

Press release

Date 31 October 2018

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Heijmans reiterates outlook for 2018, good performance business areas

Highlights

- All business areas perform well;
- Dispute Wintrack II to arbitration, loss provision of € 10 million;
- Order book at healthy level, stood at € 2.0 billion end-September;
- Strong cash development, early reduction of credit facility to € 121 million;
- Heijmans reiterates its forecast that all business units will make a positive contribution to the result for 2018.

Ton Hillen, Chairman of the Executive Board /CEO Heijmans:

“The market conditions and the performance of Property Development and our residential building activities remain good, with revenues and results that continue to increase in the second half of the year. Our non-residential activities are on track with the start-up of a number of new projects, and the increased revenue will translate into a positive contribution to Heijmans’ operating result. The majority of our infra activities are performing in line with expectations. We remain cautious and selective in our acquisition policy, in view of current market conditions. The Wintrack II project has been terminated by client TenneT as a result of a difference of opinion. We are taking this dispute to arbitration. Our strong market positions and the positive development of our activities have improved our financial position, which has enabled us to accelerate the reduction of our credit facility to the level agreed for mid-2019. We reiterate our outlook for 2018.”

Property Development

The positive developments at Property Development have continued, with growth in both revenue and result. The energy we have put over the past few months into maintaining a healthy pipeline of new projects up for sale, is now paying off. In the period to 26 October of this year, we sold 1,631 homes, compared with 1,636 homes in the same period of last year. Heijmans sold 922 of these homes to private buyers (2017: 1,061) and sold 709 to investors (2017: 575).

Heijmans continues to feel the persistent pressure on the housing market. Due to the lack of new development locations in the Netherlands, rising costs and the availability of resources, the supply on the housing market is lagging the enormous demand, while rising house prices are putting additional pressure on the affordability of homes. Heijmans is responding to this by working with preferred procurement partners and using standardised concepts whenever possible.

In the period under review, Heijmans closed a development contract with the city of Rotterdam for new-build project Havenkwartier, which includes 200 owner-occupier homes in the Katendrecht district of the city. A number of projects also progressed to the sales phase, including Greenville Leidsche Rijn and De Verbinding Spaarndammerhart, while we have been making preparations to start construction on the Land van Dico project in Uden in May 2019.

Building & Technology

The development of Building & Technology is on track, with clear growth in residential building activities and the targeted acquisition of non-residential projects, as well as the acquisition and extension of service & maintenance contracts.

At the residential building activities, revenue, result and order book have all increased. Heijmans' concept homes are very much in demand. So far this year, we have produced the shells of around 800 homes, which puts Heijmans on track to realise more than 1,000 of these homes in 2018. Heijmans offers both Heijmans Huismerk and Heijmans Wenswonen homes (in Berkel-Enschot and Nijkerk among other places), as well as Heijmans ONE homes (in Nijkerk among others). Heijmans has developed gas-free versions of these homes.

The non-residential projects that Heijmans acquired at the end of 2017 and in early 2018 are progressing to the production phase, which has pushed revenues to a considerably higher level than last year. This is also contributing to the result and order book. At end-August, it was announced that Heijmans had been chosen as a preferred candidate in Schiphol's Main contracts 2019 tender for the Terminals 1 & 2 Parcel, with accompanying piers. The initial term of this contract is three years, with an option to extend the contract by two terms of three years. The specification phase is now fully underway and we expect to reach a final agreement at the end of 2018, after which we will begin execution in April 2019. The construction of the New Amsterdam Court House (NACH) and the construction of the new head office for the European Medicines Agency (EMA), which Heijmans is realising in partnership with Dura Vermeer, are moving full steam ahead. Heijmans is also building a number of high-grade data centres.

Heijmans realises a substantial share of these revenues from renovation, maintenance and management contracts, with a strong focus on increasing the sustainability of buildings. Examples of current projects in this segment include 174 homes in Alandsbeek, Leusden, 24 homes in Hoofddorp and 64 homes in Zoetermeer. Heijmans also completed the large-scale renovation of a care home complex in Valkenswaard, which included the realisation of 105 care apartments. As part of the non-residential activities, Heijmans is currently redeveloping the tax offices on Laan op Zuid in Rotterdam into a central government office, including maintenance. Another example is the long-term maintenance contract for former royal palace and museum Paleis Het Loo, where Heijmans is currently also renewing and extending the technical installations.

Heijmans' Technical Services activities (maintenance and management) once again recorded an increase in revenue and result. In this segment, Heijmans is currently working for various clients, including ministries, educational institutions and medical centres. Through its client knowledge, Services has managed to translate long-term partnerships and integrated approach into stable growth at healthy margins for many years in succession. These activities use their strong base to deliver a structural contribution to the continued development of Building & Technology.

Infra

Unlike Heijmans' other business areas, Infra is not focused on growth. Instead, the focus on predictability and a healthy balance in its order book remains this business area's highest priority. Revenue and result were in line with expectations in the third quarter. In the third quarter, TenneT formally terminated the Wintrack II contract. The Heijmans-Europoles consortium and TenneT have failed to reach an amicable agreement and this dispute will now be submitted for arbitration. In the third quarter, Heijmans took a loss provision of € 10 million for unpaid invoices and costs, as well as the settlement of any commitments already entered into. As a result of this contract termination, Infra's order book has been adjusted by € 130 million.

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Heijmans has signed a Letter of Intent with the Province of North Holland for the joint completion of the Wilhelmina lock project. The parties have reached agreements on the further planning and execution, as a result of which the project remains within the previously stated financial bandwidth. The work on this project will resume in February 2019. In Schiphol's Main contracts 2019 tender, Heijmans has also been selected as a preferred candidate for the Runway sites Parcel. The specification phase for this parcel is also fully underway. We expect to complete this phase by the end of 2018, after which we will be able to start work on the project in April 2019. Heijmans recently received the final award for the maintenance of the main waterway Lemmer – Delfzijl. The work on the N23 road project and the Gaasperdammerweg section of the A9 motorway are progressing according to plan. The progress of the work on the Beatrix lock in Nieuwegein is on track. The widening of the A27/A1 motorway project is close to completion, barring a number of finishing touches. In the regional infra activities, Heijmans is working on a number of projects, including the redevelopment of the Dardanellenstraat, part of Distripark in Rotterdam, for the Port of Rotterdam. We recently also delivered the redevelopment of the Quackplein in Nijmegen.

Outlook

Heijmans' operational business is performing according to plan. Property Development and Building & Technology are making solid progress. The growth of the property development and residential building activities has continued and Heijmans has been able to seize targeted opportunities in the non-residential market, as a result of which the non-residential activities will make a positive contribution to our operating result. Although most of the infra activities are performing in line with expectations, predictability and stability remain our highest priorities. As long as the risk-return ratios in the infra market remain suboptimal, Heijmans has no growth ambitions for its infra business. While Infra's results have been negatively impacted by the termination of the Wintrack II contract, these are still positive overall. Heijmans reiterates its forecast that all its business areas will make a positive contribution to its result for 2018.

Heijmans' cash position has developed positively and the company's debt position has further improved. As a result of this, in the third quarter Heijmans decided to reduce its credit facility by € 22.75 million, which the company effectuated early October. This means that Heijmans has already realised the phased reduction to € 121 million, originally scheduled for 30 June 2019, and KBC has left the bank syndicate early. The bank syndicate now consists of ABN AMRO, ING and Rabobank and these banks have committed until mid-2022.

Annual results 2018

Heijmans will publish its annual results for 2018 on Thursday 21 February 2019.

About Heijmans

Heijmans is a listed company that combines activities related to property development, building & technology, roads and civil engineering in the areas living, working and connecting. Our constant focus on quality improvements, innovation and integrated solutions enables us to generate added value for our clients. Heijmans realises projects for private consumers, companies and public sector bodies, and together we are building the spatial contours of tomorrow. You will find additional information at our website: www.heijmans.nl.

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