017, Heijmans sold its operational activities in Belgium and Germany. The remaining entities in Belgium and Germany are so-called sleeping entities that generate virtually no profit. The income tax referred to in the financial statements therefore pertains almost exclusively to Dutch income tax.

Fiscal profits result in the payment of income tax. Tax losses also have value provided certain conditions are met. These losses can be offset against fiscal profits from other years. In some instances, tax losses therefore may result in an asset. This asset is, in principle, recognised in Heijmans' statement of financial position. Heijmans incurred such losses in previous years, which can be offset against future profits.

Explanation corporate income tax

Heijmans' financial statements are drawn up in line with IFRS. However, there are numerous differences between IFRS accounting principles and local tax regulations that apply to the calculation of the fiscal result. The differences between the various principles clearly have a significant impact on the income taxes Heijmans is liable to pay.

These rules are often prescribed and it is therefore not possible for a taxable entity to make choices in this regard. For instance, certain types of income are tax exempt under local fiscal legislation. And there are also operating expenses that are not tax-deductible. Heijmans aims for full transparency and therefore explains its tax position extensively in its financial statements. The profit shown in Heijmans' annual financial statements relates to all activities of the company (including therefore its foreign activities). Heijmans files income tax statements in all the countries where it has operations. The fiscal policy premises are the same in all these countries.

Due to the sale of its foreign operations, the income tax Heijmans pays in the Netherlands is virtually the same as the tax that the company recognises on its group result in the financial statements.

Other taxes

The effective tax rate included in the annual financial statements pertains only to income taxes. In addition to income tax, Heijmans also pays other taxes, such as payroll tax, property transfer tax, value added tax (turnover tax), insurance tax and various municipal taxes.

Heijmans has virtually no activities that are exempt from value added tax. This means that virtually all input tax can be settled against the value added tax Heijmans is due to pay. The amount of value added tax that cannot be offset is therefore very small.

9.7.12 Glossary

BENG standards

Standards that set the criteria for the energy performance of a building and express this performance on the basis of three indicators: energy requirements, primary energy use and share of renewable energy.

BeSense

This is a smart sensor system that provides insight into occupation, use and comfort of the work environment, and enables building managers to manage their buildings more efficiently and in a smarter fashion.

Big Six

The six most common causes of accidents at Heijmans: tripping, falling, falling objects, bumping into protruding objects, getting stuck and being hit by flying debris.

Bikescout

Sensor-based system integrated in roads that makes drivers aware of approaching and crossing cyclists.

Building Information Model (BIM)

A single central, digital platform that combines all relevant information during the construction process and that is used by all the parties involved to arrive at a single interpretation and enables the smooth running of the construction process. This results in a digital (3D) model of what will be realised.

Chain integration

Cooperation within and between the successive links within an organisation or business column, from suppliers right through to the client.

Climate adaptation

Climate adaptation combats the effects of climate change and could help the Netherlands become resistant to climate change. Adaptation is made possible by setting climate buffers.

CO₂ emissions

CO₂ (carbon dioxide) emissions measured over a certain period.

Co-creatorship

Creating long-term relationships with a limited number of suppliers based on reciprocal business trust. This applies to a far-reaching form of a long-lasting and intensive cooperation between a purchaser and supplier.

Combination Guideline

This is an internal document that Heijmans drew up to lay down clear parameters, premises, working methods and reporting lines for working in combinations. These are projects that Heijmans executes in a collaborative effort with partners.

Core values and culture programme IK!

This is an internal programme that is aimed at actively embedding and communicating core values and behaviour. This programme is based on the core values of ownership, result-focused and collaboration.

Custodians

Financial parties that hold shares.

ERP

Enterprise Resource Planning (ERP) is aimed at maximising the productivity of organisations, controlling costs and meeting customer demands as optimally as possible. An ERP system encompasses all business processes.

Fit for Cash

An improvement programme designed to improve working capital management and create awareness of this topic.

Generic Gate Instructions (Dutch - GPI)

This is a uniform set of safety instructions followed by everybody who enters a building site: this is mandatory at all Dutch building sites from 1 April 2019.

GO!

An improvement programme designed to eliminate accidents and improve safety and safety awareness in the organisation.

GPR

GPR Building measures the sustainability performance of existing buildings, new-build and large-scale renovations of residential and non-residential buildings and complexes. GPR stands for Municipal Practical Guideline (Gemeentelijke Praktijk Richtlijn).

Green deal

Green deals are agreements between organisations, citizens and public sector bodies to provide space for innovative initiatives from society to accelerate the transition to a sustainable economy.

Greenhouse Gas Protocol

This is a protocol initiated by the World Business Council for Sustainable Development and the World Resources Institute, together with a number of NGOs, including the WWF and a number of companies, including Royal Dutch/Shell. The aim is to develop procedures and instruction manuals for the calculation and reporting of greenhouse gas emissions.

Greenlabel score

This is the score for sustainability and ecological values that NL Greenlabel awards neighbourhoods and areas following an assessment. NL Greenlabel is an initiative of green pioneer Lodewijk Hoekstra and aimed at the stimulation of a sustainable living environment.

Greenway LE

Greenway LE is an asphalt mixture produced at a lower temperature and containing a high proportion of recycled asphalt granulate. This results in a 25% reduction in energy use and a concomitant reduction in the associated CO₂, NOx and other emissions.

GRIP

This is an internal improvement programme that prioritises 'no surprises in projects' and that is aimed at project and risk management and increasing the predictability of projects.

Happiness

This is a change programme that is aimed at helping Heijmans to respond more effectively to the needs of home buyers and to streamline operating processes and tailor these to the client journey of home buyers. The digitalisation of processes plays an important role in this.

Heijmans Huismerk

This is a concept home with a high level of standardisation, intended for the rental market, commissioned by housing corporations and investors. The production process is largely industrialised. Prefab sections are assembled at the building site.

Heijmans ONE

These are moveable one-person homes for specific target groups that are poorly served in the current housing markets, such as starters, people in urgent need of a home and people with residence permits.

Heijmans Raw Materials Network

This is a digital instrument that creates a transparent overview of and matches the supply and demand of material flows. This stimulates and facilitates the reuse of materials, the reduction of transport movements, and therefore the sustainable and cost-efficient use of material flows.

Heijmans Wenswonen

These are concept homes that combine the benefits of standardisation and affordability with a range of options, intended as owner-occupier homes for private buyers. The production process is largely industrialised. Prefab sections are assembled at the building site.

Integrated Reporting Framework

This is integrated reporting in which organisations indicate how sustainably they operate and how strategy, governance, performance and outlook deliver (social) value in the shorter and longer term.

Internet of Things

Internet of Things (IoT) stands for the (temporary) connection of devices to the internet for the exchange of data. The expectation is that eventually there will be more intelligent devices than people on the internet. Examples include smart thermometers, refrigerators and sportswear apparel fitted with sensors.

KPI

Key performance indicators, or KPIs, are variables used to analyse the performance of companies.

LCA score

The Life Cycle Assessment score expresses the impact of products and human activity on the environment. LCA is a method used to look at the entire lifecycle of a product or activity, from the extraction of raw materials through to waste processing.

LEAN

LEAN is a business methodology designed to increase efficiency. Application of the LEAN methodology is used primarily to develop flexible working practices, driven by customer demand and the maximum elimination of waste.

Madaster

Madaster is aimed at eliminating waste by assigning an identity to materials. The Madaster platform acts as a public, online library of materials in the built environment. It links a material identity to a location and records this data in a materials passport. Madaster is a play on the Dutch name for a land register, 'kadaster', and it is in fact a land register for materials.

Nature-inclusive construction

Nature-inclusive construction is an approach – tailored to the area due to be developed – that combines the design of the construction project with the strengthening of the natural green areas. The aim is to create a healthy, future-proof living environment for both people and animals.

Procurement

Procurement is the process of finding, agreeing on terms and acquiring goods, services and works from an external source.

Procurement spend

The annual spend on suppliers.

Recoflex

This is an asphalt product that makes it possible to use existing street surfaces as foundation for a new asphalt layer. The product uses the existing heavy load bearing surface or foundation. It is flexible and strong and not sensitive to fatigue.

Revolving credit facility

This is a banking term referring to agreements for a credit form in which the loan sum can be taken up wholly or partly over the term. Interest accrues over the outstanding balances of the credit.

Roadshow

This is a series of presentations in which a company explains the financial-economic and strategic aspects of its business with the aim of increasing the awareness of the shares in that company and by doing so supporting its share price.

SDGs

Sustainable Development Goals (SDGs): 17 sustainable development goals with 169 sub-goals, formulated by the United Nations, with the aim of eliminating poverty, inequality and climate change in 2030. The goals constitute an international agenda for governments, companies, NGOs and think tanks.

Smartification

This is the application of smart technologies so buildings and areas can generate data that enables the more effective management of resources.

Smart Living

Heijmans SlimWonen initiative is a home management system that gives residents the option to control and monitor their homes. Control is wireless and via an app that enables residents to programme and monitor various functions in their homes, from lighting and heating to security settings.

Solar Highways

This is the name of an innovative sound screen erected along roads fitted with solar panels. The screen combines the prevention of noise pollution for local residents with the generation of solar energy, without taking up any extra space.

SpeakUp system

This is a procedure with a related system to make anonymous reports regarding abuses within the company by telephone or online via a website. Both the procedure and the system runs via an external, independent and specialised party that Heijmans has hired for this purpose.

Toolbox meeting

A toolbox meeting is a meeting called to deal with a subject that pertains to safety, health or the environment.

Value creation model

This is a schematic visualisation of how a company creates value for its stakeholders and society as a whole. The model provides insight into capital flows, business model and concrete results as output and the impact and broad-based value that is created for society.

Value hill

This is a model used to determine a company's position in the circular economy and the opportunities to structure circular business models and develop related strategies.

Worry-free Living

This Heijmans concept is added to homes as an additional functionality. Heijmans uses well-thought out design choices and smart technology to produce homes that develop in line with the changing needs of the resident(s). This adds to the ease and comfort for residents, who can make targeted adjustments and remain in these homes for longer when they are older.

9.7.13 Abbreviations

ACM	Netherlands Consumer & Market Authority	MBO	Middelbare beroepsopleiding, or senior secondary vocational education
AFM	Netherlands Authority for the Financial Markets	MVI	Socially responsible procurement
AGM	Annual General Meeting of Shareholders	NEPROM	Nederlandse Vereniging van Projectontwikkeling Maatschappijen, or The Dutch Association of Property Developers and Investors
Arbo	Arbeidsomstandigheden (wet), or Dutch Working Conditions Act	NGO	Non-governmental organisation
AscX	Euronext Amsterdam Small Cap Index	NYSE	New York Stock Exchange
BIM	Building Information Model	OECD	Organisation for Economic Cooperation and Development
CEO	Chief Executive Officer	OW	Onderzoeksraad voor Veiligheid, or Dutch Safety Board
CFO	Chief Financial Officer	PAGO	Periodiek Arbeids Gezondheidskundig Onderzoek, or Periodic Work-Related Health Examination
CHRO	Chief Human Resources Officer	Q1-Q4	Quarter 1...4
CRO	Chief Risk Officer	RIVM	Rijksinstituut voor Volksgezondheid en Milieu, or Dutch National Institute for Public Health and the Environment
CO2	Carbon dioxide	SAP	Systems, Applications and Products for data processing
COSO ERM	Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management	SA Trust	Stichting Administratie Kantoor - Heijmans Share Administration Trust
EB	Executive Board	SBIB	Stichting Beoordeling Integriteit Bouwnijverheid, or the Foundation for Assessment of Integrity in the Construction Industry
DBMFO	Design Build Maintain Finance Operate	SCC	SHE (Safety, Health and the Environment) Checklist Contractors (VCA in Dutch)
EBIT	Earnings Before Interest and Taxes	SDGs	Sustainable Development Goals
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	SKAO	Stichting Klimaatvriendelijk Aanbesteden & Ondernemen, or the Foundation for Climate Friendly Procurement and Business
EMP	Energy Management Plan	SKB	Stichting Klantgericht Bouwen, or Customer-Specific Construction Foundation
EPC	Energy Performance Coefficient	SUP	Status Update Projects
ERP	Enterprise Resource Planning	SWK	Stichting Waarborgfonds Koopwoningen, or Owner-occupied housing guarantee fund
FSC	Forest Stewardship Council	WAS	Wet aanpak Schijnconstructies, or the Dutch Sham Employment Arrangements Act
GDPR (AVG)	General Data Protection Regulation (Algemene Verordening Gegevensbescherming)	WAV	Wet Arbeid Vreemdelingen, or the Dutch Employment of Foreign Nationals Act
GHG	Greenhouse Gas Protocol	WMZ	Wet Melding Zeggenschap, or the Dutch Disclosure of Major Holdings in Listed Companies Act
GO!	Geen Ongevallen, or No Accidents	WPI	Workplace Instruction
GPI	Generieke Poortinstructie, or generic safety instructions for building sites		
GRI	Global Reporting Initiative		
HBO	Hoger beroepsonderwijs, or higher professional education		
HRM	Human Resource Management		
ICT	Information and communication technology		
IF	Injury Frequency		
IFRS	International Financial Reporting Standards		
IIRC	International Integrated Reporting Council		
IL&T	Inspectie Leefomgeving en Transport, or Dutch Human Environment and Transport Inspectorate		
ISO	International Organisation for Standardisation		
IT	Information technology		
KPI	Key Performance Indicator		

Questions?

Call Heijmans via +31 (0)73 543 5111

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