

Press release

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Heijmans cuts 200 jobs

Update on business developments

- Heijmans Property Development residential sales are down
- Completion of loss-making Building projects remains difficult
- A lot of attention paid to capital requirements in order to maintain healthy financial foundations
- Adjustment and streamlining of the organization are making rapid progress
- Organization of operational streams implemented as of 1 January 2009
- Re-organization of staff (departments) will result in the loss of 200 jobs

Rob van Gelder, Chairman of the Executive Board at Heijmans notes: “The task of getting Heijmans back on track has not been made any easier by the credit crisis. It will take longer, but we will certainly set things right.”

Market trends

The extent of the credit crisis has increased in recent months. The result is higher interest rates and more rigorous risk management by banks. This negatively effects the maximum borrowing capacity of individuals, the affordability of housing as well as the bankability of projects. The indirect consequences of the credit crisis are now readily apparent to many companies, including those in the construction market.

At the end of September 2008, the Netherlands Economic Institute for the Building Industry (EIB) recorded the lowest volumes in order portfolios for residential and non-residential construction since the beginning of this year. The consequences of the credit crisis and sluggish housing sales are the causes of this slowdown. Recently, the EIB has indicated that it expects a cumulative 10 per cent decline in construction output over 2009 and 2010.

General developments

So far in the second half of this year, Heijmans' level of revenues has been lower as a result of the drop in housing sales and a selective contracting policy. On balance, revenues during the first nine months of this year still remain at the previous year's level.

The order backlog of Heijmans NV remains on a good level despite the above-mentioned negative trends. A lot of construction work is in progress. The consequences of the credit crisis are readily discernible and make the short-term future uncertain. Every effort is being made to keep the company's financial basis in a healthy state.

Streamlining the organization

The adjustment and streamlining of the organization are making rapid progress. Shorter lines enable Heijmans to become more responsive and cost effective. Heijmans is focusing on the Netherlands and, specifically, on three operational lines of business:

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- 1) **Property Development and Residential Building:** area development / project development / residential construction plus
- 2) **Non-residential Building and Technical Services:** high-grade non-residential construction and installation techniques
- 3) **Infrastructure:** roads / civil works and specialities

The structure of the operational organization, including locations and appointments to key positions per operational line of business, has been determined and will be fully implemented by 31 December 2008. Investigations into the possibilities for cost reduction in support (staff) departments are in an advanced stage. The estimate is that roughly 200 jobs will be cut.

Property Development Netherlands

Heijmans Property Development has experienced the effects of the rapidly weakening market conditions in recent months. The credit crisis and low consumer confidence have halted residential sales. Concluded sales contracts are, to an increasing degree, being cancelled because the buyers cannot arrange financing, or sales are proceeding so poorly that projects are being postponed or re-developed. The fall in housing sales has caused that revenues are below expectations in recent months.

Given the low number of housing starts in 2008/2009, the organization of Property Development is now being made 'winter ready'.

After a period of reduction, the order portfolio has grown in the last few months due to the addition of several large projects.

Building Netherlands

The activities of Heijmans Residential and Non-residential Building have been split up. The new organizational set-up, reduced number of business locations and associated lower overhead will make Non-residential Construction more responsive and drastically reduce remake costs. Where applicable, close collaboration with the organization of Technical Services will be maintained.

Revenues and order portfolio have declined in recent months as a result of a selective contracting policy. The focus aims at high-grade projects as a partner of the customer. A great deal of attention is being paid to 'sweating out' the problem projects. The final results are and remain uncertain.

The number of business locations for residential construction activities will also be reduced. Collaboration with the Property Development organization will also occur wherever warranted by (commercial) opportunities.

The procurement market is changing slightly. The strong increases in the cost of materials and equipment over the past few years have given way to (slight) decreases due to lower expectations for construction output. In time, the development may lead to some relief regarding the costs of raw materials and equipment, as well as the costs of hiring subcontractors.

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Infrastructure Netherlands

The market for infrastructure has been less affected by the credit crisis than activities in the areas of project development and construction. As of November 2008, the EIB is projecting an increase in production for 2008.

Revenues for Heijmans Infrastructure have increased in recent months. The order portfolio appears somewhat lower due to the production of large projects (including 'A2 Eindhoven' and 'A7 Maintenance').

Technical Services Netherlands

At the beginning of 2008, growth expectations concerning the technical-services market were positive, although levelling off in relation to 2007. Nevertheless, revenues for Technical Services rose again in the third quarter of 2008 in comparison to the same period of last year. The order portfolio came down a little in recent months, but its quality remains good.

Foreign operations

The credit crisis has reached the private sector in the United Kingdom but not the sector in which Leadbitter is primarily active: the market for owner-occupied social housing. Leadbitter's revenues have been increasing during the last few months. The order portfolio has been declining in recent months.

The Belgian housing market has also been affected by the credit crisis, causing drop in revenues of Heijmans Belgium.

Revenues in Germany have risen in recent months, while the order portfolio has declined.

Capital

Heijmans pays considerable attention to controlling working capital and limiting capital requirements. At the end of June 2008, the ratios agreed with capital providers were met. However, the consequences of the credit crisis are readily discernible and make this on the short-term future less certain. Every effort is being made to keep the company's financial basis in a healthy state.

Annual Figures 2008

Given the uncertainty regarding the completion of a few large (construction) projects and the importance of them for the 2008 results, Heijmans has decided to let carefulness prevail over haste and to therefore publish the 2008 results on 29 April 2009 instead of the originally set date of 19 February 2009. As a consequence of this delay, the General Meeting of Shareholders will be held on Wednesday 27 May 2009.

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