
heijmans
2008 Semi-annual Report
Rob van Gelder / Dick van der Kroft

Mr **van Gelder**: Gentlemen! As always happens in het contracting business there are very few women! The same applies to your business.

Anyway, thank you and welcome. It won't have escaped you that this morning we published our half year figures. The idea is to provide you with further details this morning and to give the opportunity to raise any questions you may have. Obviously, I cannot promise to answer all your questions; we will have to wait and see how things work out.

Here at the table you see Dick **van der Kroft** and this morning he will mainly focus on the figures. I will give you a brief introduction and I shall conclude the presentation. But, before starting with the presentation proper I would like to very briefly show you a video in order to take you along to the building business, the contracting business of Heijmans. Just to refresh you memory and to give you a clear idea of what it is that we do and what it is that we will be discussing here this morning. Perhaps we can start the video.

VIDEO

Mr **van Gelder**: You can see that we have lots of operations, works and activities going. This is the meeting that we are meeting in. We did so on purpose because we wanted to meet close to the building site and we wanted to meet in a more austere environment. That is why. But you found the meeting place and thank you very much for coming.

Well, let's start off with the results of Heijmans.

Heijmans result poor in first half of 2008

- Revenues increased by 2% to €1,722 million
- Profit after tax down to €2 million
- Results depressed due to losses incurred by Building and Infrastructure divisions and in Belgium
- Financing ratios more than amply met
- No statement concerning overall 2008 profit projections

21 August 2008 2008 Semi-annual Report 2

Of course, the figures for the first six months of this years are clearly disappointing. There is no beating around the bush. Revenues increased by 2% but the result has declined to EUR 2 million, which of course is extremely disappointing. The reasons are mainly the continuing losses in the building division – Dick **van der Kroft** will comment on that later on – but in the meantime also in infrastructure and our operations in Belgium the first six months of this year we ended up in the red.

Key points for first half of 2008

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- Property Development NL: positive results in stagnating market
- Building NL: not yet regained profitable position
- Infrastructure NL: losses in road construction (excess capacity in asphalt production plants), slim margins, project losses on several major construction works
- Belgium: losses in building and property development
- Satisfactory results in Technical Services, UK and Germany
- Order book at a satisfactory level, but margins are under pressure
- Financing ratios more than amply met through management of working capital and limiting capital requirements

21 August 2008 2008 Semi-annual Report 3

Is there light at the end of the tunnel? Well yes, of course! One of them is that even though there are quite a few doubts in the markets about the financing ratios and another one is that if banks are in difficulties people start looking around and try to find other places where there are problems. Be we can clear up that uncertainty and despite the slim result in the first six months of this year Heijmans has more than amply been able to meet the financing ratios.

As far as the projectives for 2008 we are not going to make any statements, simply because we just don't know. Of course, if you don't know you cannot make any statements. What we do know – and we have pointed this out – is that it is absolutely to be expected that at the end of the year we will be able to meet our funding ratios. So, the financing ratios is not an issue.

So, that is all as regards the key points. Perhaps I can ask Dick to comment on the various businesses and to discuss the good things and the less good things about our figures.

PRESENTATION BY MR VAN DER KROFT

Mr **van der Kroft**: Very briefly the consolidated results that we published this morning.

Key figures for first half of 2008

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In € mln	2008 H1	2007H1	2007
Revenues	1,722	1,689	3,732
Operating result	13	31	88
Profit after tax	2	19	56
Operating cash flow	7	11	258
Order book	3,263	3,605	3,248
Net debt position (period-end)	391	607	366

21 August 2008 2008 Semi-annual Report 4

2% organic increase, no acquisitions and no divestments in this period. The operating result, of course, is very disappointing. We will discuss that later on, as Rob said, in the different businesses.

Profit after tax also showed a decline, a very meager EUR 2 million and what we see in between is that the funding income early increased slightly as compared to last year. We have a relatively high tax ratio because part of the losses incurred in Belgium. This could not be included as a tax income in the future.

The operating cash flow was more or less the same as last year in the same period.

The most important news is the net debt position. Despite everything we have been able to continue our results on our working capital and our debt position, especially this time of the year have been to be maintained at a relatively low level.

The order book remained stable compared to last year. At the end of last year there was a bit of concern about it and we can tell you that there will be no further deterioration regarding the order book.

Now first of all, the results of our main activities.

Composition of operating profit

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In € mln	2008 H1	2007 H1	2007
Property Development	32	26	82
Building	-10	-12	-53
Infrastructure	-12	1	22
Technical Services	3	1	5
International	-2	6	29
Other	2	9	3
Total	13	31	88

21 August 2008 2008 Semi-annual Report 5

Our property development in the Netherlands performed very well, better than last year, building an infrastructure as we said earlier on. We have a very disappointing building division, still in the losses and Infrastructure also declined. We will discuss that later on. Furthermore, Technical Services, which performed very well, the Burgers Ergon company that we acquired last year. There is also disasspoint in International; Belgium, where part of the operations are, performed less well. Then we have another item which is called 'other' and we will comment on that later on. The order of magnitude is more or less the same as last year.

All in all this has led to a lower operating results than last year.

Property Dev. NL: key figures for first half of 2008

In € mln	2008H1	2007H1	2007
Revenues	434	480*	1,015
Operating profit	32	26	82
Operating margin	7.4%	5.5%*	8.1%
Order book	664	924	786

•2007H1 including approx. €105 million in revenues from the sale of commercial property from inventory with zero margin. Excluding these revenues, the 2007H1 operating margin is 7.1%.

21 August 2008 2008 Semi-annual Report 6

Let us start with Property Development in the Netherlands. We had excellent revenues. If you look at the figures and the P&L you see that last year we had EUR 480 million. You might say that this is a decline but as you all know last year we sold two large projects, the INIT building in Amsterdam en Flight Square in Eindhoven, for a total of EUR 105 million with a margin of almost nil. You'd have to subtract that in order to come to a comparable result. We see that in the small print:

the operating margin is comparable 7.4% as compared to 7.1% last year, on a comparable basis.

This business is doing very well in a stagnating market.

Last time we said that the number of sold houses in new houses showed a decline by 14%. There is nothing new. The NVB also published about this and there has been a decline of 14% on the whole.

Heijmans in this context performed better. There has been a decline of 4% in total but it is not as bad as the market: 1187 new houses and now 1283. The good margin that we see is also the effect of the sales that we carried out last year. You see this included in the figures now. But you can see that the building prices have increased and throughput times are slower. Therefore, the margins are under pressure. You see this in the level of the order book that is declining somewhat. We see that the margins are shrinking. Nonetheless, I do believe that we are positioning our activities in such a way in the market that we are facing the market in such a way that we are trying to uphold our volumes. It is very difficult. We see it in the sales of the projects: we have 70% advance sale hat we have as a requirement. This is being met but the throughput time is longer. We see this reflected in our order book and it is taking more time to fill the order book. Sometimes this means that your original project will have to be cut in two and you will have to say that if we can't do it with 100 houses we can do so with 50 houses. So of course, this does have an effect on the margin development.

All in all, an excellent company with excellent business. It is doing very well, but once again we are facing uncertainties in the market.

Building NL: key figures for first half of 2008

In € mln	2008H1	2007H1	2007
Revenues	413	391	806
Operating profit	-10	-12	-53
Operating margin	-2.5%	-3.2%	-6.6%
Order book	818	1.025	882

21 August 2008 2008 Semi-annual Report 8

If we look at the figures of Building there is very little positive news here given what we know about the building market. I don't think we can say that there is light at the end of the tunnel.

Building NL: not yet regained profitable position

- Losses incurred in relation to remaining problem projects
- As yet limited positive contribution made by other building projects
- Order book declined to €818 million due to selective contracting policy. Decrease in proportion of tendered works – down to 20%

21 August 2008 2008 Semi-annual Report 9

Of course, there is light at the end of the tunnel but the tunnel is extremely long. So, what we see now is that the problem mainly is to be found in the remainder of the problem projects. We are nearing the end of this but the provisions that we are taking at the end of the year are insufficient. I more or less pointed that out already and we are facing some increasing losses here.

Furthermore, the vast majority of the projects are profitable but their magnitude is too small, so it is not enough to cover the cost. This is the reason why we have quite a substantial negative result here.

If we look at the order book we see a clear decline. The reason is that last year we started our selective contract in policy and we really want to do works that we can do properly, that we can deal with and that we can cope with, with acceptable margins, with a risk profile that suits us. That also means that we will try to reduce the contracted business. The disadvantage is that the volume will shrink more or less but we think it is better to do the works that we can properly and to go for big volumes.

Infrastructure NL: key figures for first half of 2008

In € mln	2008H1	2007H1	2007
Revenues	416	354	911
Operating profit	-12	1	22
Operating margin	-2.8%	0.2%	2.4%
Order book	980	971	855

21 August 2008 2008 Semi-annual Report 10

The overall result for the Infrastructure operations in the Netherlands this is more or less a surprise, also for the market. Revenue is at a good level, so it is not production or the output itself. The output was good.

Infrastructure NL: excess road construction capacity persists

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- Excess capacity in asphalt production plants
- Losses incurred during first half of 2008 partly due to under-utilization of asphalt production capacity
- Margins in road construction too low and remain under pressure
- Revenues and results of several major projects are lagging expectations
- Results produced by specialised operations are satisfactory
- Order book significantly increased to €980 million, partly due to acquisition of medium-sized projects

21 August 2008 2008 Semi-annual Report 11

One of the major problems that we faced – and we reported on that six months ago – is that there is an overcapacity in the asphalt production plant market and this affected the results, in this case losses. They are incorporated in the figures immediately. Road construction, which accounts for 60% of the revenues, the overall operations of Infrastructure, is still facing low margins and this, of course, is reflected in two low contributions in terms of the projects that we do. The larger works also are declining in terms of our outlook of revenue. This combination means that the first half year, which traditionally is always rather low, has now ended up in the red.

The good news in a sense is – you cannot see this in the figures – that all specialized operations that we have here are performing well to satisfaction. And this is also derived output of the projects that we do in road Construction. Concrete business for instance, has also performed very well.

Last time there were questions about the order book. The questions were whether we see problems and the decline, what about manning of staffing? In February we landed new orders and we see that there is an increase to EUR 980 million. In the press release we gave a number of examples of medium sized projects that would be involved and would be covered by this order book figure.

Technical services NL: key figures for first half of 2008

In € mln	2008H1	2007H1	2007
Revenues	131	99	229
Operating profit	3	1	5
Operating margin	2.2%	1.1%	2.2%
Order book	295	273	292

21 August 2008 2008 Semi-annual Report 12

The last business operation in the Netherlands is Technical Services, Burgers Ergon. Here, we see an increase. Last year was slightly better and we see a continuation of this trend this year.

Technical Services NL: positive development

- Higher revenues and improved profitability of activities related to engineering installations
- Increase in project and synergy benefits due to collaboration with other divisions
- Well-stocked order book (€295 million)

21 August 2008 2008 Semi-annual Report 13

They really had a good order book and this is reflected in the revenues which are clearly higher. But also results have improved, not only in the revenue but also underlying operations have shown better margins. By the way, for your information, in this result we see EUR 2 million write-off on the assets or EUR 1 million for the first half year, just as last year.

The order book is very stable with a solid level. So, this operation has fast reconciled and has yielded what we expected it to yield.

International: key figures for 1st half of 2008

In € mln	2008H1	2007H1	2007
Belgium	139	170	348
United Kingdom	188	175	378
Germany	201	187	412
Revenues	**528**	**532**	**1,138**
Belgium	-10	5	10
United Kingdom	7	4	12
Germany	1	-3	7
Operating result	**-2**	**6**	**29**

21 August 2008 2008 Semi-annual Report 14

On this slide we summarize revenu and operating result. All in all, the revenues are at the same level, in excess of EUR 500 million. We see a decline, particularly in Belgium and especially in Property Development Operations. There we see a further decline. But there are significant differences in the results.

International: major highlights

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- Belgium: highly unsatisfactory result caused by losses in the building and property development sector. Positive results achieved by infrastructure activities. Order book decreased to €208 million
- United Kingdom: Leadbitter continues to benefit from strong demand for subsidized housing. Revenues and operating profit once again rose. Order book grew to €477 million and is of good quality
- Germany: improved performance by Oevermann and Franki due to improving German market. Heitkamp Rail suffering from highly competitive railway construction market. Order book in Germany stable at €166 million

21 August 2008 2008 Semi-annual Report 15

Belgium last year had EUR 5 million plus, for the full year EUR 10 million and now we incurred of loss of EUR 10 million, mainly due to building operations, disappointing results on projects and some too optimistic outlooks on works and the number of Property Development Projects of which the premises turned out to be too optimistic as compared to the final output. This combination led to a substantial loss on both operations.

Where we do see good performance is in the UK. This is Leadbitter, the company that we have owned for five years now. The good news is that Leadbitter has been working in this segment of subsidized housing and is doing very well. This is the segment in the UK where the outlook in the market is good or stable. So, this situation is quite different from the ordinary private housing business in the UK as a consequence of the credit crunch. So, good results here and a clear increase.

In Germany the results were also better. Especially we find the increase in Franki Gründbau. They have a very good order book with excellent margins, also thanks to the solid German market position. Overmann, which we acquired early last year, also performed better in several respects. All in all this led to a small plus as compared to the minus.

The company that is encountering difficulties is Heitkamp Rail. The German operations are very sharp, very competitive. Deutsche Bahn, as you know, is the most important principal and there are all sorts of debates about having an IPO or not. It does have an effect on the market regarding the number of orders. This is something we are facing. There would be signals however, that things would be improving bit by bit. It is a matter of waiting and seeing. It is what they call der heiβe Herbst; lots of orders are brought into the market.

So, if we look at the international picture we see all in all a minus, which is very disappointing and very regrettable but that's just the way it is.

Other

- The first half of 2008 includes €11 million in book profits realized on the sale of real estate used for business purposes (offices, workshops and properties)
- The first half of 2007 includes a €10 million gain, largely from the sale of commercial property from inventory

21 August 2008 2008 Semi-annual Report 16

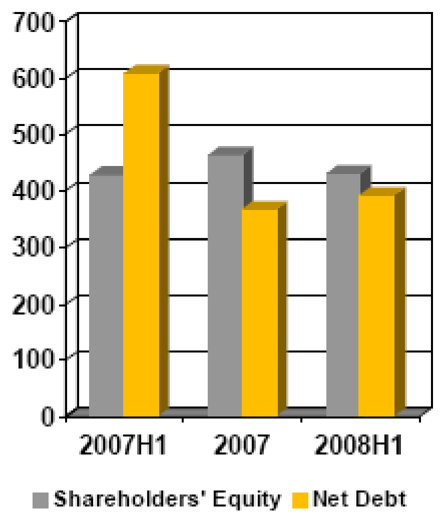
Then we have another item 'other'. Besides the ordinary holding costs and other activities we have for instance a production company. This year, also in the context of reducing our requirement for equity, our capital requirements, we sold a company and this led to an EUR 11 million book profit.

Last year we had a EUR 10 million but that was quite a different one. These were the profits on the sale of commercial property. So, these two items are quite comparable.

So, this is more or less a bird's eye view of the composition of our key figures.

Capital Performance

- Decrease in shareholders' equity to €429 million due to pay out of dividend;
- Net debt increased slightly to €391 million;
- Financing ratios amply met:
  - Net debt/EBITDA = approx 2.1 (year-end 2007: 1,9)
  - Interest coverage = approx 5.4 (year-end 2007: 5.4)



21 August 2008 2008 Semi-annual Report 17

Another important issue is the capital performance. Let's start with our shareholders equity. Quite apart from the results you see a decline due to dividend pay out, which took place this year. The decline has to do with the EUR 35 million dividend pay out. Net debt increased slightly but that is quite modest, especially if we look at the ordinary level. It is also seasonal development that we are facing here. This has to do with the fact that we have been doing this for a year and we will continue to focus on all aspects that are related to working capital. When necessary, we will reduce fixed assets that are not related to standing business activities.

So, the financing ratios have been amply met. We have the figures here. At the end of June it is 2.1 for net debt/EBITDA as compared to 1.9 year end last year. The interest coverage was stable at 5,4. The requirement is above 3,5. Net debt/EBITDA should be less than 3,5. That means we are good for our money. That is important for the banks and also, given the actions, programs and measures that we are taking, that we have full confidence that we will be able to continue to manage this till the end of the year.

Rob, this is more or less an overview of our state of affairs.

Mr **Van Gelder**: As I said, no firm statements about the result projections for 2008.

2008 Prospects

- No statements on expectations for full year 2008 result
- Order book at a satisfactory level, but margins under pressure
- Expectation is that, with continuing focus on working capital management and limiting capital requirements, Heijmans will fully comply with the agreed financing ratios at year end 2008
- “Charting a new course”

21 August 2008 2008 Semi-annual Report 18

We simply do not know yet at this time and if we do not know we will not say anything. Please note that our order book is on track. We have a lot of projects going at Heijmans but margins are under pressure, so it is a matter of focusing on the projects and optimizing them to deliver those precalculated margins.

There are also some problem projects where we have had to take additional provisions and had to account for losses during the first six months. In my many years in contracting I have learned that problem projects can be very recalcitrant and if these projects get off to a bad start, then it is quite a feat to get them back on track. It is often very difficult because you often only know upon completion what the return was or what the project cost. That is the case with a lot of Heijmans projects. You have to sweat it out and we do not know until these projects are finished.

As for expectations, these are relevant. We expect financing ratios to be safe later this year as well. We need to pursue an active policy. We will be thrifty and we will tailor our decisions based on capital requirements. Quite honestly, for a construction contracting firm there is an awful lot of profit in the field but the organization is focused on our bringing in those projects and achieving the margins. There is also a technical drive in execution. These are all aspects that receive extensive consideration. Terms of payment with the clients need to be optimized as well and that often receives insufficient consideration but if you pay careful attention to those then you can do very well.

Last but not least. Clearly, we are in a tough spot and we will need to chart a new course and break new ground at Heijmans. The advantage of having somebody new at the helm is that they have a fresh outlook. I am telling you right here that many of these aspects are receiving urgent consideration. It is too soon to tell you anything specific about this.

Moreover, these processes require tremendous care and you need to consider the foundations and structure of the firm before disclosing the details. We will take that care and we understand. It is clear that there is room for improvement and as soon as we possibly can – because we understand the urgency – we will make announcement. But please, give us some time here.

That was to wrap up this presentation. I am now opening the floor to questions. I would like to correct one omission at my introduction. I was supposed to mention that our third executive board member, Jacques van der Hoven, is present here. I just wanted to let you know that we share the burden of these types of announcements. That eases the difficulty a little bit.

Questions and answers

Questions by Mr Aupers, Fortis Bank

I have two questions. One is about transcent working capital. I see EUR 20 million in the black in the first half of the year. The trend is that the pressure arises from advance payments, so you would expect working capital to deteriorate by EUR 80 million to EUR 120 million year on year. So, I am curious to what extent this is sustainable and whether you would achieve this.

My second question is about your strategic partner for the Landbank. Who is that and what does the deal look like? Does that mean you are selling your asset of your property land portfolio to maintain the balance sheet? Tell me about the deal and the timing in cash flows, etc?

Finally, could you please show me those net debt/EBITDA calculations again? We saw that with the annual figures and I am curious what the present calculations look like.

Mr **van Gelder**: I will start with the Landbank. Of course, those land **position**s are sand bases for developing additional projects and housing construction operations for the future. Bear in mind that this can be a 15 to 20 year horizon. So, this will not mature overnight. We took the following approach: in the first six months we included several such **position**s in the partnership and the development of those sites would remain with Heijmans. That will secure the starting position but it also creates scope to do the same with other land **position**s in situations where we need to consider capital requirements. You will note that in that the size of the Landbank has remained steady in the past six months, EUR 390 million, give or take a few. This approach fits our present needs and does not compromize our future potential. That is what I had to tell you about that situation. I am not going to give you any names and that is because of commercial considerations and our business relations. What matters is these substance.

Mr **Aupers**: How much money is involved? What is the value of those land **position**s? Can you tell us about that strategic partnership? Is it remote or is it a joint venture between Heijmans and a partner?

Mr **van Gelder**: No, this is a joint venture where Heijmans will continue to be responsible for the development. So, it will stand to sharing the land **position** but the development and construction operations will remain linked to Heijmans. From our perspective it is an obvious win-win arrangement.

Mr **Aupers**: I really don't understand. Are you talking about tens of millions?

Mr **van Gelder**: As for order of magnitude: if you understand that the entire Landbank **position** has remained steady. There haven't been any earthquakes there!

Mr **Aupers**: Should I quantify this in tens of millions?

Mr **van Gelder**: Yes, as an order of magnitude.

Mr **Aupers**: Ok. You transfer that to a partner and the partner pays Heijmans.

Mr **van Gelder**: That is correct!

Mr **Aupers**: So, you finance the partner and if it is developed then Heijmans has an option on that development?

Mr **van Gelder**: Yes, I think that is pretty accurate. We did the development together but the execution remains with Heijmans.

Mr **Aupers**: And you achieve a book profit based on that sale because the market value must have decreased.

Mr **van Gelder**: Yes, you should not expect too much there but it has slightly enhanced our first half year results.

Mr **Aupers**: And is that apparent in the cash flow?

Mr **van Gelder**: Well, it helped reduce capital requirements.

Mr **Aupers**: So, it is in the working capital?

Mr **van Gelder**: Yes. No, wait a moment.

Mr **van der Kroft**: Ultimately it does, yes.

Mr **Aupers**: So, the working capital has been boosted by EUR 20, 30 or 40 million thanks to this deal?

Mr **van Gelder**: Yes, continuously.

Mr **Aupers**: But this is a forced sale and the market prospects are deterioating. So, basically that is eroding the potential?

Mr **van Gelder**: No, we certainly don't envision that. This is something that has been in progress for a while. It is not something that materialized overnight. It is base don vision and we are very careful about selecting our partners. We consider the long term and we say in the context of our current priorities that this is a very fine approach to say we are going to stick with our market position. It is also going to benefit capital requirements.

Mr **Aupers**: But it is a substantial transaction. If I am looking at Heijmans' market it is about 10% of your market, of your cash involved. I would really like some more details about this. How many millions benefitted the result? What was the cash flow? When we will see the benefits, in five years or in ten years?

Mr **van Gelder**: I understand what you are asking but you basically you need to see this as an element – at least that is how we view it – as an element that follows the normal business pattern. We say these are objectives. We have done this before. We have contributed land to municipalities and we get Construction rights in return. That is basically the way it is. It is an alternative to that approach.

Mr **Aupers**: And is there anymore, because you are talking about EUR 390 million. Do you want to do an additional EUR 50 million or EUR 100 million this year?

Mr **van Gelder**: According to this game the market positioning and also the long term we can pursue channels that reinforce the firms financing. If we see options to do so we will not leave that stone unturned.

Mr **Aupers**: It does affect your profit potential because the buyer wants to see some upside so you have to share the development profit with the party that now owns those land positions.

Mr **van Gelder**: Yes, you could put it that way but in return there is an assessment in the long term. Everybody has to make their own decisions and evaluate the circumstances. The benefits in our view are perfectly balanced. The benefits with respect to capital requirements as well our interest account and so on, combined with the options we envisage for future development and the construction that we are responsible. We think this is a very healthy business deal.

Mr **Aupers**: And what types of partners are these? Are they sound financial parties, wealthy individuals?

Mr **van Gelder**: They are Financial operators.

As far as working capital is concerned I will give you an introduction about this. Of course there are some elements that are ongoing, as we mentioned earlier. There are also other operations that will take place in the second half of this year but the HIS situation will continuously affect our capital requirements and working capital. That includes optimized arrangements at the daily work site. Dick, perhaps you could take that?

Mr **van der Kroft**: It was about pre-financing and work in hand. We have obtained additional advanced financing for the firm as a whole. That is not because there are several factors that come into place at last. Here we said that in some places we invoice too late. We need to invoice on time. So, we have a better position for the net work in hand and we scrutinized the orders we bring in far more carefully. It is not only about a technical service but also about how the project was being financed. From the outset we made sure that everything is in order there and this combination of factors has greatly improved the work in hand positions.

Mr **Aupers**: The trend of the government is to put much less financing up front.

Mr **van der Kroft**: The government will need to pay for our rates if they do that.

Mr **van Gelder**: That touches on an other important issue. Coming out of a time in the past when there were payments and installments and work could be conducted in a cash neutral manner. Nowadays, the government says you cannot submit the invoice until you can demonstrate that the work is finished. Quite honestly, we work with a lot of government parties but that the government and the department of public works and municipalities. I certainly understand what this means for the construction industry.

Now, if you focus on this in your interactions with your clients and you consider all the other things that can be optimized from they appear on the service. That has been our experience thus far, quite honestly, in the industry and also in the construction umbrella Brinkman et al, there is a clear interest in this issue. You are expected to deliver quality, tight margins and finance up front in construction. That is almost mission impossible. Our experience is that clients are receptive to this situation.

Mr **Aupers**: So, they can keep up the current level? It is not so that one week after the half year figures things will change radically?

Mr **van Gelder**: You always have closing dates near the end of the year and there are always pros and cons. So, there is an ongoing improvement coming and in addition you see this in every branch of industry, There are temporary differences. The combination of these figures today with our statement about the prospects for the end of the year are very clear in my view.

That is what I had to tell you about working capital. Can you help me with the next question?

Mr **Aupers**: The net debt/EBITDA-som!

Mr **van der Kroft**: Last year we provided a general calculation and this year's has not changed much because the name components have not changed either. The figures we provided are virtually definitive. If 2.1 might turn into 2.2 or 2.0: all these calculations are very detailed in keeping with the contract, following the institutional investors and financers. We do not see any reason to issue the same notification again. So I think what is most important, is that we have met our requirements. The most important point is that excluded from net debt of preference shares of EUR 66 million and a non-recourse PFI exceeding EUR 70 million and EUR 80 million at this point. The EBITDA and capitalized interest are included as the main component. And then there are all kinds of other things related to time lags and whether or not you made the sale. But those are negligible.

Mr **Aupers**: So, a book profit of EUR 10 million on property would be included?

Mr **van der Kroft**: Yes, that would be included, too!

Mr **Aupers**: So, the sale of the land **position**s is listed there, too?

Mr **van der Kroft**: Yes and it is stipulated in the contract that financiers know what they are doing. If you sell everything then they lose their assets. But those assets have not been affected.

Mr **Aupers**: Ok, thank you!

Questions by Mr Linssen, Petercam

I have a few questions. The main one, first of all, is that you said that the results are disappointing. You need to break new ground. What I would like to know is what types of action have you taken in Infrastructure in addition to the known problems in construction in Belgium?

My second question concerns the negative result in Infrastructure. How much related to the under-utilization of the asphalt centers? Is that the majority or is it limited? How do you intend to resolve that one?

Finally, I would like to know about the margin pressure within the property section. Do you expect that to be disclosed in the second half of this year?

Mr **van Gelder**: What type of action have we taken? That is the first question. At this time it is premature, as I mentioned in my introduction. Seven weeks ago I showed up at Heijmans and I have spoken with a lot of people since then. Of course, much of the industry was on holiday throughout July. I read up extensively and it is far too soon to say what specific measures have been taken. What we have done about our operations in Belgium is that we address those loss making activities and examine them to see where we stood. In the second half of the year we need to cope with the situation that is materialized. So, at this time I cannot really give you very much additional information except that the various points and aspects are receiving our undivided attention. You can rest assured about that.

As from margin pressure on property in the first half of year very generally: Jacques, correct if I am wrong but can we expect something better for the second half of the year? We have seen some delays and we have seen cost rising. We cannot pass on all those costs to the market. Rest assured that we will not focus exclusively on top line but also drive the bottom line, too. Believe me, we are delighted that we outperform the market in the first half of the year and we really hope to continue doing so in the second half of this year, but quite honestly given the current circumstances we understand that we had better do count our chicken before they have hatched. So, at the end of the year we will tell whether we have succeeded.

Questions by Mr Hollestelle, ING Bank

You mentioned sweating the difficult contracts. I am referring to the Dutch construction division. This is a difficult question for me to ask but how does Heijmans deal with these issues? I read that you have a limited contribution with the other project. They have a year left, they are not doing well so we will get on hands on deck to limit the losses based on our preliminary calculations. Or are you going to say that you have so much experience in construction that this rings a bell and you are probably going to get an additional EUR 50 million in provision in six or nine months?

Mr **van Gelder**: Let me tell you, in contracting and when you are working with projects, no matter how experience and vision you have – I would be happy to tell you about my 20 years of experience in the contracting business – it is completely impossible with projects that have been going arrive from the get-go. You have to balance hope with fear. You try to get the right people on board, you try to consult your clients and you try to develop pain sharing processses. Often there is some additional work that you can negotiate payment for. You don't know how things will end up until the project has been finished and possibly even a bit after that, if all te debates and claims issues have been wrapped up. It is not only about examing technical progress but also seeing where you stand with your contract and talking to the clients. Nowadays, our industry is not alone. We have noticed this in off shore and in other industries, where they conduct these types of projects. There are a lot of insecurities and that is why I am telling you today that I hope for the best. Given the circumstances we have taken the right measures. We cannot turn a sphere into a cube and we will see where that takes us. I can tell you that as time moves on and we have completed some of those projects and can close the book, then we will have more information.

Mr **Hollestelle**: So, are the problems primarily in non-residential or in residential?

Mr **van Gelder**: Especially in residential.

Mr **Hollestelle**: And now over to the infrastructure market. You have made your projects in Eindhoven. What is the status quo on that?

Mr **van Gelder**: Well, to speak in technical terms we have every reason to be proud. It is a very fine project. I am sure that many of you have driven past it. But it is also a very long term project. Given the rise in the price of raw materials, asphalt and steel we face a lot of challenges and we have to be realistic because now and again, when you have such a long tem project, if the profits are marginal – let's not beat about the bush here – nowadays with the IFRS guidelines you may find an interim loss but this is certainly work that is out of control. We are doing it properly but the results are somewhat uncertain. In the first half of this year it did have a negative impact.

Mr **Hollestelle**: I have a question for Dick. The private loans in the US, are they negotiable?

Mr **van der Kroft**: We could sell them on but we have not done that. If that happens they have to notify us.

Mr **Hollestelle**: …

Mr **van der Kroft**: Yes, it is the current USP holders. They are in charge now. They are seven institutions including three large ones including AEGON, Principle and Delaware Investments.

Mr **Hollestelle**: So, they are not hedge funds?

Mr **van der Kroft**: No, they are really the consulting firms. If you can appease them and convince them that the ratios are modest – and they certainly are – and if they are confident that things will get back on track, then they are pretty easy going.

Mr **Hollestelle**: A final question. Those loss provisions are not indicated on the EBITDA from the banks.

Mr **van der Kroft**: No, they are included. They stated that a loss is a loss. Everything is carried on to the balance sheet.

Questions by Mr Verbiesen, Kempen & Co

If I may I would like to concentrate on a number of questions that have been raised before. The losses in the building division, could you perhaps give more details? You were saying the underlying business is profitable. These loss provisions taken in the first half of the year are they related to the earlier projects that you referred to?

Mr **van Gelder**: What we said before was that these losses are essentially related to the loss incurring projects that we know about. There is not enough profitability to absorb that and that is the situation.

Mr **Verbiesen**: So, it is not that the projects that you had in the second half of 2006 incurred further losses?

Mr **van Gelder**: The thing is, in the project business where you have hundreds of projects that is just the way it is. You have winners and you have losers. But you have to have an adequate balance and if you do really well you will have more winners than you have losers. Of course, there is a substantial difference otherwise we had put it differently. There is a substantial difference between the works from 2005 and the problems that we had there and the business that developed from thereon. Of course it is not all honkey dorey, otherwise we would not have presented the figures that we have presented here today.

Mr **Verbiesen**: And these genuine problem projects are complets in the second half of 2008?

Mr **van der Kroft**: What we specified in the annual report is that the vast majority will be completed this year. There will be one or two that have to be postponed to next year. But the situation has not really changed.

Mr **Verbiesen**: Another question about the working capital. Firstly, the land **position**s. The transaction, the book value of the land declined slightly to EUR 290 million.

Mr **van Gelder**: Well, it is very difficult to be that accurate but more or less it remained at the same level.

Mr **Verbiesen**: Yes, but this transaction **I** would assume that part of the book value will disappear from your balance sheet.

Mr **van Gelder**: Yes indeed, but other land **position**s came up.

Mr **Verbiesen**: But there is a substantial difference!

Mr **van Gelder**: It is a very healthy business. We are alive and kicking. We have good partners, good positions and we have a good reputation. People want to do business with us. I said so before and that is also applying to the first half year.

Mr **Verbiesen**: But if EUR 30 million, EUR 40 million go out on one side you will have to come back on the other side.

Mr **van Gelder**: Exactly, and that is the matter of sewing for the future. You have to continue to do that. We will do that. We have an excellent position. This is one of the strong points of Heijmans and that will remain that way. This is the win-win situation. So, given our coupled(?) requirements we have found a way out.

Mr **van der Kroft**: Perhaps to add to that: these land positions cannot just be bought in the market. They are contracts, long term contracts, options, we have requirements and obligations, conditional and unconditional. There can be a lot of fluctuation and as Rob said quite rightly, in fact nothing changed. You should look not only at the sales side but also at the buying side so that there is a balance here.

Mr **Verbiesen**: But apart from the expansion there has been a deconsolidation of land in the partnership.

Mr **van der Kroft**: Yes indeed.

Mr **van Gelder**: But it tends to happen more often. You often deal with the municipalities and you get building rights in exchange for that. It is all part of the game.

Mr **Verbiesen**: Yes, I remember that you pointed that out before. I have another question about the working capital. The transaction, the sale and lease back transaction: we had EUR 105 million in cash in the first half as a consequence of the property development transaction. What is the order of magnitude that is involved in the sale and lease back, in cash?

Mr **van der Kroft**: It says a cash flow of EUR 31 million. That is what we received.

Mr **Verbiesen**: Thank you!

Questions by Mr Went, Cheuvreux

Good morning! I have several questions. First of all a question about the Landbank. I take it that you valuate to cost price, so I assume that you do not have other valuation methodologies here in the Landbank.

My next questions concerns the dividend. The dividend was EUR 1.45 last year. How sacrosanct is the dividend for you this year in the light of the results, will you maintain that number or is there anything you would like to say to that now? Is the divided going to decrease?

The net result was EUR 2 million and included was an extraordinary item of EUR 11 mln. as a consequence of the sale of property. The EUR 11 million, is that after tax, so that your net profit in fact …?

Mr **van der Kroft**: No, it is before tax.

Mr **Went**: All the numbers you have referred to are before taxes? So you need to pay taxes on that amount?

Mr **van der Kroft**: Yes.

Mr **Went**: Could you perhaps tell us how many houses are being built at this point in time in the property development and the building division? In the annual report you have an overview of the development potential – 45,700 in total – and in the annual report there was an outlook for the number of houses to be built in 2008 through

2010. That would boil down to somewhere 4,000 and 4,500 homes a year. I would assume that those figures no apply in the light of the market developments.

Mr **van der Kroft**: Well yes, what you refer to is more or less and indication. I believe that you have to add another year to that but this is just an overall idea, to give you an idea of the property development potential. Of course, it all depends of market developments. I cannot rule that at the end of the year we will have to say that we will have to move up the time schedule a bit. If you are looking at the order of magnitude for the houses, yes it is more or less the same. The valuation of the land is unaltered, as you read it here. So, it is cost price and if we have land in development – that is what we call it – then of course the development cost and interest can be capitalized. There is no change, no alteration in the valuation principles.

Mr **van Gelder**: A comment on dividend now. It has not been a point of discussion as yet. So, at the end of the year we will reflect on it and of course, a very responsible company and a responsible management will make the appropriate considerations. That you may expect from us. At this point in time we have nothing to add to that.

Questions by Mr Roeg, Rabo Securities

I have a couple of brief questions. The first one once again concerns the transaction with the Landbank. You will be sharing the development potential. Do you have any arrangements about the contribution in terms of land on your part? I can imagine that if you have to share the development profit and your partner gets part of that profit and also the profit on the land because the partner will want to maximize profit on the land, your part of the profit might decline. What kind of arrangements have been made? Is it indexation, inflation, along those lines?

Mr **van Gelder**: I shall not go into all these details but what I can tell you is that the position of Heijmans in this partnership is a full fledged partnership. It is attractive and the position of the financial partner is just as robust and attractive. But I can only speak for our company and I can tell you that this is a very good way of having a sound position in the market, of holding on to the potential for the future, to be very close to the action in the market. You go through certain processes together. I am not going to go through all these reflections. In this case I really do believe that it is a matter of a win-win situation. That is the way we see it. For the rest I would like to remind you that these are positions that are not taken just for the next quarter or the next year. These are long term land positions and the stability of our land positions is very important. Of course, you want to be an important player in this combination.

Mr **Roeg**: Well, in view of that long term I would like to hear whether there were any arrangements. The value of the land should be appreciated over such a long period of time. Without going into all the details there are arrangements that you have entered into?

Mr **van Gelder**: No, no!

Mr **Roeg**: I have another question about the building division. If we look at the revenue and the losses of all the problem projects and if we would exclude that is there anything you could say about the underlying margin, the profitability of the business that you landed at a later stage?

Mr **van Gelder**: Well of course, if you add up all the numbers tears come to your eyes. And I would say yes, the rest of the business by and large is of course a healthy business and margins are depressed. But in the building industry that has been the case for years on end. I must say that in residential construction it is just an aspect of the overall chain. If you look at the value creation of the chain the conclusion is that we are doing very well. Indeed, in non-residential it is concerning. We have to look at market positioning, what it is that we do and what it is that we don't do. Selective contracting policy means that we have to look at margins and risk and what it is that we can do and cannot do. So, yes, we are no longer focusing on topline and it is no longer a matter of infinite growth. No, we do look at bottomline now and we look at value creation that can be expected of the business. So, as far as this is concerned, I would say that this is the upside of selective contracting. I must add that there are industries and businesses in which, if you do selective contracting, try to pick the cherries on the cake. In this case what we are trying to is, is circumvent all the problems and the issues.

Mr **Roeg**: Ordinarily you have margins between 2% and 4%. The underlying margin of the rest of the business in the first half year was in that range or perhaps somewhat lower?

Mr **van Gelder**: Let me put it this way. I am not going to play the percentage game here. But of course, the costs in the building industry are increasing and returns are under pressure. That goes without saying. It is evident. So there is also room for further improvement; that is also self evident.

Mr **Roeg**: My last question concerns the price increases. In property development you decided to reduce the number of houses to be constructed, instead of 100 you start with 50. What about re-development, perhaps smaller houses or adding two floors on your high rise apartment block? Would that be an issue?

Mr **van Gelder**: No, there is nothing I can really comment on that.

Mr **Roeg**: If you have fewer square meters in one house because you can save on costs?

Mr **van Gelder**: I really don't know the answer to that question but we will take it onboard. That is a political way of putting things! We will take it onboard.

Questions by Mr Brouwer, AEK

I have one more question about building in the Netherlands. I read in the press release that the number of contracted works in the order book has decline to approximately 70%, in favour of the building teams. That, in itself, should have a positive effect on margins for the future.

Mr **van Gelder**: That is the purpose of the game.

Mr **Brouwer**: But can you also incur losses with these building teams or has it been arranged in such a way that this would be impossible?

Mr **van Gelder**: Nothing is impossible of course but it is a way of approaching the market that will enhance the balance between price and quality in the market. That really is the whole purpose of the exercise. So yes,.

Mr **Brouwer**: Can you also adjust things as you go along?

Mr **van Gelder**: In these building team situations there can be conflicting interests. The upside is that if you align the interests there is a greater upside, so there is a more of a win-win situation, even if a project changes as you go along.

Question by Mr Aupers, Fortis Bank

Mr **Aupers**: I have a brief additional question. In property development and tenders it could be that at some point in time you would be forced to sell or buy land positions from municipality, or the destination of the land on which you have an option changes and that you have to buy that land. What about the cash outflow in the second half year in this respect?

Mr **van Gelder**: I would tend to say – but my colleagues will have to correct me if I am wrong – that in fact in this situation of tenders you are rewarded for your creativity and for the quality of your approach to the market. That is precisely where your land position is not compromised. That is exactly where the municipality will help you along. This is a segment in which one would say that you can adjust to the market.

Mr **Aupers**: Yes, but if land is bought you need equity.

Mr **van Gelder**: Yes, but it all depends. There is a percentage and of course you say that 70% has to be sold before you even proceed to realization.

Mr **Aupers**: And what about the Landbank side, the option side? You do have options for land positions, farmers and what about it if there is a specific destination for building and if land has to be bought? Are there many liabilities involved in the second half of the year?

Mr **van Gelder**: I would not really speak in terms of liabilities or obligations. I would speak in terms of opportunities. So, as far as that is concerned I really do not know all the details, Michiel!

Mr **van der Kroft**: Nor do I know the details but it is not that all of a sudden we have to buy EUR 100 million. I don't know the numbers by heart. We have the Financial statements with all the liabilities, the obligations, conditional and unconditional but they are spread across time. It is not that all of a sudden you have a peak.

Mr **van Gelder**: But we have Jacques here in the room. In the second half of the year is there anything that would be worthwile to report here?

Mr **van den Hoven**: Not that I know of!

Questions by Mr Esselink, RBS

I have a question about property development in the Netherlands. In your press release you pointed out that you are outperforming the market and that the margins are better than last year. What are the reasons behind that and can you keep that up for the rest of the year?

Mr **van Gelder**: Yes, if we outperform the market you see that reflected in better margins and that is precisely what we are seeing. So, we are consistent in that respect. We said that the climate in the market is sort of cooling down and that we are seeing some delays in projects, some projects are being deferred. So then indeed, one can expect margins to be depressed given these unfavourable market conditions. I would like to answer to that. A property developer that focuses on the bottom line will have opportunities, good opportunities, to position himself appropriately in the market and one would expect that such a property developer would be able to zoom in on the actual opportunities.

Mr **Esselink**: I have a question about the overcapacity in the asphalt plants. What has been the impact on your operating result in infrastructure? What percentage of the capacity do you have?

Mr **van Gelder**: I do not want to go into this type of details but if you say that we incurred a loss of EUR 12 million in infrastructure and this is due to asphalt and a number of major projects and also slimmer margins: in general the asphalt production plant would account for one third, order of magnitude. But I don't want you to hold me accountable for these figures. But this is more or less the contribution of the asphalt production plants in this situation.

Mr **Esselink**: What is the percentage of capacity at this point in time?

Mr **van der Kroft**: Jacques!

Mr **Van den Hoven**: (the answer is inaudible to the interpreter)

Mr **van Gelder**: So, we can produce much more than we can sell.

Mr **Esselink**: And what is the outlook? Do you believe that we would move up to 100%? Is there anything you can say about that?

Mr **van Gelder**: No, no. It all depends on the position in the market, the projects we can land. We will have to approach this very sensibly. Of course, you don't want to ge tinto trouble just because you want to keep up production. On the other hand, you have to look at the contribution that you can make. We are taking a very, very careful look at this. The implications for the second half of the year? We have to wait and see and we will that by the end of the year.

May I, also in view of the time, look around? Unless there are really important issues that need to be addressed perhaps we can slowly but surely come to a close?

Question by Mr Verbiesen, Kempen & Co

Mr **Verbiesen**: About the infrastructure projects and your tender policy. The projects that you landed of EUR 20, 30 and 40 million: is the payment structure so different?

My second question is: the projects of EUR 100, 200 and 300 million – if they did exist – do you set them aside or let them go because the capital requirements or the pre-financing requirements are too strict? That is really my first question.

Mr **van Gelder**: I can answer that question very quickly. We cannot claim that as of yet but I can tell you, as far as the last seven weeks are concerned, we have been discussing that. Increasingly we are focusing on this issue indeed.

Mr **Verbiesen**: I have a question about the covenants. The transaction sale & lease back and the land transactions: if you wouldn't have done these transactions would you then have met the covenants in the first half?

Mr **van Gelder**: Yes, indeed. We are working on this structurally but we would not have made as much progress as we have made now.

Mr **van der Kroft**: You keep saying sale & lease back but this is only for a limited part. It is really sale without lease back, sale more. So, it is more efficient use of space.

Mr **Verbiesen**: And looking forward, given the all the uncertainty and all the statements regarding the results in the second half of the year, what gives you the certainty that the EBITDA will be such that you will meet the covenants? Are there more cash transactions that you have planned with land or offices and so on?

Mr **van Gelder**: A company is a living thing and if you have an active policy and particularly if you focus on that aspect of business, then you can rest assured that we will act accordingly, according to the circumstances. We have sufficient confidence in the measures that we have and the options that we have, because whichever way you look at it we venture to say that it is to be expected that by the end of the year we will be meeting those ratios.

Question by Mr Aupers, Fortis Bank

Mr **Aupers**: I have one final question!

Mr **van Gelder**: Well Michiel, you started the QandA session so perhaps you would like to conclude it!

Mr **Aupers**: A final question! Are there any other assets that you can sell and what else do you have on sale in terms of businesses?

Mr **van Gelder**: An excellent question and of course at this point in time an answer to this question, other than by saying that of course we are looking at the portfolio of operations. There are key or core operations, so very self evident. They are operations that are in fact the root of our company. But we also look at the positioning of our operations and we are looking to the positioning in the market, the opportunities in the market vis-à-vis the future, also in terms of value creation and the capital requirements involved, so what the chances are to make a contribution for the business and also capital requirements. These are two very important aspects that we will be focusing on in order to ultimately optimize the structure of Heijmans, not only for the present but especially for the future. Also, the funding business has to be a very solid basis. Let me just remind you that we have seen a spectacular growth over a period of seven years. That is a fact and no one can take that away from us. All of a sudden things have changed. Market conditions have changed and that means that, given those changes and given the phase that we have reached at this point in time at Heijmans, we have to adjust matters. We have to adjust our strategies and once we have an outline of our strategy and a sound basis we will be disclosing more information. But all the options are in chapter 101 of the management manual, so we will look into all those options.

Mr **Aupers**: But how much do you have locked into buildings?

Mr **van Gelder**: Not so much!

Thank you very much and may I hereby close this session. I would like to thank you very much for the lively debate, the lively QandA session that we have had. It is good to see that even in meager times there is a great deal of interest and attention for

Heijmans. As I have said before, the results are not good, very disappointing. But I would like to add that if you are in a difficult period and you have to move, you can only move one way. I would like to keep it at that. Thank you very much for your attendance!