

## **INTERIM RESULTS 2014**

August 20, 2014

Executive Board Heijmans N.V.

# “Heijmans: Moderate half year, substantial growth order book”

*2014 transition year, residential market offers perspective*

Bert van der Els- chairman Heijmans Executive Board

## H1 2014 – Highlights

- Moderate half year, 2014 is a transition year;
- Residential: Turnover still at low level, positive outlook;
- Non-residential: Solid development. Black figures for H1 2014;
- Infra: Margin pressure affects performance, good order intake.

## H1 2014 – Highlights

- Negative result Infra Netherlands. Good results Infra in Belgium;
- Non-residential and Germany stable, Residential small loss;
- Turnover low, mainly for Residential and Non-Residential;
- Number of houses sold H1: 482 (+25%)
  - Increased sales to private buyers (now 50% of units sold)
  - Adjusted market with improved position for (new-build) owned homes
  - Order book Residential building: +50%
- Solvency ratio sound at 30%;
- Order book significantly increased for about all sectors;  
Also after June 30, material new orders acquired;
- Net Debt improved versus end of June 2013.

## H1 2014 – Improvement and Revitalisation

- Tender management, Project management, Procurement & Commerce;
- Unabated focus on risk management;
- Continuous process improvements through e.g. Lean Six Sigma.

## H1 2014 – Improvement and Revitalisation

- Further improvement quality and innovation, corporate steering;
- Strong position for PPP with Heijmans Capital joint-venture;
- Introduction of the ‘Heijmans One’ house;
- Heijmans ‘Huismerk’ (private label) home gets momentum;
- ‘Gulden Feniks’ award for project Fenixlofts Rotterdam;
- New CTO appointed. Focus on product development and innovation;
- Smart technological concepts -> Applicable sustainable solutions:
  - Smart Energy with ‘PeakShaving’ technology
  - New type of seam protection for (asphalted) roads
  - First induction treatment of the ‘self healing’ asphalt concept.

# H1 2014 – Progress



Veenendaal-Ede-Grijsoord A12



De Sleutels- Leiden



Mercaden Dorsten



# H1 2014 – Progress



Elisabeth Center Antwerpen





Eurojust Den Haag



RIVM Den Haag



Parallelstructuur A12

## Outlook

- Sustained recovery Dutch housing market;
- Order book offers perspective for growth;
- 2014 financials seriously impacted by crisis-period with significant impact on turnover and profit;
- Heijmans continues to focus on:
  - Improve the core
  - Risk- and cost control
  - Integrated approach
  - Innovative power
- Solid capital base;
- Outlook 2014: Positive operational result;

# “Heijmans: Moderate half year, substantial growth order book”

*2014 transition year, residential market offers perspective*

Mark van den Biggelaar - CFO and member of Heijmans Executive Board

x € 1 million	H1 2014	H1 2013	2013
Revenues	61	63	154
Underlying operating result	-1	-3	1
Underlying operating margin	-1,6%	-4,8%	0,6%
Order book	229	115	190

## DEVELOPMENTS PER SECTOR

### PROPERTY DEVELOPMENT (NL)

- Operational result H1 still negative given low production due to crisis. Recovery is visible;
- 482 houses sold (H1 2013: 386), of which 367 in Q2;
- Approximately 50% of houses sold to private buyers (2013: 45%);
- Improved competitive position for (newly-built) owned houses as well as for free-rental segment;
- Market recovery visible, order book increased.



x € 1 million	H1 2014	H1 2013	2013
Revenues	92	109	223
Underlying operating result	-3	-5	-3
Underlying operating margin	-3,3%	-4,6%	-1,3%
Order book	259	165	173

## DEVELOPMENTS PER SECTOR

### RESIDENTIAL BUILDING (NL)

- Impact of the years-long market conditions still visible in the operating result;
- Decline of over 15% in turnover versus H1 2013. Results still negative;
- Strong increase order book (+ 50%);
- *Huismerk* (private label) home proving more and more successful in the market.

x € 1 million	H1 2014	H1 2013	2013
Revenues	169	229	466
Underlying operating result	1	1	2
Underlying operating margin	0,6%	0,4%	0,4%
Order book	682	511	511

## DEVELOPMENTS PER SECTOR

### NON-RESIDENTIAL (NL)

- Solid results, lower revenues due to delivery of larger projects;
- Disciplined project- and risk management adds value;
- Niche profile, integrated approach is the major differentiating factor;
- Order book stands at healthy level;
- Order intake based on proposition of added value and integrated approach, e.g.:
  - Resident The Hague
  - RIVM (PPP)
  - Eurojust
  - Security zone Schiphol Airport

x € 1 million	H1 2014	H1 2013	2013
Revenues	341	326	751
Underlying operating result	-5	11	16
Underlying operating margin	-1,5%	3,4%	2,1%
Order book	931	763	576

## DEVELOPMENTS PER SECTOR

### ROADS & CIVIL (NL)

- As disclosed before, 2014 is a difficult year for Infra in The Netherlands;
- Results are lagging: Competitive pressure on regional projects with limited margin potential for larger projects currently under construction;
- Improvement to come from ongoing program of improvements, especially for regional activities but also for specialist activities like 'Cables & Lines';
- With the recent order intake, order book contains more potential;
- Heijmans brings expertise to a project as early as the design phase, for instance in the field of throughput, efficiency and process management. Such played a vital role for recent order intake like:
  - A12 Motorway Veenendaal – Ede – Grijsoord (PPP)
  - N23 Road
  - Biosciencepark Leiden
  - A9 Motorway Gaasperdammerweg (PPP).

x € 1 million	H1 2014	H1 2013	2013
Revenues	112	112	237
Underlying operating result	8	5	13
Underlying operating margin	7,1%	4,5%	5,5%
Order book	200	215	201

## DEVELOPMENTS PER SECTOR

### INTERNATIONAL: BELGIUM

- Stable turnover with improved operating results;
- Good results for Heijmans Infra (Roads) and especially for Van den Berg (Civil engineering);
- Order book slight decrease;
- Heijmans Construction won, in partnership, the contract for the prestigious ‘Elisabethzaal’ in Antwerp;
- Belgian activities offer added value in performance and expertise.



x € 1 million	H1 2014	H1 2013	2013
Revenues	111	132	319
Underlying operating result	0	0	6
Underlying operating margin	0,0%	0,0%	1,9%
Order book	206	198	162

## DEVELOPMENTS PER SECTOR

### INTERNATIONAL: GERMANY

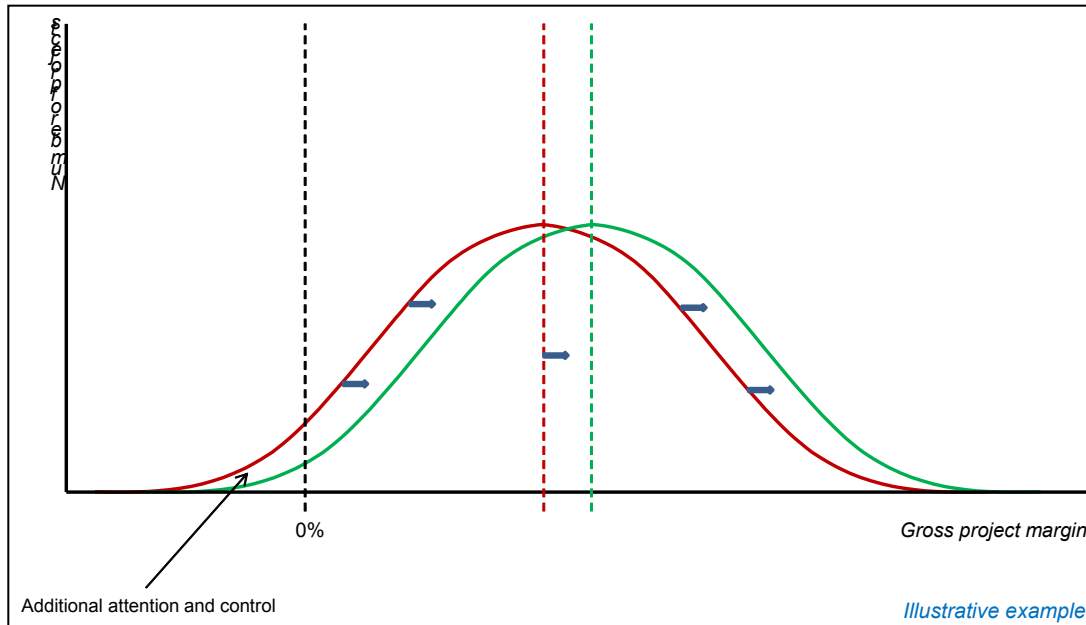
- Revenues slightly down, results at same level as last year;
- Order book improves for Oevermann, Franki stable;
- Oevermann will realize new shopping center in Dorsten;
- Continuous focus on working capital improvement.

## Risk management

Policies and corporate philosophy gradually developed and implemented as from mid 2008:

- Compact set-up with direct reporting to Executive management;
- Centralised organisation model: Heijmans acts in the market as ‘One Company’;
- Centralised tender management. Direct involvement executive management;
- Periodic review meetings for businesses as well as for specific projects;
- ‘Best in class’ project reports providing good insight on project opportunities as well as risks, specific issues, cash flow and progress. Further improve uniformity;
- Culture of openness for project performance. Issues to be escalated as soon as possible to enable effective follow-up;
- Substantial involvement for professionals of Procurement, Finance, Legal;
- High level of attention for cash management on all levels in the organisation;
- Development towards uniform ERP landscape. Objective to improve control & efficiency;
- Balance limitations of project size (over time) versus capacity. Partnering where required.

# Risk management



- Aim is not to eliminate all risks. These are and will remain to be, associated with project business;
- Objective is to control and manage risks with the purpose of achieving the best possible results with our company;
- Furthermore: decrease the likelihood of large (negative) project outcomes.

## Key Figures H1 2014

x € 1 million	H1 2014	H1 2013	2013
<b>Revenues</b>	<b>823</b>	<b>912</b>	<b>2.001</b>
<b>Underlying operating result</b>	<b>-7</b>	<b>2</b>	<b>23</b>
Correction operating result joint ventures	-2	-2	-1
Write down on property assets	-1		-7
Restructuring costs	-2	-4	-7
Exceptional release pension provision			4
Operating result	-12	-4	12
Financial results	1	-1	-4
Share of profit of joint ventures and associates	1	1	0
<b>Result before tax</b>	<b>-10</b>	<b>-4</b>	<b>8</b>
Income tax result	2	-1	-6
<b>Result after tax</b>	<b>-8</b>	<b>-5</b>	<b>2</b>

- With the implementation of IFRS 11, operational result for joint ventures will be reported in an alternative way;
- Some value adjustments property assets;
- Limited restructuring charges, mainly for Oevermann Verkehrswegebau;
- One-off gain from disposal shares Brabo I (PPP) for € 3 mio, reported as 'financial result'.



# Balance Sheet, Cash flow and Funding

## Condensed Balance Sheet

x € 1 million	30 June 2014	30 June 2013	31 December 2013
Fixed assets	355	358	352
Working capital (excl. cash and cash equivalents)	86	104	69
<b>Capital invested</b>	<b>441</b>	<b>462</b>	<b>421</b>
Equity	305	305	315
Provisions (non-current)	37	36	40
Net debt	99	121	66
<b>Financing</b>	<b>441</b>	<b>462</b>	<b>421</b>

- Net interest bearing debt decreased versus H1 2013;
- Solid solvency ratio at 30% (H1 2013: 30%), taking into account IFRS 11;
- Slight decrease invested capital for Property development;
- Target on divestments for 2014, as announced last year, have already been met.

## Impact IFRS 11

As per January 1, 2014, the new IFRS 11 principles have been implemented:

- Adjusted method for consolidation of ‘Joint Arrangements’:
  - Joint operations with Dutch legal form ‘BV’ or ‘BV/CV’ will be recorded according to the ‘equity method’. Same goes for German ‘GmbH’ and ‘Arge’.
  - Other legal forms, like the Dutch ‘Vof’ will remain to be consolidated proportionally.
- Main effect on P&L and Balance sheet for Property Development and Germany;
- Reported operational result decreases. This IFRS 11 effect will be revised for the disclosed ‘underlying operational result’;
- Net result is not impacted by IFRS 11;
- Net debt decreases with appr. € 80 mio (effect June 2014);
- Total reported assets/liabilities decreases with appr. € 100 mio (effect June 2014), solvency ration improves with appr. 3%;
- Note: interpretation of the new principles is still subject to discussion as international auditor firms are not yet fully aligned. Further adjustments not to be ruled out.

## Summary

- First half of 2014 has been tough;
- As disclosed before, 2014 is a transition year towards recovery;
- Solid financial position;
- Distinctive proposition with centralised management and combined expertise.

**we are building the spatial  
contours of tomorrow**







Heijmans live with renewed website!





Project in focus  
#Sluis Zaandam





Project in focus  
#Keijzersveste Pijnacker





Project in focus  
#DSM Lab 6 Delft



Project in focus  
#Timmerhuis Rotterdam



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