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HEIJMANS ACHIEVES 2005 PROFIT FORECAST

's-Hertogenbosch - Heijmans N.V. will close 2005 in line with its previously announced profit expectation. Revenue will come out at approximately €2.8 billion, while net profit will be €85 million or approximately 3% of revenue. The profit for each ordinary share thus comes out at approximately €3.60.

Heijmans is profiting both from the number of homes sold and from the result of a good market for owner-occupied homes. A positive element is the substantial contribution made by the major infrastructure projects which will be completed in 2005. The current market for infrastructure is not yet showing any recovery of prices despite the increased amount of work. The oversupply in the offices market is not showing any decrease. Outside the Netherlands, the UK is continuing to deliver an outstanding performance.

As indicated in the half-year report, the expected net profit of €85 million contains a once-only benefit of €6 million before tax due to the release of a provision in connection with the termination of the management participation plan and a once-only benefit of €5 million before tax as the result of profits on the sale of the subsidiary Opstalan. The expected net profit of €85 in 2005 is 21% higher with respect to 2004 (compared to the net profit in 2004 before the once-only charge in connection with the investigation into the building industry). Revenue in 2005 will increase by about 8% compared to 2004.

Development of activities in the housing market

The demand for homes remained high in 2005 as a consequence of the delay in the supply of new homes due to undiminished long planning procedures. The government has expressed its ambition to produce 90,000 homes a year for a number of years with the aim of catching up on its estimated shortage of 170,000 homes. Production in 2005 is estimated to come out at approximately 70,000 as opposed to 62,000 in 2004. The price level has shown no exorbitant increases in recent years and was in line with inflation in 2005 too.

Heijmans' activities in the owner-occupied sector are expected to have a good year. The total number of homes sold by Heijmans in the Netherlands is expected to rise in 2005 to over 3,700 (2004: 3,419). About 60% of homes sold were built on land controlled by Heijmans; approximately 40% came from competitions won. In the last few months Heijmans has won development rights through competitions for approximately 600 homes in Roosendaal, Rijnsoude and Den Helder, to name a few. These involve the full development of an area, including homes, shops and other facilities.

Development of activities in the property market

The offices market still has vacancies to contend with. There has been a perceptible shift of tenants from old to new property for some time now, helping to reduce vacancies in new offices. This is expected to lead to a limited reduction in the number of unsold and unlet metres for Heijmans.

The building division is compensating for the decrease in the level of activities in the commercial office market by activities for the healthcare and education markets. Although the level of activities is good in this division, prices are very competitive, putting pressure on margins.

Development of activities in the infrastructure market

It would seem that the low point in the infrastructure market with regard to price formation was reached some time ago. The major projects finishing in 2005 are contributing

substantially to Heijmans' positive results in this sector. A few major projects won in 2005 will ensure the deployment of capacity that becomes available, although with considerably lower margins than in the projects just finishing. A number of new projects are expected to come onto the market within the foreseeable future. In its September 2005 budget, the government announced an investment programme for infrastructure, particularly in new developments and road and railway maintenance. Price levels in the infrastructure market are nonetheless still extremely competitive at the moment. For that reason it is uncertain whether new orders will provide enough profit in the infrastructure activities in 2006 to compensate for the loss of the substantial contribution to the result made by the major projects that will be completed in 2005.

Development of activities outside the Netherlands

The results abroad are developing positively. Activities in the UK are again showing organic growth as regards turnover and results. The German market is still at a low level. Heijmans expects a slightly positive result from its German subsidiaries. The market in Belgium for owner-occupied apartments is favourable, accompanied by improved volume in the building market. The market for infrastructure is very competitive following the completion of the major projects. Results in Belgium are developing positively.

Order book

The order book is expected to rise by approximately 8%. This means that it will come out at approximately €2.6 billion at the end of 2005, compared to €2.4 billion at the end of 2004.

Prospects The building and infrastructure market in the Netherlands is at a turning point. On the one hand, demand is increasing slightly, but on the other, pricing levels are not yet improving. In view of these circumstances, Heijmans will continue to follow a selective tendering policy. The government has said that it is in principle prepared to apply new contract forms and has made this its policy. This means that Heijmans will continue to invest in acquiring new, large-scale infrastructure projects that are put out to tender on the basis of new contract forms and design & construct. The way in which customers deal with the call for tenders for these new large-scale projects and the price level that can be achieved will be significant for the development of returns at Heijmans Infrastructuur in the coming years.

In the development of owner-occupied housing Heijmans will move somewhat from inner-city development to development in greenfield areas based on its landbank. In the main, less complex planning procedures should lead to faster construction. Not only that, but more opportunities will arise for market-driven housing products like Wenswonen®. Heijmans' development potential amounts to approximately 47,000 homes.

Strict cash and working capital management mean that the financial situation is such that there is room for financing future growth, both organic and growth through acquisitions. Key objectives in this are design, development and maintenance/management activities in countries where Heijmans operates. The announced takeover of Heitkamp, which is expected to be completed in early 2006, is in line with this. But so are activities for the UK market for social housing, healthcare and education. As communicated earlier, Heijmans has formulated such strategic targets for 2008 as the sale of 4,500 homes in the Netherlands, a return on invested capital of 18% and a net profit margin of 3%.

Heijmans will present its final figures for 2005 on 2 March 2006.

For more information

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