



heijmans

ANNUAL REPORT

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Wijnhavenkwartier, The Hague



The Heijmans annual report for 2017 is available in digital format on the Heijmans website: www.heijmans.nl

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This annual report is also published in Dutch. In the event of discrepancies between the Dutch and the English versions, the first shall prevail.

Cover photo: IXAS – laying asphalt A9 Gaasperdammer tunnel

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The Statement by the Executive Board as referred to in Part 9 of Book 2 of the Dutch Civil Code comprises the following sections: "Profile & Strategy", "Report of the Executive Board" and "Corporate Governance", but excludes the "Report of the Supervisory Board" and the "Remuneration Report".

MESSAGE FROM THE CHAIRMAN



Ton Hillen

Chairman of the Executive
Board of Heijmans N.V.

The year 2017 was a transitional year for Heijmans, in which we worked on an amended profile with a clear direction, a tightened focus and the implementation of strategic choices. This transition actually began in the fourth quarter of 2016, when we opted to make safeguarding continuity, de-risking projects, debt reduction and the recovery of profitability our top priorities. In close consultation with our banks and financiers, Heijmans managed to both safeguard the company's business continuity and work on the recovery of the company within the agreed financial parameters.

At the same time, we accelerated the implementation of our strategy, which targets 'Focus, Discipline and Excellence', and continued to refine this strategy. This resulted in adjustments to the management of the organisation, the sale of subsidiaries, a more selective acquisition policy and reassessment of our tender and project portfolio. We gradually brought a number of projects with a considerable negative impact on the results under control and this has helped to strongly reduce our risk profile. By the spring of 2017, we had already sold our foreign businesses and we could justifiably refer to Heijmans as a purely Dutch company. At the same time, the housing market continued to recover. Especially in the four big cities and their surrounding areas, we saw a marked pick-up in the growth of the housing market, which eventually also resulted in new perspectives for the commercial market. At Infra, partly as a result of the market vision and the adjustment of our own focus, we have managed to improve the balance between large projects and regional projects.

Working on a stronger organisation

The drastic internal changes and the rapid turnaround in the market put considerable strain on our organisation. With more than 4,500 employees, Heijmans proved itself capable of adapting to these internal and external developments under immense pressure. There is a great awareness within the company that everyone can contribute and that we must 'do what we can'. Our cultural values programme 'IK', which is based on ownership, result-orientation and cooperation, emphasises this awareness and translates this into our employees' day-to-day work. The aim of this programme is to make every employee fully aware of these values and encourage them to discuss attitudes and conduct with each other. The basic premise is always that we are all responsible for creating a safe working environment for our employees and partners. We are therefore deeply saddened to have to report a fatal accident at a project in progress in the year under review.

Driven in part by the pressure to make the necessary transition, we launched the GRIP programme. This programme uses tight process controls to increase the predictability of projects, resulting in 'no surprises'. With a view to improving the company's own risk management and the risk management of projects, Heijmans appointed a Chief Risk Officer at Infra in 2017. The position of risk officer is now being introduced at group level, which means we can develop risk management from a company-wide and integrated perspective.

Market developments and strategic choices

In terms of market developments, the growth in the housing market offers considerable opportunities. For Heijmans, it is vital to make use of the growth in a sound and controlled manner. This means that cooperating with chain partners and making clear choices in the acquisition of new projects are important. The number of households in the Netherlands will continue to grow in the years ahead, with the emphasis on inner-city growth. Continued urbanisation requires a sustainable, intelligent approach to area planning and development. One that will help increase urban density while at the same time improve the liveability and efficient use of space. The decision to combine Residential Building and Non-Residential in 'Building & Technology', under a single, centralised management, is Heijmans' pro-active response to the issues raised by ongoing urbanisation. This will enable us to combine processes, procurement and expertise to create something greater than the sum of its parts, while maintaining specific individual competencies. At the same time, it enables Heijmans to respond effectively to the growing demand for multi-functional, high-rise (residential) urban construction.

Non-Residential recorded markedly lower revenue in the year under review. This was partly due to the strict application and implementation of the margin-over-volume policy. At the same time, revenue declined as a result of our decision to withdraw from the consortium for the RIVM project. These factors had an impact on the disappointingly negative result of Non-Residential for 2017. Heijmans has not scaled back the organisation in line with this development, precisely because the opportunities in inner city construction in the years ahead create the prospect of new contracts. Digitalisation also provides opportunities to add more value for clients, which in turn creates opportunities for Heijmans in areas such as data-driven maintenance and management, with BeSense as a well-known example.

At Infra, we put a greater focus on line-infrastructure, regional activities and asset management in 2017.

The aim of this is to improve the balance in the revenue between large projects on the one hand and regional infra projects, asset management and specialisms on the other. This is in line with our tightened strategic focus and continued de-risking of projects.

View to the future

We recorded considerable progress due to all the measures we implemented and our newly-defined strategic direction, and we have laid solid foundations for the future. In 2018, these strategic parameters will remain our guiding principles to safeguard this solid foundation. We will continue to work on the further recovery of our profitability based on a clear focus on core competencies, a selective acquisition policy targeting margin over volume and tight controls on projects. In 2018, we will therefore continue full throttle ahead with the 'tackle and press ahead' approach we took in the year under review. The appointment of Hans Janssen as the new Chief Financial Officer has created a two-man Executive Board, which will enable us to structure the executive management of the organisation on our chosen course both effectively and efficiently. A group board, which will also include the chairs of the business areas and the Chief Risk Officer, will report directly to the Executive Board from the various operational disciplines. This enables us to work closer to our operations and together we can safeguard more direct management, with a strong focus on risk management, HR, procurement and IT contributing to the continued development of our organisation, our processes and our guiding role in the chain.

We have also created more room to look further ahead, on the road to 2023, and we will continue to develop to ensure we can continue to deliver added value to our clients, our other stakeholders and society as a whole in the future. We are building the spatial contours of tomorrow and we believe in built environments that combine quality, liveability and sustainability. Based on this conviction, while we continue to improve our foundations, Heijmans also wants to focus on making our operations smarter and more sustainable. On this front, our goal is to stay close to home in the innovations we develop. These innovations will be based on the art of 'making' and the years of experience our people have built up on projects. Building is and will remain a craft and we want to develop and execute that craft to its full potential.

Finally, I would like to thank all Heijmans employees, the Supervisory Board, the works council and our chain partners for their efforts and spirit in the past year. Together we make this company a success.

*Ton Hillen
Chairman of the Executive Board of Heijmans N.V.
23 February 2018*

Executive Board



**A.G.J. (Ton) Hillen (1961),
Chairman of the Executive Board / CEO**

Dutch nationality. Appointed as a member of the Executive Board of Heijmans N.V. on 18 April 2012. He has held various positions at Heijmans since 1992, and was appointed Group Director for Property Development and Residential Building at Heijmans in 2008. Prior to joining Heijmans, Mr. Hillen was employed at BAM and Anton Obdeijn Projectontwikkeling.

Additional positions: member of the Supervisory Board of Stichting Waarborgfonds Koopwoningen (SWK).



**J.G. (Hans) Janssen (1967),
Member / CFO**

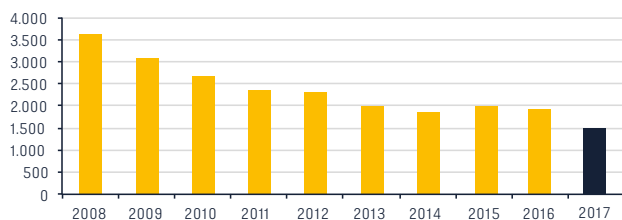
Dutch nationality. Appointed as a member of the Executive Board of Heijmans N.V. on 30 October 2017. Prior to joining Heijmans, Mr. Janssen was CFO at Mediq B.V. and held various positions at Unilever N.V.

An overview of the division of tasks and responsibilities among the Board members is available on page 119.

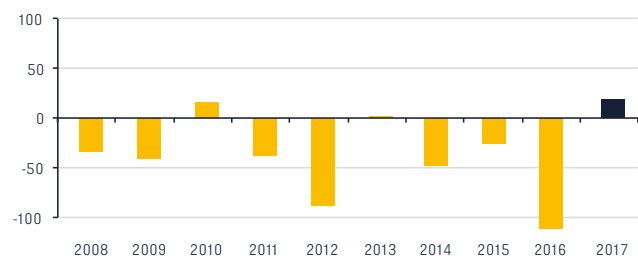


Heijmans' ten-year record in key figures

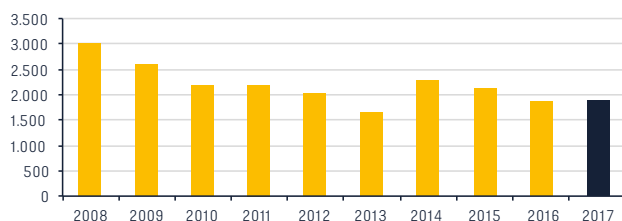
Revenue (in € x million)



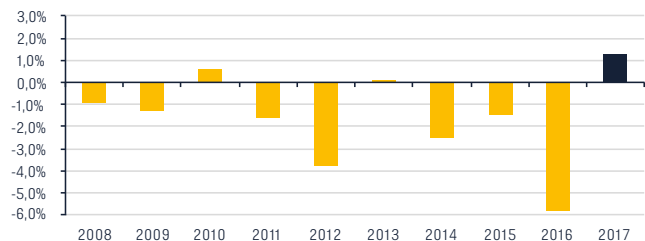
Result after tax (in € x million)



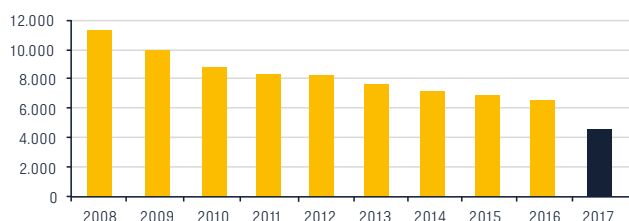
Order book (in € x million)



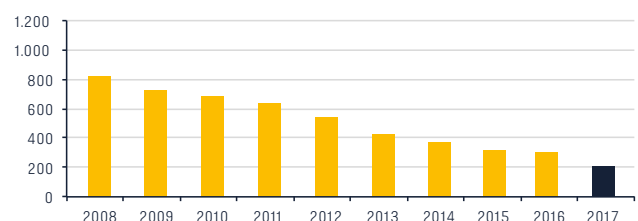
Net margin (in %)



Average number of employees



Average capital invested (in € x million)



Key figures	2017	2016	2015	2014	2013 ³	2012 ²	2011	2010	2009	2008
Result in € millions										
Revenue ⁴	1.487	1.884	1.979	1.868	2.001	2.318	2.361	2.680	3.079	3.631
Operating result ⁴	45,3	-94,0	-29,0	-63,5	11,9	-87,2	-35,7	48,4	-6,5	-13,6
Result after tax ⁴	19,5	-110,5	-27,3	-47,3	1,9	-87,7	-37,6	15,7	-40,4	-34,1
Capital (€ x million)										
Assets ⁴	771	1.056	1.190	1.205	1.203	1.366	1.554	1.600	1.853	2.220
Average invested capital ⁴	202	293	318	372	423	541	636	683	722	824
Equity capital	162	142	266	259	313	315	416	455	426	371
Net debt ⁵	-14	146	10	31	66	149	103	178	223	331
Cash flow in € millions										
Operating	21	-68	10	46	-10	-45	-6	74	-5	80
Investment	91	-22	-9	-10	-3	-26	42	-34	30	0
Financing	-116	43	51	-23	8	8	-19	-131	-183	63
Cash flow⁴	-4	-47	52	13	-5	-63	17	-91	-158	143
Ratios in %										
Return on average capital invested ⁴	22,5	-32,1	-9,1	-17,1	2,8	-16,1	-5,6	7,1	-0,9	-1,7
Result after tax:										
- as % of equity	12,0	-77,8	-10,2	-18,3	0,6	-27,8	-9,0	3,5	-9,5	-9,2
- as % of revenue	1,3	-5,9	-1,4	-2,5	0,1	-3,8	-1,6	0,6	-1,3	-0,9
Solvency on the basis of capital base ⁴	26,9%	17,7%	26,1%	27,0%	31,5%	27,9%	31,0%	32,6%	26,6%	19,7%
No. of shares x 1,000										
At year-end	21.409	21.407	21.407	19.461	19.349	17.328	16.956	16.851	16.851	24.073
Average	21.408	21.407	20.661	19.420	18.111	17.191	16.917	16.851	12.504	8.156
Data per share¹ x €1										
Equity ⁴	7,57	6,63	12,87	13,34	17,28	18,32	24,53	27,00	25,28	15,41
Operating result ⁴	2,12	-4,39	-1,40	-3,27	0,66	-5,07	-2,11	2,87	-0,39	-0,56
Result after tax ⁴	0,91	-5,16	-1,32	-2,44	0,10	-5,10	-2,22	0,93	-3,23	-4,18
Dividend	-	-	-	-	0,15	0,25	0,35	0,35	-	-
Share price information x €1										
At year-end	9,71	5,52	8,18	8,95	10,51	7,05	8,19	15,05	12,21	3,40
High price	10,87	9,20	13,36	14,20	10,78	9,68	23,90	15,25	21,18	27,52
Low price	6,02	4,59	5,77	7,83	6,85	5,25	6,58	10,70	9,49	3,36
Other data										
Order book (* in € millions) ⁵	1.898	1.863	2.094	2.287	1.643	2.026	2.192	2.188	2.597	3.004
Employees (average number of FTEs)	4.520	6.412	6.808	7.198	7.617	8.242	8.384	8.839	9.980	11.311

1. The data per share is expressed in terms of the weighted average number of ordinary shares. Dividend per share is based on the number of ordinary shares at year-end. The weighted average number of shares for 2009 has been adjusted due to the share issue and the reverse stock split; the figure for 2008 has been recalculated accordingly, as have the earnings per share.

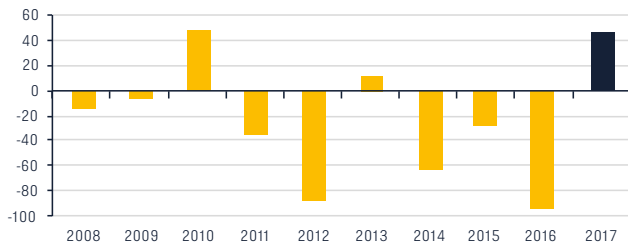
2. After adjustment due to a change in accounting policy for defined benefit plans.

3. After adjustment due to change in accounting policy for joint arrangements.

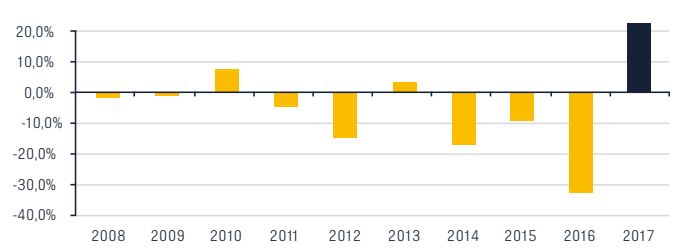
4. The figures for 2016 are for all activities. For a specification of continuing and discontinued operations, see the financial statements. The figures in the statement of financial position for 2016 are before reclassification of entities to be sold to assets held for sale, with the exception of the total of assets.

5. The figures for 2016 are before reclassification of the entities to be sold to assets held for sale, with the exception of the total of assets. The average number of FTE in 2017 applies to the continued operations.

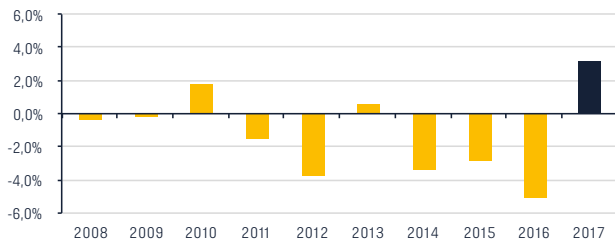
Operating result (in € x million)



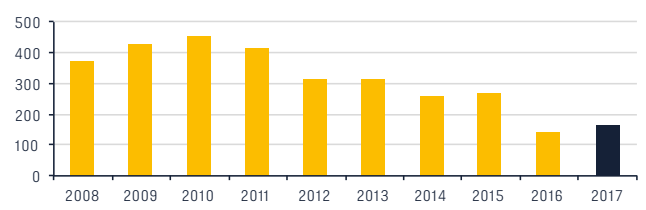
Return on average capital invested (in %)



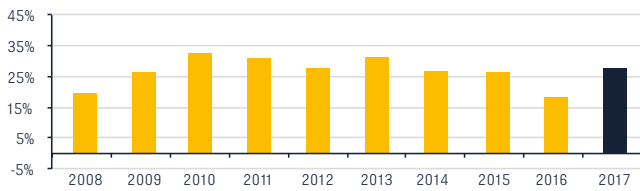
Operating margin (in %)



Equity (in € x million)



Solvency on basis of capital base (in %)



Wheel shuttle buggy, A1-A50 junction Beekbergen ►





The Heijmans share

The share capital

The composition of the share capital of Heijmans N.V. as at 31 December 2017 was as follows:

Shares (x 1,000)	Authorised share capital		Issued capital	
	2017	2016	2017	2016
Ordinary shares	35.100	35.100	21.409	21.407
Cumulative financing preference shares B	7.000	7.000	4.510	4.510
Protective preference shares	8.000	8.000	-	-
	50.100	50.100	25.919	25.917

Ordinary shares

The shares are held by the Heijmans Share Administration Trust (SA Trust). The nominal value per ordinary share is € 0.30. The SA Trust had issued 21,409,162 depositary receipts for shares as at 31 December 2017, which are quoted on NYSE Euronext in Amsterdam. The voting rights on ordinary shares are vested in the SA Trust. Each ordinary share entitles the holder to 30 votes. Holders of depositary receipts for shares wishing to vote at a shareholders' meeting are granted an unconditional proxy by the SA Trust.

The movements in the number of ordinary shares and depositary receipts for shares, together with a summary of the key figures per ordinary share/depositary receipt, are presented in the table below.

Shares (x 1,000)	2017	2016	2015	2014	2013
In issue on 1 January	21.407	21.407	19.461	19.349	17.328
Issue of share capital	-	-	1.946	-	1.759
Stock dividend	-	-	-	103	262
Matching shares Share Matching Plan	2	-	-	9	-
In issue on 31 December	21.409	21.407	21.407	19.461	19.349
Average in issue for the year	21.408	21.407	20.661	19.420	18.111
Earnings per share* (in €)	0,91	-5,16	-1,32	-2,44	0,10
Dividend per share (in €)	-	-	-	-	0,15
Pay-out ratio %	-	-	-	-	150%

* Per average share in issue

Heijmans N.V. is listed on Euronext Amsterdam. The data relevant to the stock market listing are presented in the table below:

Heijmans market listing	2017	2016	2015	2014	2013
Closing price (in €)	9,71	5,52	8,18	8,95	10,51
High price (in €)	10,87	9,20	13,36	14,20	10,78
Low price (in €)	6,02	4,59	5,77	7,83	6,85
Dividend yield at closing price (in %)	-	-	-	-	1,4%
Market capitalisation at year-end (in € millions)	208	118	175	174	203
Average daily turnover (in no. of shares)	177.326	171.892	161.793	82.132	90.358

Cumulative financing preference shares B

On 28 June 2002, 6,610,000 cumulative financing preference shares B were issued at a price of € 10 per share. The nominal value per ordinary share is € 0.21. These shares are not quoted on a stock exchange, and no depositary receipts are issued for them. With effect from 1 January 2014, the yield is 7.9%. The dividend will be revised as at 1 January 2019 and every five years thereafter. The company has the right to repurchase or cancel these financing preference shares B at any time. As at 18 September 2015, there were 4,510,000 cumulative financing preference shares B outstanding.

Issued share capital and equity holdings

The issued share capital and associated voting rights increased in 2017 as a result of an issue of (depository receipts for) shares related to the granting of matching shares to the members of the Executive Board.

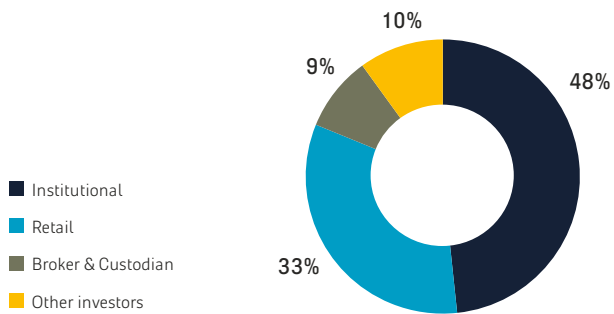
One cumulative financing preference share B entitles the holder to 1,278 votes. Ordinary shares entitle holders to 30 votes per share. The composition of the issued capital and associated voting rights as at 31 December 2017 was as follows:

	Issued capital		(Potential) Voting right (%)	
	Number	% (based on nominal value)	Number	%
Ordinary shares	21.409.169	87,1%	642.275.070	99,1%
For which depository receipts issued	21.409.162	87,1%	642.274.860	99,1%
For which no depository receipts issued	7	0,0%	210	0,0%
Depository receipts	21.409.162	87,1%	642.274.860	99,1%
Cumulative preference shares	4.510.000	12,9%	5.763.780	0,9%
Total year-end	25.919.169	100,0%	648.038.850	100,0%

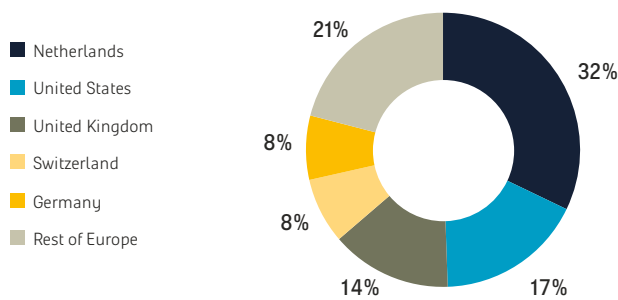
To the extent the Company is aware, and also on the basis of the WMZ (Major Holdings in Listed Companies Disclosure Act) register maintained by the Netherlands Authority for the Financial Markets (AFM), the following investors held an interest of 3% or more in Heijmans as at 31 December 2017:

Holdings in Heijmans	31 December 2017		31 December 2016	
	Capital (%)	Potential voting right (%)	Capital (%)	Potential voting right (%)
Kempen Capital Management N.V.	6,4%	0,4%	6,4%	0,4%
Delta Lloyd Levensverzekering N.V.	6,4%	0,4%	6,4%	0,4%
FMR LLC	5,5%	6,2%	4,9%	5,6%
ASR Nederland N.V.	5,0%	5,7%	2,7%	3,1%
Unionen	4,3%	4,9%	<3%	<3%
Fidicum	3,3%	3,7%	2,8%	3,2%
Argos Funds	<3%	<3%	2,8%	3,2%
	30,9%	21,4%	26,1%	16,0%
Other holdings	69,1%	78,6%	73,9%	84,0%
Total	100,00%	100,00%	100,00%	100,00%

Based on the information provided by banks and custodians and information services, the distribution of share ownership can be broken down as follows:



In the year under review, the (estimated) shareholdings of institutional investors probably increased slightly to 48% from 47% in 2017.



An estimated 32% of the depositary receipts for ordinary shares are held by institutional investors in the Netherlands. This figure is lower than at year-end 2016 (35% in the Netherlands). An estimated 95% of the depositary receipts for ordinary shares held by private investors are held in the Netherlands.

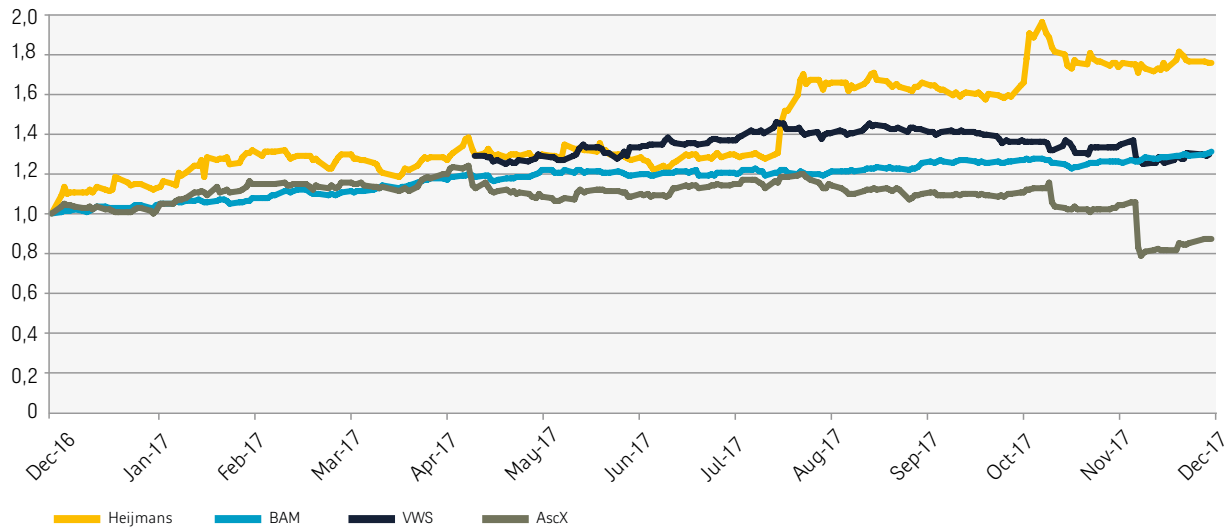
Share price movement

The closing price for the ordinary share was € 9.71 at year-end 2017. This represents an increase of some 75% compared to the closing price for the 2016 financial year (€ 5.52), primarily as a result of the successful transition implemented in the year under review. Key milestones in this respect were the settlement of a number of loss-making projects, the sale of the Heijmans' foreign operations and the consequent debt reduction, the refinancing and the recovery of profitability. The AScX Index, which includes Heijmans, increased by 31% in the 2017 calendar year. The figure below shows the price movements of Heijmans shares in 2017 compared to the AScX Index.

Movements in Heijmans share relative to AscX and peers, in which:

- Closing price 2016 = 100%

- Share price VWS, relative share price vis-à-vis Heijmans from introduction price 12-5-2017



Financial schedule 2018

The following (publication) dates have been set for 2018:

Date	Event	Time
11 April 2018	General Meeting of Shareholders	14.00 hours
16 May 2018	Trading update	Pre-market
15 August 2018	Publication half year result 2018	Pre-market
31 October 2018	Trading update	Pre-market



Profile and business model

Profile

Mission and vision

The nature of the built environment is increasingly determined by the growing scarcity in space, raw materials and other resources. At the same time, the built environment is subject to ever increasing regulations and local complexities. This calls for solutions that are perfectly executed, delivered on time, aesthetically sound and tailored to the end-user. This in turn requires a high level of know-how and expertise to ensure the environment is structured and developed to make it high-quality and future-proof. Heijmans is building the spatial contours of today and tomorrow.

Organisation

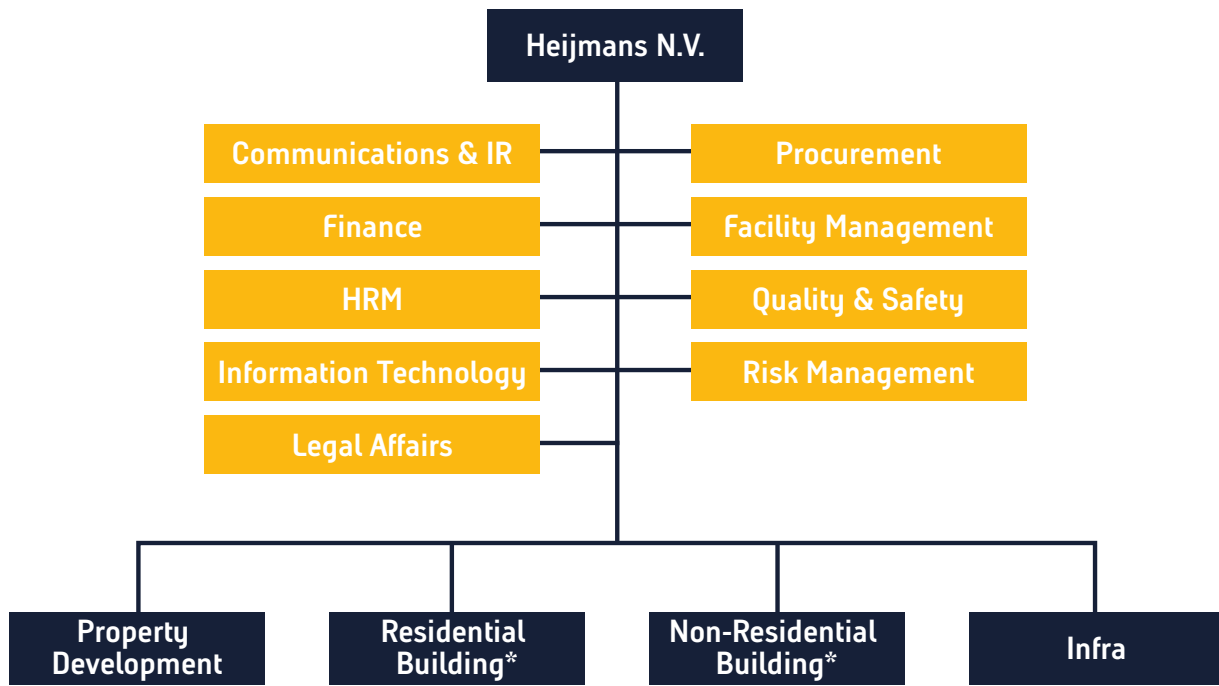
Heijmans is a Dutch construction and development company, founded by Jan Heijmans in 1923. Heijmans was an innovator even back then, as it was one of the first companies to use bituminous road surfacing. The post-war reconstruction boom subsequently provided ample growth opportunities due to the renovation and laying of roads and airfields. In 1993, Heijmans listed on the Amsterdam stock exchange. From mid-2008 onwards, the strategic course of the company focused on creating added value on the basis of the integrated nature of its various business units. Heijmans works continuously on the optimisation of processes, improving its profit margins and working capital management, increasing efficiency and boosting its capital ratios, as well as making room to focus on ways to renew. Heijmans is a company that focuses entirely on the Dutch market in three different areas: property development and residential building, non-residential and infrastructure. The activities are divided into the business areas Property Development, Residential Building, Non-Residential and Infra.

Heijmans is a centrally managed organisation, which creates synergy and direction and facilitates the full development and roll-out of the company's 'Focus, Discipline and Excellence' strategy. Heijmans considers providing a safe working environment for employees and partners to be a basic premise. Heijmans has taken a number of significant steps on the safety front and will continue to focus on further improvements in that area in the years to come.

◀ Shuttle buggy operator Frank Voss, A1-A50 junction Beekbergen



Heijmans' construction and development activities as a whole create an integrated proposition for clients, from idea to realisation, maintenance and management: from buildings and roads to area development. Heijmans' business model is therefore fully in line with the growing demand from clients for a combination of design, engineering, realisation, maintenance and service. For end-users such as residential consumers, this combination of specialisations creates the capacity to tailor the product exactly to the customers' wishes.



* The management of Residential Building and Non-Residential has been centralised as of 1 January 2018 and the activities will be integrated in the Building & Technology business area.

Heijmans has implemented or is planning to implement three changes with respect to central staffing departments. In view of the fact that clients such as the Dutch Department of Public Works and Water Management are putting fewer PPP projects out to tender, we have decided to incorporate the PPP department's activities in the various business units. This means we no longer have a separate business unit for PPP activities, but that we do retain the expertise. Secondly, we have made preparations to boost HR expertise in terms of talent development and culture and change management. On top of this, Heijmans has decided to make the Chief Risk Officer (CRO), who was initially appointed to head risk management at Infra, the CRO for the entire Heijmans N.V. organisation.

In terms of our business activities, Heijmans has decided to centralise the management of Non-Residential and Residential Building and we will effect this integration in the course of 2018. The introduction of the 'Building & Technology' business area will enable Heijmans to further streamline underlying building processes and

existing know-how, while retaining everyone's specific competencies. In addition, the Netherlands is expected to see a structural shortage of homes in the coming years, with a growth forecast of more than one million households in the period to 2030. The largest part of this residential capacity will have to be built in inner-city areas (estimate: approx. 60%) and in newly-created out-of-town areas. This will put enormous pressure on inner-city areas. At the same time, the available space is steadily declining. This is increasing density and leading to more high-rise construction, which in turn is leading to more large-scale, multi-functional (residential) inner-city new-build projects. The formation of the 'Building & Technology' business area gives us the opportunity to respond effectively to the growth in large-scale, inner-city new-build projects. These are multi-functional developments that include the likes of apartments, underground parking, commercial spaces, as well as sustainable and smart technologies. Meeting the challenge of these large-scale, multi-functional inner-city new-build projects will require additional competencies and skills. At the same time, it creates

room for growth in Heijmans regional residential building operations, as these large-scale, multi-functional inner-city new-build projects require a disproportionate effort from these organisations and resources. Based in a social perspective and under pressure from legal requirements related to energy labels for outdated apartments due to come into force in 2030, we expect to see a considerable growth in demolition & new-build projects. Upgrading and renovation will result in a leap in the energy performance of these homes, but given the high investments these upgrades require, demolition & new-build projects are now back on the cards. This utilises both know-how in utilitarian building, the associated know-how of technology in the field of comfort, sustainability and smart technology. It also requires knowledge of markets and clients and expertise in the field of renovation and demolition & new-build of residential buildings. Under this centralised management, Heijmans' residential new-build operations will continue to collaborate with Property Development in exactly the same way, both substantively and in terms of know-how development. Here too, the centralised management creates the opportunity to further streamline processes and know-how on the structural engineering front.

Activities

Residential

Property Development

Property Development focuses on area development and property development of both large and smaller-scale projects in inner-city and out-of-town areas and acts as an initiator, developer and seller of residential properties, both houses and apartments for either owner-occupier or rental purposes, including social rental housing. It conducts these activities from three centrally managed offices. High-level knowledge of area development is bundled in one area development organisation, which is responsible for the accounts of large clients. This means we can benefit from both new-build contracts in the private sector and (inner-city) transformation projects.

Residential Building

The core activity of Residential Building is to build homes of different types. The activities of this business area consist primarily of new-build projects, but also include restoration, redevelopment and renovation of existing housing stock. Residential Building's activities also include the transformation of buildings, in which the original function is changed. Maintenance and services account for an ever-increasing portion of this

business area's project portfolio. Residential Building operates from five centrally managed regional offices.

The close, integrated collaboration between Property Development and Residential Building leads to both conceptual creativity and executive strength. This results in residential concepts such as the Heijmans ONE, Huismerk and Wenswonen, as well as the standardisation of the underlying operating processes and cooperation with partners and procurement. This enables us to realise both complex inner-city transformation projects and more series-based new-build projects.

Non-Residential

Non-Residential focuses on the healthcare (cure) market, education (college and university buildings), commercial property for private parties and (semi) government bodies, industry, data centres, leisure and utilitarian housing construction.

Non-Residential designs, realises and maintains high-quality electro-technical and mechanical engineering installations, on the basis of a selective acquisition and tendering policy. Our unique selling point is the integrated approach to construction and technical installation services. Contracts increasingly include long-term management and maintenance of both buildings and their technical facilities.

Infrastructure: Infra

Infra's activities focus on the laying, maintenance and improvement of infrastructure, with an emphasis on mobility, water and energy. Infra has extensive expertise in line-infrastructure, which revolves mainly around mobility for road users and road networks, but also on the design of public spaces. This can be roads and underground infrastructure, but may also include installations and technical services such as lighting, camera and reference systems in and around roads and public spaces. Infra is also active in carefully selected civil engineering projects: location-linked infrastructure above and below ground, such as viaducts, tunnels, cables, pipelines, energy supplies, locks and water purification systems. Infra's focus is on the design, realisation, management and maintenance of the structures and buildings, as well as their technical installations.

Stakeholders

In the normal course of its business, Heijmans deals with a broad playing field of contractors and clients, employees, shareholders and other capital providers, suppliers and subcontractors, the industry as a whole, public sector bodies, knowledge and education institutions, social groups

and end-users. Heijmans interacts with these groups on a continuous basis with a view to increasing the quality of its products and services, as well as the support for its activities, strategic choices and approach. This enables us to create higher quality with sustainable value.

Each year, Heijmans organises a stakeholder dialogue for each business area to discuss the strategy and the majority of material issues with a diverse range of groups. This stakeholder interaction is also an entirely continuous process in which various instruments and meetings help us to achieve our objectives. These are:

- **Roadshows and conferences:** Heijmans makes contact with its shareholders and potential shareholders at various times throughout the year in order to maintain a dialogue with these groups. These contacts are not confined to the General Meeting of Shareholders and regular meetings with major shareholders, as we also have individual discussions and meetings with existing and new shareholders at so-called conferences. We had a regular discussions with existing and potential shareholders in the year under review, for instance during roadshows and conferences.
- **Analyst meetings:** Heijmans has regular meetings with analysts who follow our share and the company. We organised analyst meetings for the presentation of the annual and half year results and held analyst calls when we published our trading updates in the spring and autumn. The full-year and half year meetings can be followed live via a webcast. Participants can also ask questions via the webcast, which we also make available on our website afterwards. Heijmans has an investor relations manager to answer questions from analysts and investors.
- **Works council meetings:** Heijmans directors hold regular talks with the company's works council. In 2017, there were intensive consultations between the directors in the context of the transition the company implemented, and the works council was able to use its knowledge and network within the company to provide valuable input for the structure and implementation of the changes. The frequency of meetings, topics of discussion, applications for approval and recommendations are outlined in the Corporate Governance section on page 83.
- **Online media:** clients, stakeholders and other interested parties can obtain information about Heijmans via the company's interactive website. This information ranges from project updates and Heijmans' view on relevant themes in society to the financial calendar and press releases. All items can be shared and each article lists a contact person for interested partners who would like to discuss the subject. Heijmans is also

active on YouTube, Twitter, Facebook, Instagram and LinkedIn. By using this wide range of channels, the company can access a broad target group, gather opinions and gauge sentiment among stakeholders, as well as engage in a dialogue.

- **Capital providers and insurers:** partly in view of the developments in 2017, Heijmans maintains intensive contacts with its capital providers and frequently explains the financial results to these parties. Heijmans also maintains contacts with credit insurers and guarantors.
- **Industry bodies:** Heijmans maintains regular contacts with organisations such as NEPROM, Bouwend Nederland and Uneto-Vni and participates in various consultation platforms.

Social trends and developments

Heijmans regularly enters into a dialogue with the company's stakeholders. These stakeholders are groups or individuals who directly or indirectly influence the realisation of the company's objectives and/or are affected by same. These include clients, employees, shareholders and other capital providers, suppliers and subcontractors, industry bodies, public sector bodies, knowledge and educational institutions and social groups. A summary of these stakeholder dialogues is available in the appendices to this annual report. Based on this dialogue, Heijmans has identified the following trends and developments in the market:

- **Digitalisation and new revenue models**

The world around us is becoming increasingly digital, especially the built environment. Sensor technology and the Internet of Things are not only helping to optimise processes and functions, they are also creating connections between objects and their usage data, which releases relevant data and creates added value. This is true whether we are talking about a stretch of asphalt, a piece of road, waste bins or lampposts. And this also applies to homes or buildings, where sensors provide insights into usage, providing a basis for the smarter and more efficient use of resources. One example of this is BeSense, which Heijmans developed with cleaning company CSU and sensor manufacturer Clickey. This award-winning product provides real-time insight into the use of rooms via movement sensors, which means CSU can deploy cleaning crews more efficiently. It also provides accurate grounds for strategic choices in terms of expansion or renovation. Thanks to the high value of this information, a construction company can provide data and added value at a strategic level, both at the start end of the building process and at the end in



Restauration 'Ravelijn op den zoom'
defences Bergen op Zoom

maintenance and asset management, above and beyond the value of execution and realisation. The value of these insights, as well as the interest in the product itself, is creating new revenue models.

- ***Pressure on the housing market: imbalance supply and demand, major regional differences***

The Netherlands is leaving the economic crisis behind, and there is growth in both the economy and employment. The market underwent a rapid turnaround in the year under review. In the four major cities and the areas in their immediate vicinity, we saw strong growth in the demand for homes, both existing and new-build. In particular, satellite cities that are close to the big four (G4) cities and have large universities or vocational colleges are also benefitting from this growth. The imbalance between supply and demand, primarily in urban areas, has led to considerable house price rises in the areas described above. This has led to a great deal of pressure on capacity, and Heijmans is focusing on controlled growth, acceptable risks and margin over volume in project acquisition. This also has an impact on the chain of suppliers and partners. The continuity of partnerships with a focus on long-term cooperation and respect for each other's added value has a major impact on the ability to actually build. The affordability of homes in urban areas is under severe pressure as a result of these developments. This in turn has resulted in an acceleration of these developments in suburban and peripheral areas, where homes are once again drawing interest.

- ***Infra market: new balance in relationship principal / contractor***

The Infrastructure market has been under sustained pressure in recent years. The decline in, for instance, public sector investments plus a shrinking market have resulted in surplus capacity and pressure on margins and prices. On top of this, we are seeing a sustained increase in risks, and there is a growing need for innovative products and services to enable companies in the sector to respond to the dynamics in demand. At the initiative of a mixed group of clients, contractors, suppliers and industry bodies, the sector has joined forces and drawn up the so-called 'Market vision' document. This vision creates the potential to find a new balance between supply and demand, as well as the distribution of risks. On this front, important factors include respect for reciprocal interests, the mark-down of risks and room for innovation. More than 1,400 parties have already signed the vision and action points have been outlined for an improved tender practice.

- ***From possession to use in inner-city mobility***

The sharing economy trend is continuing, especially

on the mobility front. In big cities, shared cars as well as shared bicycles are becoming more and more common. This is affecting the capacity utilisation of inner-city parking facilities and has led to calls for new, more appropriate parking standards to respond to this trend in a responsible and sustainable way in area development projects. However, the impact on home ownership is not particularly significant. After all, for many target groups, owning a home is a major ideal, inspired by the desire to create their own home. Not forgetting the expected capital and thus pension accrual, stimulated by favourable fiscal conditions.

- ***Energy transition***

Driven in part by the climate goals set out in the Paris agreement, there is a tangible urgency to make a structural shift towards sustainable, non-fossil fuels. The trend towards building without natural gas is a key development on this front. Area developments, homes and buildings will increasingly be built on an 'all electric' basis in the future. Especially given the increased availability of the technology and combined products and services required to actually decentralise the generation and supply of energy. The EPC (Energy Performance Coefficient – a norm for the expression of energy performance of homes) standardisation will continue to develop into 'Beng' (Bijna Energieneutraal Gebouw – or nearly energy-neutral buildings) standardisation, which will result in new, higher targets for new-build projects. However, the most important energy transition is still being seen in existing buildings – via renovations and restructuring. Driven in part by sensor technology and data collection, the progress we are seeing in technological developments guarantee that the energy transition will continue in the years ahead.

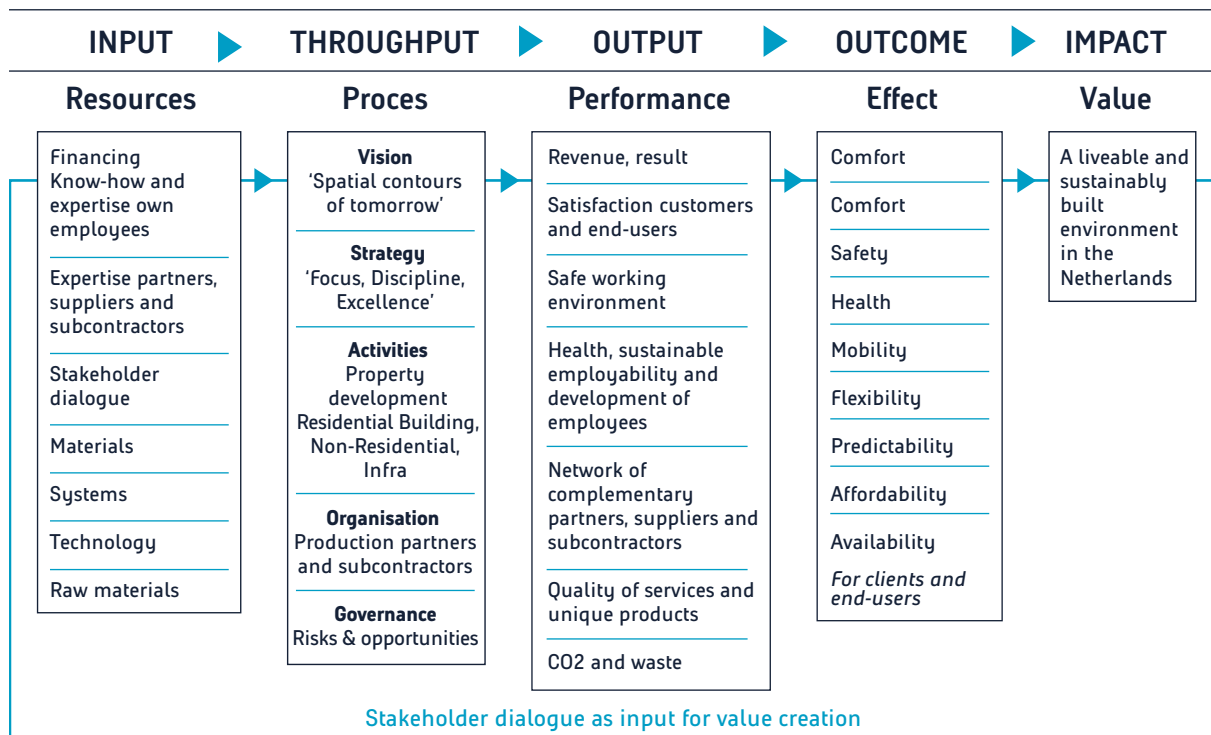
- ***Circularity and reuse – transformation and renovation***

Thanks to technological and economic developments and the desire for faster and improved production, there is no sign of a let-up in the pressure on raw materials and resources. We have become highly dependent on externally produced raw materials. This makes it absolutely crucial to think in terms of circular systems, driven by the re-use of materials in closed systems. This will also have an enormous impact on the construction industry. This circular thinking and acting will require a change in mindset and a good deal of effort, but it will also create opportunities due to the fact that many raw materials will be used differently. At the same time, it is vital that this circular approach is embedded in the entire lifecycle of the object to be built: from design for re-use through life-extending maintenance and collection and the recycling of residual materials across the entire chain.

• *Availability of labour, products and services driven by market growth*

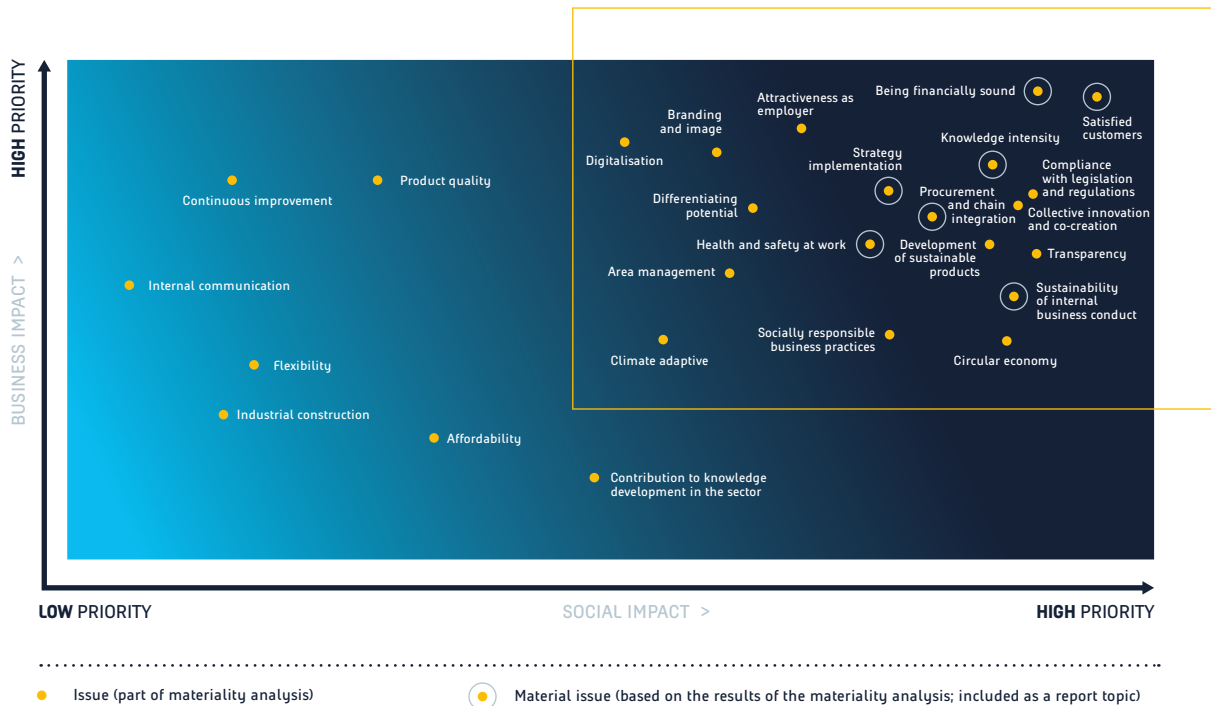
As we have already noted, the market growth is also affecting the availability of labour, products and services in the chain. Heijmans is responding to this through active chain management, by forging partnerships and the careful selection of partners. The procurement policy Heijmans launched during the economic crisis is now paying off, due to the long-term commitments and joint product and services development. At the same time, this market growth is also increasing demand for labour. Heijmans is responding to this trend by offering a healthy and sustainable working environment, as well as growth opportunities and career perspectives. However, recruiting the right people remains a challenge, especially on the technical and project execution fronts. Collaborative alliances, the exchange of capacity and continued investments in human capital are obviously important factors in dealing with this challenge.

Business model and long-term value creation



Heijmans differentiates itself by creating solutions with its partners at an early stage in the design process, and by realising and updating these solutions through the integration of know-how and expertise. Heijmans creates added value for clients and users by focusing on continuous improvement, uniform processes and standardisation where possible, with the aim of managing both costs and risks. The work starts on the drawing board and extends to include management, maintenance and service. Heijmans combines know-how and creativity to create innovative products and concepts with a broad range of potential applications. We aim to be an innovative player in the market. This unique value can be found in the pioneering role that the company plays on the innovation front. Excellent examples of this include product innovations like the Heijmans Huismerk, Heijmans ONE, bike safety concept BikeScout, the BeSense sensor system, home controls, and asphalt innovation Greenway LE.

Heijmans realises this added value through active chain management and by increasing innovation and synergy, know-how and expertise. To this end, Heijmans cooperates with partners and uses the various capital flows in the chain. Heijmans realises continuous improvements through the centralised management of tender and project management, procurement and commerce and by setting central improvement targets for same. Heijmans is increasing its use of LEAN planning technologies, centralised and uniform processes and systems. The business model meets the demand from clients for integrated solutions that combine design and engineering, realisation, maintenance and management. Heijmans creates added value for clients, measured in terms of returns and satisfaction, through the application and combination of the required expertise.



Materiality analysis

Method for the analysis of the most material issues

The analysis of the most material aspects was based on the determination of the most relevant aspects by each group of stakeholders. We generate input from desk research and stakeholder meetings that are held annually for each business area. You can find a summary of these stakeholder meetings in the appendices to this annual report on page 242. We also conducted desk research to identify the relevant aspects. In this annual report, we updated the aspects in the materiality matrix by bringing together experts with knowledge of a number of important trends and developments in the market and at clients. We then assessed these trends and developments and reviewed them against the existing outcome of the materiality analysis. We subsequently discussed this process in a steering group in which all business units were represented and the outcome was subsequently adopted by the Executive Board. In the meantime, we used the materiality analysis for discussions in the stakeholder meetings of various business units. The main results of the above are included in the report.

Analysis 2017

A number of items in the materiality analysis changed compared to 2016. These were:

- The themes of energy transition and climate change have been combined because neither of these items are resulting in separate measures in the market at this point in time.

- Materials innovation and circular building have become considerably more important on the basis of the number of tenders in which a vision and approach to this aspect has been requested, as well as feedback from stakeholders.
- Continued efforts to increase the sustainability of Heijmans' products and services have been given a higher priority than increasing the sustainability of the company's operations. This is the result of the measures already introduced on the latter front.
- Stakeholders are indicating that the shortages in the labour market are becoming more and more challenging, and this aspect has therefore increased in importance.
- Environment management declined in importance in requests/tenders over the past year and this aspect has therefore become slightly less of a priority.
- In view of the scope of the procurement spend, the aspect of purchasing/chain integration is gaining in importance, relatively speaking. This aspect in particular is important in tackling and developing material aspects such as safety and innovations in the chain and in partnerships.
- Stakeholders also indicate that digitalisation is an important aspect for the future, which will have an impact on both our products and services and our operations. This is why we have added this aspect to the materiality analysis.

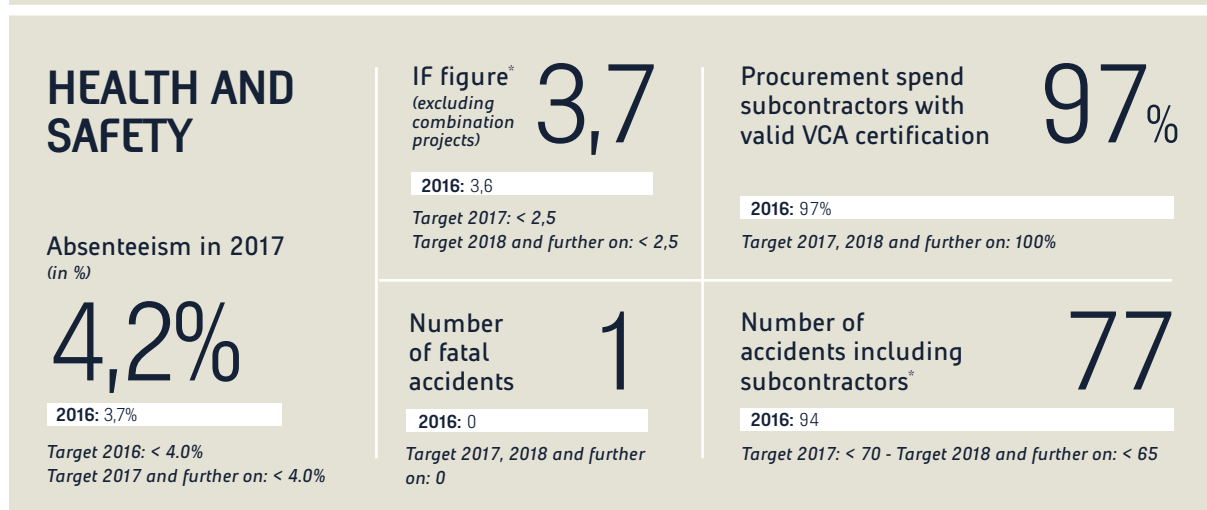
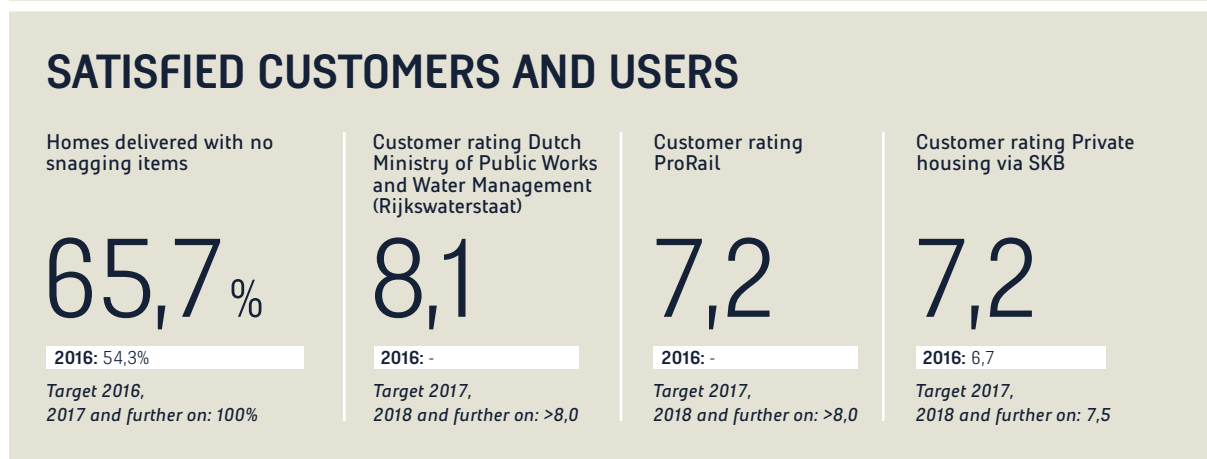
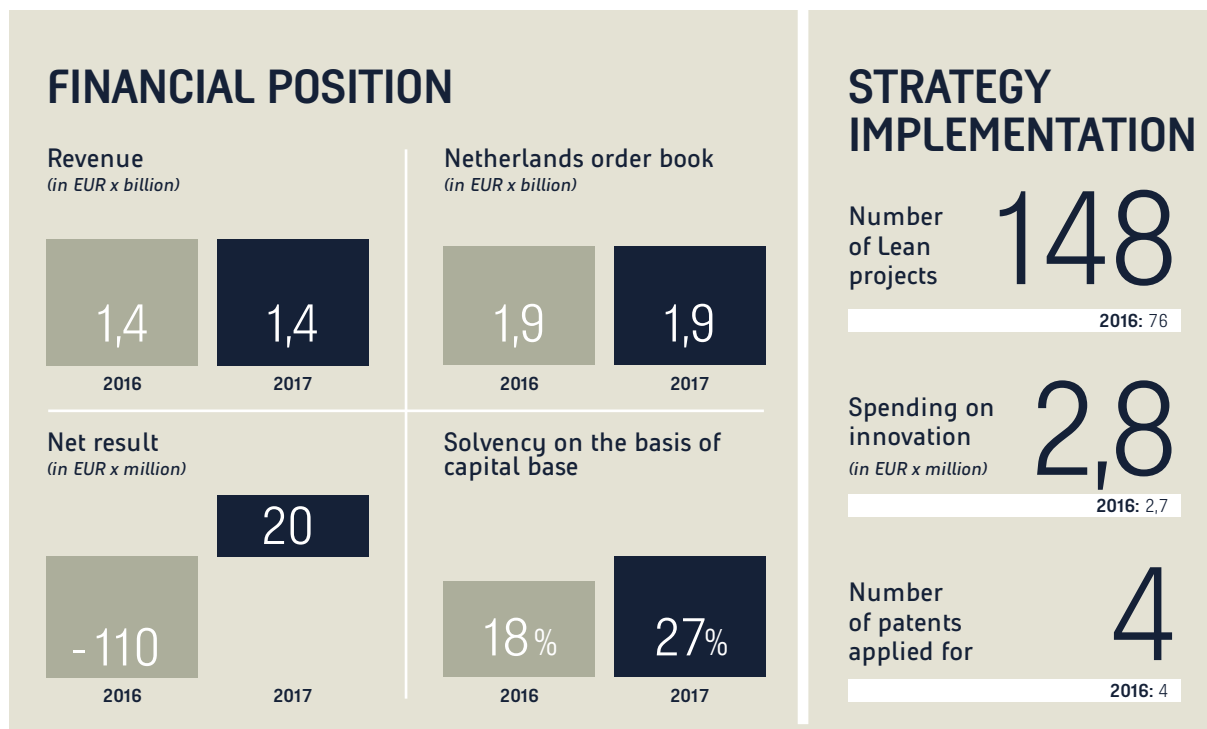
Integrated dashboard

Based on the above analysis, we have drawn up an integrated dashboard that reflects the most material aspects, as well as the key performance indicator that reflects the performance on the aspect. This provides insight into the progress of the organisation's strategy implementation. You will find the dashboard below, as well as additional explanations based on the various chapters of this annual report.



Tension and transport technologies. Skidding tunnel, Venlo

Dashboard most material aspects 2017



* From 2017, Heijmans has changed the calculation method for these KPIs, which means that the 2017-2016 figures are not comparable. For a full explanation of this calculation method, see the Reporting Methodology chapter of this annual report.

KNOWLEDGE INTENSITY

Training level (per 31-12-2017, in %)

	Category 1 LBO/V/MBO	Category 2 MBO	Category 3 HBO	Category 4 WO
2017	8	44	44	4
2016	9	44	43	4

Target: an increase in the ratio of levels 3 and 4 to the total over the next few years.

PROCUREMENT AND CHAIN INTEGRATION

Procurement spend preferred suppliers

55% 2016: 51%

Target 2017, 2018 and further on: 50%

SUSTAINABLE BUSINESS CONDUCT AND PROJECTS

CO₂ emissions scope 1+2 (in tonnes)



Target 2017: 10% reduction compared to 2016 in 2020
Target 2018: 10% reduction compared to 2016 in 2020

Total amount of residual material in tonnes **19.176**

2016: 25.455

Target 2017: 24.182

Separation of site residual material **75,4%**

2016: 72,2%

Target 2017, 2018 and further on: at least 70%

Re-use of residual material after removal **91%**

2016: 91%

Target 2017, 2018 and further on: at least 90%

Procurement spend at preferred suppliers with framework contract and signed sustainability declaration **94%**

2016: 91%

Target 2017, 2018 and following: 100%

You will find a full overview of performance indicators and explanations on page 242 of the appendices to this annual report.



"We have made a huge step forward"

There is one operation in the Catharina Hospital in Eindhoven that has already been running for seven years. 'Surgical' team: Heijmans. The team is engaged in demolition, revitalisation and construction. "Space, light and air quality have all improved. And that befits an ambitious hospital," says lung specialist Pascal. Cleaner Karl van Hoof: "Heijmans is good at keeping the hospital dust-free."

Karl van Hoof
Cleaner Catharina Hospital Eindhoven



Watch the full report on [heijmans.nl](https://www.heijmans.nl)





Strategy

Vision for 2023

Urbanisation, pressure on the housing market, scarcity of raw materials and pressure on fossil fuels, combined with a desire for flexibility and the acceleration of production and technological development are creating a major challenge in terms of designing, realising and maintaining liveability. As designer of the built environment, the construction industry plays a considerable role in overcoming this challenge. Heijmans can and wants to make the difference in terms of how we deal with scarcity and how we develop quality in the short and the long term. This will take a lot of effort. With that awareness in mind, and in addition to its focus on continuously improving its performance as a foundation for the company, Heijmans wants to focus on increasing the use of smart and sustainable technologies. Digitalisation and individualisation are key developments in this context, but so are professionalism and realisation capability. Being able to build what has been designed is vitally important. Connecting design with realisation, and the delivery of a sustainable perspective is what Heijmans sees as its main tasks for the future.

Long term strategy: on the road to 2023

Since 2013, Heijmans has focused on the strategic vision 'the Spatial Contours of Tomorrow'. This is an image of the future in which Heijmans is the designer and initiator of the spatial world around us. An environment marked by a rapid succession of new developments, increasing complexity due to regulations, and a growing need for 'faster and better', as well as the increasing assertiveness of users and stakeholders. This is increasing the pressure on resources and makes handling the growing scarcity of raw materials and resources and spatial quality the key challenges for the sector. Heijmans wants to contribute rather than detract on this front: in terms of energy, space and materials. To that end, Heijmans first and foremost delivers high-quality solutions for its clients and their clients. These days, the usage phase – an optimum use of the built environment – is increasingly the basic premise for everything Heijmans develops, realises and maintains. And Heijmans ultimately also adds value for society, with human capital, know-how and technology.



Added value

In addition to actual building, design is, now more than ever before, the distinctive component in Heijmans' activities. Heijmans is increasingly developing into a knowledge business, as well as a building company. Heijmans differentiates itself by creating solutions with its partners at an early stage in the design process, and by realising and maintaining these solutions through the integration of know-how and expertise; and by combining know-how and creativity into innovative products and concepts with a broad range of applications. Innovation at Heijmans is embodied in the form of know-how, technology and product development, in Heijmans' areas of expertise, close to the business and in cooperation with clients. Examples include the Heijmans ONE, the standard application of smart home-control technology, the BeSense sensor system, BikeScout cycling safety system and the development of innovative asphalt products, such as self-healing asphalt, Recoflex and Greenway LE.

Having put the core company back on track, we have laid the basis for the company to look further ahead into the future. In doing so, we have combined the developments in the construction sector and society with Heijmans' vision and expertise to create a strategic agenda for the period through to 2023. In this process, we have devoted specific attention to developments such as digitalisation, energy transition and production technology. This strategic agenda helps Heijmans to not only continue its improvement drive, but also enables the company to continue to focus on making our operations, products and services smarter and more sustainable.

We have taken the first steps towards 2023 with a number of choices we have made with respect to staff departments and an adjustment in the organisation of our business activities. Since clients are putting fewer PPP projects out to tender, we decided to integrate the activities of the PPP department in the business units as of the end of 2017. In addition, the Chief Risk Officer (CRO) initially appointed at Infra has been appointed as the CRO for Heijmans N.V. This integrated approach at group level will raise risk management to a higher level right across the company. We have also made preparations to boost HR's expertise in the field of culture, talent and organisational development.

Short term strategy 2017 - 2019: Focus, Discipline, Excellence

The added value Heijmans offers its clients determines the company's right to exist. An integrated and

innovative approach is a key factor in this respect. The extent to which Heijmans is able to do this and do it profitably determines how successful we are as a company. What this means is that we have to have our core processes in order. The goal is a healthy company with healthy margins. 'Doing what we are good at' is a key factor in all of this: Heijmans focuses on activities and areas of expertise where it can add value. Based on its strategic plan 2017-2019, Heijmans is now focused on the continuous improvement of its core activities through tender management, project management bundling and strengthening procurement and commercial strength. This continuous improvement is aimed at reducing costs and controlling risks, increasing profitability, strict working capital management, efficiency and margins, as well as strengthening Heijmans' market position by adding more value. This also enables the company to offer new products and services that help it provide its clients with even higher levels of service.

The strategic plan is based on three pillars:

- **Focus (margin):**
Heijmans is transforming itself into a purely Dutch company with a clearer focus on core competencies in the areas of property development, residential building, non-residential and infrastructure. Heijmans will focus on those areas in the market where its strengths lie, which means Heijmans can provide even greater added value to clients, which they are also willing to pay for. This translates into a 'margin-over-volume' policy and the selective acquisition of new projects. The pricing of these new contracts will therefore be based on the added value Heijmans provides for its clients ('willingness to pay') and will at the very least be based on the minimum margins Heijmans uses for tender quotes.
- **Discipline (de-risking):**
In order to reduce risks sustainably, we continuously monitor systems and processes, GO/NO GO moments and escalation steps and tighten these procedures on a regular basis. We acquire large-scale projects with risk-bearing partners to spread risks and optimise competencies. Heijmans maintains tight cost management, so our cost structure is in line with the scope of a company focused on the Netherlands. It also allows us to remain competitive and reduce our dependence on large-scale, high-risk projects.
- **Excellence (realisation):**
Heijmans wants to deliver excellent performance in its areas of expertise. Repetition enables us to build up know-how and expertise and constantly refine

sophisticated routines. That increases opportunities for performance improvement and positive margin development. We have made changes at various management levels to build an effective organisation. Heijmans also wants to differentiate itself in the market on the basis of its core competencies. Concepts such as Heijmans Huismerk homes aim for excellent execution with a target of 'zero snagging items' and will therefore help us to achieve that ambition.

2017: Progress strategy implementation

In 2017, we took a number of significant steps in the transformation of Heijmans into a purely Dutch company. The completion of the sale of our foreign subsidiaries in the spring of 2017 meant we completed this process in the early part of the year under review.

GRIP

With the launch of the 'Improve the core' programme in 2012, Heijmans laid the foundations for the improvement of its core processes in the field of tender management, project management, procurement and commerce. In 2017, we launched a programme dubbed GRIP aimed at further improvements to project control, the key role in project management. We organised meetings last spring with controllers, project managers, lawyers and contract experts to gain insight into their experiences and use those experiences to assess opportunities for improvements. This revealed that while we have indeed taken a number of positive steps in terms of the tender process, there is still room for improvement, especially in the preparation and realisation stages. GRIP creates a platform within the organisation that ensures we can take those practical steps and that we monitor and manage the progress. GRIP represents: no more surprises in projects, more control and solid project management to increase the predictability in projects. The programme builds on previously introduced principles for process and risk control, such as Tender and Project management. The GRIP programme also devotes specific attention to the timeliness, comprehensiveness and transparency of the project information, and to encouraging the desired behaviour on this front, as well as to calling out behaviour that is not conducive to this. GRIP also wants to encourage the correct use of the available tools and contribute to an improved match between the project controller and the various risk categories of the projects they have in their portfolio.

Placing these aspects under the header of GRIP makes their interrelation much clearer and it generates more synergies across the business areas. Together with the

culture programme 'IK', this has also created an awareness and change in attitudes and conduct with respect to improvements and optimisations. Monitoring the extent to which people are following the agreed processes and the number of unexpected developments should reveal whether the above actually reduces the number of surprises.

Tender and project management

Heijmans has professionalised the tender management process over the past few years and continued that process in 2017, partly driven by the GRIP programme. We also continued with the translation of project management from analysis and tooling to follow-up and implementation. Heijmans considers contract management a key part of this. All tender projects have been put into the central system (the Tender Template) in recent years. The system is audited to check the quality of the input. These audits act as a permanent stimulus for training and project improvement. In 2017, we also made progress in the project risk analyses. This categorisation forms the basis for the coordination and recording of the project and related process with clients.

Procurement

Vision for procurement, chain integration and collaboration

Heijmans and its suppliers, subcontractors and partners bear joint chain responsibility. Heijmans wants to do business with its suppliers, subcontractors, partners and service providers in a transparent and professional manner. Heijmans' choice of partners is always based on objective business considerations. Heijmans has a sustainable procurement policy that creates the conditions to do so. The procurement strategy is aimed at involving procurement professionals in the early stages of the process, which allows us to find solutions at an early stage and in cooperation with suppliers, helping us to optimise efficiency and quality. Key premises in this are safety, sustainability and circularity. You can find our full procurement policy on the Heijmans website.

Collaboration in the chain

The procurement volume remained unchanged at around 70-80% of revenue, in the year under review. This makes intensive collaboration in the chain crucial. Heijmans therefore focuses strongly on selecting the right partners for collaboration. Heijmans and its suppliers / subcontractors increasingly commit at an early stage in view of this intensive collaboration. This is based on long-term collaboration with fixed partners, which results in the joint development of

products and services and high delivery reliability. This form of collaboration reduces the cost of failure and helps create sustainable and innovative solutions for clients. By means of socially responsibly procurement, Heijmans helps minimise the negative impact of its operations and the utilisation of natural resources. And by involving its contractors in the acceptance of this responsibility, Heijmans also contributes to improvements in social aspects, such as labour conditions, safety, health and the environment. Safety is also a priority when cooperating with co-makers, subcontractors and suppliers and working safely is a key criterion in the selection of chain partners. When it comes to safety, Heijmans wants to be a trendsetter in the entire chain.

The development and realisation of the Heijmans Huismerk is one example of the co-creation we are striving for. These homes are based on standardised processes developed in close cooperation with chain partners. This reduces the cost of failure and increases margins. In addition, it means that Heijmans is developing a way of building and organising, together with its partners, which is based on repetition and refinement rather than exclusively on one-off projects, and this results in a joint learning curve for everyone involved.

With a view to the United Nations sustainable development goals and in line with the ISO 20400 systems, we scan each (cluster of) product group(s) in terms of impact and material aspects that require attention. This can be very different from one product group to the next, which is why we strive to customise the approach on this front. In view of current trends and developments and inspired by the United Nations sustainable development goals, Heijmans expects to see a great deal more attention devoted to circularity and consequently waste processing and raw materials in the procurement process. We also believe that we all have to make every effort to re-use raw materials and other materials and to develop alternative construction methods. Partly with this in mind, Heijmans once again tightened its sustainable procurement policy at the end of 2017. The full policy document is available on the Heijmans website.

Responsibility

On the procurement front, Heijmans believes this also involves accepting responsibility for the deployment of suppliers, subcontractors and freelancers and the associated regulations in areas such as chain liability, hiring liability, and the Dutch Sham Employment Arrangements Act (*Wet Aanpak Schijnconstructies*). With

this in mind, Heijmans works with preferred suppliers that are selected in advance. These account for around half of the total spend. These preferred suppliers use the contract models drawn up by Heijmans, plus any relevant additional stipulations. This ensures correct dossier compilation, that there is a procedure for (suspected) abuses and that the deployment of freelancers is managed centrally. In addition, workers at the building locations are identified according to uniform procedures.

Continued professionalisation procurement, actions 2017:

In 2017, we continued to professionalise procurement:

- **Preferred suppliers and subcontractors**

Heijmans has more than 400 product groups that are divided into 10 clusters. In the past year, we conducted a more detailed analysis of a number of these product groups that are of particular importance to the construction sector. On the basis of that analysis, we then took a number of additional steps, selected preferred suppliers and introduced tighter quality requirements. This process is continuous and is constantly refined, as product innovations and the demands from clients are also constantly evolving.

- **Continued digitalisation of processes and collaboration with chain partners**

We continued to digitalise the procurement process in 2017 by optimising the SAP process and fully digitalising contract processing with suppliers. This has greatly reduced the throughput time of contract closure and dossier creation, plus it has simplified the handling of these procedures. We have also created digital connections with numerous suppliers and structured associated processes to realise fast and efficient processing of orders and payments.

- **Supplier assessment system**

Since Heijmans procures a considerable proportion of its revenue, it is highly dependent on the quality and performance of third parties when it comes to the quality of the end product. In 2017, Heijmans started a pilot with construction industry quotation platform 12Build for an evaluation platform (Evaluator), with the aim of improving quality and reducing the costs of failure, while at the same time boosting transparency. Via this initiative, Heijmans is working to create greater transparency of the performance delivered and a taking a step forward in quality, which should ultimately be expressed in the quality of the final product, a construction, any associated services and in customer satisfaction.



Project manager Jan Jelsma and specialist Harry Schuttenbeld on the N35 Zwolle-Wijthem project

Commerce

In 2016, Heijmans introduced a customer relationship management (CRM) system at Property Development and Residential Building. In 2017, the company optimised and further standardised the associated working method. The goal is to implement the CRM system in the other business areas too, which will provide us with insight into the shared client base.

On a company-wide basis, we are making steady progress in the implementation of the sales funnel, which provides insight into the process of project acquisition and client requirements. Heijmans makes analyses of market segments and client groups for each business area, together with an analysis of expected new projects and the match with the company's own acquisition and acceptance policy. This gives the company a much clearer view in terms of market developments, the commercial translation into market volume and opportunities for Heijmans, which consequently gives the company a better footing in the tender or acquisition process.

With the aid of the annual sales conference, Heijmans devotes attention to company-wide, strategic themes, market and client developments, and the developments of commercial competencies and skills. In the year under review, Heijmans organised the fifth edition of this sales conference, during which we introduced the 'Hand of Heijmans'. This is a storyline that highlights Heijmans distinctive capabilities on the basis of relevant project examples.

Within the business area Residential, Heijmans has decided to replace the B2C customer relationship system, which supports private sales. The new system will focus on the improvement of the overall customer experience, the so-called customer journey: from exploratory stages through to delivery of the home and services once in use.

Customer appreciation

• Property Development and Residential Building

Based on the customer satisfaction measurements carried out by external organisation SKB, buyers of a Heijmans home gave an average customer satisfaction rating of 7.17 in 2017. The average of all participating building companies was 7.06 (a difference of 0.11). At the time of publication, 172 of the 430 buyers who were approached had completed a buyer report. Heijmans also registers the number of snagging items per home and aims for 'zero snagging items'. In 2017, Heijmans registered 2,000 homes as delivered and

registered the snagging items of 97.1% of these homes (1,941 homes). A total of zero snagging items were registered in 1,275 of these 1,941 homes (65.7%).

• Non-Residential and Infra

The forum of principals in the construction industry (Opdrachtgeversforum) has expressed a desire to professionalise the construction process and bolster the construction chain. This has resulted in an agreement between the Dutch government's real estate agency (Rijksvastgoedbedrijf), ProRail and the Dutch Ministry of Public Works and Water Management (Rijkswaterstaat) to develop a method to assess the performance of their contractors. The instrument these three organisations developed is geared towards their own fields of operation and adapted where possible, with the explicit ambition to further professionalise matters on the side of the principal, as well as on the side of the contractor. Performance measurement focuses on the quality of the process used to realise projects and is consequently an instrument that will help further professionalise the relationship between principal and contractor. The measurement is uniform for all contractors.

• Infra

ProRail

At ProRail in particular Heijmans noted a decline in performance in the second half of 2017. One of the projects is performing less well, which led to a drop in the average to the same annual result as at year-end 2016 (2016: 7.2 – on a scale of 10). At ProRail, the measurement - and consequently the comparison - covers around 25 parties. Heijmans' performance puts it in the middle of that group. Heijmans aims to be among the top 5 best-performing contractors at ProRail. Heijmans also aims for an annual average client satisfaction rating of 8.0 or higher.

Dutch Ministry of Public Works and Water Management

Heijmans noted a positive development at the Dutch Ministry of Public Works and Water Management. At year-end 2016, the performance score was 7.6 (out of 10) and at year-end 2017, this had risen to 8.1. Heijmans aims for an annual average client satisfaction rating that is higher than an 8.0.

Examples of Heijmans projects that show how quality and professional collaboration can come together are the Eurojust project delivered in March 2017 and the ongoing A9 infrastructure project.

Process optimisation

Since 2010, Heijmans has used Lean6Sigma to improve processes and encourage a culture of improvement. The company has launched a total of 413 projects since the start of the initiative. In 2017, we launched 148 projects, an increase on the number of projects launched in 2016 due to the effect of the company-wide SAP implementation, which has released significant amounts of data for strategic LEAN projects. The focus in these projects is on the implementation of lean tools. Heijmans also makes extensive use of other tools, such as Lean plans and 5S. Heijmans also devotes considerable attention to the controlled execution of primary processes. Using KPIs, the company targets crucial process stages and the follow-up of same. This means that the Lean6Sigma method supports the GRIP programme.

Process and system harmonisation

Heijmans completed the company-wide implementation of SAP in 2017, with the implementation of the SAP ERP platform at the Property Development business area. This means that the entire Heijmans organisation now runs a single ERP environment and therefore has a set of uniform processes. This increases transparency, opportunities for data analysis and generates additional cost savings. In 2018, Heijmans will launch the implementation of a HR system called 'Workday', aimed at introducing uniform processes to support Heijmans' human resources management.

Sustainability

An explanation of the strategy implementation with respect to the sustainability-related aspects is available in the chapter 'Sustainability achievements' on page 73 of this report.

Tax policy

You can find Heijmans policy on taxes on page 234 in the appendices to this report.

A photograph of a coffee shop counter. In the foreground, there is a silver and black coffee grinder with a clear hopper containing coffee beans. Next to it is a smaller clear blender. The background shows a wooden wall with a metal shelf holding several potted plants and some papers pinned to it. The lighting is warm and natural.

“Place-making only works if it is authentic”

The developers of the Vathorst neighbourhood in Amersfoort asked Daphne Bartels to create a meeting place in a neighbourhood under construction. A place where you can get something to eat and drink, visit an exhibition, while you get a feel for the new neighbourhood. Daphne got together with Heijmans to make this happen and five years on 'Bij Daphne in de Kas' is a neighbourhood institution. “I know everyone now. Even if I have to use a walking frame to get up the path, I am never leaving here.”

Daphne Bartels, catering entrepreneur Bij Daphne in de Kas, Amersfoort



Read the interview on [heijmans.nl](https://www.heijmans.nl)





Financial developments

Highlights 2017

Heijmans recorded a strong recovery in net result in 2017, compared with previous years. The recovery in profit was largely due to three factors. First of all, Heijmans recorded continued growth in revenue and margin in Residential Building and Property Development. This growth was particularly strong in the Property Development segment, which benefitted from shortages in the housing market, which in turn resulted in a strong increase in house prices (including purchasing costs payable by vendor). In addition, the operating result at Infra was positive, while Heijmans recorded a significant loss in this segment in 2016 (underlying EBITDA of € 16 million, compared to € 73 million negative in 2016). At Infra, the company saw a broad improvement in results compared with the previous year, which was marked by substantial project losses. Although there were also some project losses in 2017, these were offset for by the impact of the broad margin improvement. This improvement in results was due to a smaller share of loss-making projects from previous years, the contribution from profit-generating projects, combined with a higher volume and lower overhead costs. Finally, the book profit from the sale of Heijmans foreign subsidiaries, which amounted to a total of € 31 million, also contributed to the improvement in the net result. This book profit was a result of the sale of the German subsidiary Overmann and Heijmans Belgium, with both sales completed in April 2017.

The net result (including foreign subsidiaries) for the full year 2017 was € 20 million (2016: a loss of € 110 million). The revenue from the continued Dutch activities was slightly higher at € 1,402 million (2016: € 1,370 million). Growth in Residential Building and Property Development (especially Property Development), and to a lesser extent Infra, was offset to some extent by a decline in revenue at Non-Residential. The results at Non-Residential lagged in 2017, partly as a result of substantially lower revenue and the under-coverage of overheads. The lower revenue was due to a strict acquisition policy and an additional loss related to Heijmans' withdrawal from the RIVM project. The underlying EBITDA was considerably higher at € 31 million (2016: € 47 million negative). Non-cash write down of real estate and land holdings, restructuring costs and the book profit on the sale of the German and Belgian subsidiaries also had a considerable impact on the net result, together amounting to € 14 million in total.



Summary income statement (in € x million)	2017	2016	difference
Revenue	1.487	1.884	-21%
Underlying EBITDA NL	30	-73	
Adjustment to EBITDA result of joint ventures	14	5	
Write-down of real estate and land holdings	-6	-19	
Restructuring costs	-8	-4	
Soil redemiation	-3	-	
EBITDA NL	27	-91	
Depreciation/amortisation the Netherlands	-13	-13	
Operating result the Netherlands	14	-104	
Operating result discontinued operations incl. book result	31	10	
Operating result	45	-94	
Financial income and expense	-8	-8	
Result of joint ventures and associate investments	-15	-2	
Result before tax	22	-104	
Income tax	-2	-6	
Result after tax	20	-110	

The order book for the Dutch activities stood at € 1,898 million at year-end 2017, compared with € 1,863 million at year-end 2016. The decision to withdraw from the RIVM project is included in the 2017 figure and had a revenue impact of more than € 150 million.

Revenue

The revenue divided by sector in 2017 can be broken down as follows:

Revenue (in € x million)	2017	2016	difference
Property Development	391	332	18%
Residential Building	297	296	0%
Non-Residential	240	315	-24%
Building & Technology	537	611	
Infra	680	621	10%
Eliminations	-206	-194	
Netherlands	1.402	1.370	2%
Discontinued operations	85	514	
Total revenue	1.487	1.884	

Revenue from continued operations increased slightly to € 1,402 million in 2017 (2016: € 1,370 million). This increase was largely due to growth in the housing market, which Property Development in particular benefitted from considerably, both in terms of an increase in the number of homes sold and a rise in house prices (including purchasing costs payable by vendor). The number of homes sold was 2,192 (2016: 1,962), with 1,394 (64%) of these sold to private buyers and 798 homes (36%) sold to investors (2016: 1,019 / 52% to private buyers and 943 / 48% to investors). The increase in house values can be seen in the average price (including purchasing costs payable by vendor and excluding VAT) of the homes sold to private buyers: this was € 299,000 in 2017 (2016: € 243,000).

Revenue at Property Development increased to € 391 million, from € 332 million in 2016. Residential Building recorded revenue of € 297 million in the year under review, from € 296 million in 2016.

Residential Building is faced with challenging market conditions. On the demand side, there is strong growth in an ever-increasing number of areas in the Netherlands. This strong increase in demand has led to considerable pressure on the availability and affordability of suppliers, as well as rising costs. The suppliers channel requires constant monitoring to safeguard the

desired quality of delivery and margin development. In that context, Residential Building is strictly focused on a selective acquisition policy and controlled growth, with a considerable proportion of capacity being kept available to safeguard the growing production at Property Development. In 2017, approximately 65% of the Residential Building revenue was sourced via Property Development. Revenue from the Infra activities in the Netherlands rose to € 680 million in 2017, from € 621 million in 2016. Unlike in the previous year, Infra was not faced with large-scale delayed projects, such as the N23 road project, thanks to which revenue was at a good level and more evenly distributed across the year.

The decline in revenue at Non-Residential, to € 240 million from € 315 million in 2016, was largely due to the continued implementation of the tight acquisition and tender policy, in combination with a loss of revenue as a consequence of Heijmans' withdrawal from the RIVM project. When the project eventually launched, Heijmans decided to withdraw from the consortium, which means Strukton will accept responsibility for the entire execution. Revenue remained stable in the Services segment, which focuses on service, management and maintenance contracts.

In view of the strategic adjustments to transform Heijmans into a fully Dutch company, Heijmans disinvested its German and Belgian subsidiaries. The German subsidiary Franki was sold to PORR in December 2016 (effected in January 2017). The sale of Oevermann, also to PORR, was completed in April 2017. Heijmans agreed on a transaction with Besix for Heijmans' three Belgian companies, Heijmans Bouw, Heijmans Infra and Van den Berg, which was also completed in April 2017. The revenue shown for foreign activities in 2017 is entirely attributable to these discontinued activities.

Underlying EBITDA

The underlying EBITDA is the operating result before depreciation, including the EBITDA from joint ventures, less any adjustments in the valuation of real estate and land holdings, restructuring costs, the cost of soil remediation and other exceptional items. In 2017, underlying EBITDA for the Dutch operating companies was € 30 million (2016: underlying EBITDA NL: € 73 million negative). The breakdown per sector is as follows:

Underlying EBITDA (in € x million)	2017	2016	difference
Property Development	20	15	
Residential Building	5	4	
Non-Residential	-6	-14	
Infra	16	-73	
Group	-5	-5	
Nederland	30	-73	103
Discontinued operations	1	26	
Total underlying EBITDA	31	-47	

The underlying EBITDA increased to € 31 million in 2017, from € 47 million negative in 2016. The German and Belgian companies contributed € 26 million to the underlying EBITDA in 2016, while in 2017 this amounted to € 1 million in the period up to the sale (April 2017).

The continued growth in the housing market resulted in an increase in the result of Property Development (underlying EBITDA 2017: € 20 million, from € 15 million in 2016) and a slight increase at Residential Building (underlying EBITDA 2017: € 5 million, from € 4 million in 2016). At Residential Building, which is operating in a highly competitive market, controlled growth with a clear focus on quality remains a priority. Availability and affordability of suppliers and people require attention in the current market conditions. Solid preparation of works and timely procurement are essential to maintaining margins during execution, as are reaching clear agreements on price indexing in contracts with third parties. At Property Development, Heijmans continued to develop integrated area development as one of its core activities, in part by investing in conceptual competencies and acumen. Intensive cooperation between Residential Building and Property Development results in a combination of execution strength and manufacturability, plus it creates the opportunity to work efficiently while maintaining a low cost base. Particularly in an expanding market, it remains crucial to maintain focus on failure costs, standardisation and quality. In addition, it is increasingly important to resume targeted investments in new land holdings, to enable Heijmans to respond effectively to continued growth prospects in the market. In recent years, many positions from the existing land holdings portfolio have been taken into development and this

process will continue in the years to come. In that context, it is important to start thinking now about revenue after 2020.

The underlying EBITDA at Non-Residential was € 6 million negative in 2017. As in the previous year, the RIVM project in Utrecht had a negative impact on this result. In 2017, Hurks and Heijmans decided to withdraw from the project, in consultation with consortium partner Strukton. The project financiers and principals have since provided the required approvals. As a result of this decision, Heijmans has taken a loss of € 3.5 million on the RIVM project. Heijmans has no further involvement in the execution and exploitation of this PPP project. The decision to withdraw was primarily inspired by the desire for continued de-risking. The result of Non-Residential was also impacted negatively by a highly selective acquisition policy for new projects. The market conditions in Non-Residential, especially in the field of new build, remained poor in 2017 and this meant Non-Residential acquired insufficient work to maintain revenue at previous levels. This led to underutilisation of the workforce. Efforts aimed at increasing sustainability and high demand for inner-city living and consequently multi-functional high-rise residential building projects offer good perspectives for 2018.

The result of the Infra activities improved strongly in 2017 compared to previous years, with underlying EBITDA at € 16 million. The 2016 result was strongly impacted in particular by substantial project losses on four large-scale integrated works. In 2017, Heijmans made a major effort to get the results back to acceptable levels. This effort included the (continued) settlement of high-risk projects from the past, streamlining of the cost structure and a tightening of the focus to prevent large-scale project losses on new works. We made solid progress on all fronts. Heijmans also made some adjustments to the management structure and added the position of Chief Risk Officer (CRO) at Infra. The CRO plays a key role, as independently as possible, both in the intake of new works and in resolving problems in existing projects, to safeguard the overarching interests of the company. In 2018, we will roll out this function across the entire company. This should aid in the further realisation of the desired de-risking of the company. With respect to the settlement of risk projects from the past, Heijmans made solid progress in the execution of the Drachtsterweg and the N23. Both projects are on schedule and are subject to well-documented agreements ahead of the delivery. With respect to the Wilhelminasluis, Heijmans is awaiting the definitive ruling of the Arbitration Board for the building industry

(Raad van Arbitrage voor de Bouw). With respect to the A9 project, Heijmans took a provision due to the additional efforts required for the realisation of the tunnel. Work is progressing steadily ahead of the delivery of the tunnel to the Dutch Ministry of Public Works and Water Management (delivery for use), which is scheduled for end-June 2018. The company also reduced the cost structure at Infra and made less use of external employees. In terms of commercial focus, Heijmans decided to create an improved balance in the order portfolio between large, integrated works and regional projects, specialisms and asset management. Heijmans will not withdraw from the market for large, integrated projects, but the company will focus solely on those projects that are in line with the strategic focus and will work with risk-bearing partners where necessary.

Operating result

The operating result for 2017 was € 45 million, compared with negative operating result of € 94 million in 2016. In addition to the negative impact of restructuring costs, the downward value adjustment of some real estate and land holdings and the cost of soil remediation, book profits on the sale of Heijmans foreign subsidies had a positive effect on the operating result. The operating result can be broken down as follows:

Operating result (in € x million)	2017	2016
Underlying EBITDA NL	30	-73
Adjustment to operating result of joint ventures	14	5
Write-down of real estate and land holdings	-6	-19
Restructuring costs	-8	-4
Soil redemiation	-3	-
EBITDA NL	27	-91
Depreciation/amortisation the Netherlands	-13	-13
Operating result the Netherlands	14	-104
Operating result discontinued operations incl. book result	31	10
Operating result	45	-94

Impairments

Heijmans regularly evaluates its real estate and land holdings. Value adjustments on a number of holdings

outside the Randstad area had an impact on the result. This pertained to value adjustments of real estate and land holdings in the peripheral regions of the Netherlands, where the lagging development in house prices in relation to the rising procurement costs play a role, as well as delays in plan development at public sector bodies. This has an impact on the valuation of these land holdings. The total value adjustment for the real estate and land holding was € 6 million in 2017. In addition, there was a € 3 million item in non-operational items related to soil remediation.

Restructuring costs

As a result of some adjustments to the senior management of the company and a number of organisational adjustments, inspired by the strategic reassessment we conducted in 2017, the restructuring costs in 2017 were € 8 million (2016: € 4 million).

Financial income and expense

The financial income and expense can be broken down as follows:

Financial income and expense (in € x million)	2017	2016	difference
<i>Interest income</i>	2	3	
Financial income	2	3	-1
<i>Impairment of loan</i>	1	-	
<i>Other interest expense</i>	-13	-13	
Other interest expense	-12	-13	1
Balance	-10	-10	0
Balance	2	2	0
Financial income and expense*	-8	-8	0

* Financial income and expense include all activities. Check the financial statements for a breakdown of continued and discontinued operations.

The balance of financial income and expense was unchanged from the previous year at € 8 million negative. A lower average use of bank credit, which was most marked following the completion of the divestments at the end of April, was offset by higher interest rates and refinancing costs as a result of the refinancing agreement in early 2017.

The interest margin has been adjusted downward following the reduction of the credit facility to € 156

million in October 2017. Heijmans expects this to result in a slight decline in interest expenses in the year ahead.

Income tax

The effective income tax rate was 11% in 2017. The untaxed book profits on the sale of Heijmans' foreign subsidiaries had a positive impact on the effective income tax rate. Non-deductible interest expenses on the cumulative financing preference shares B and the non-deductible mixed expenses had a negative impact on the effective tax rate.

Capital and financing

The condensed statement of financial position at 31 December on the basis of capital invested is as follows:

Condensed statement of financial position in € x million	31-12-17	31-12-16	difference
Non-current assets	282	291	-9
Working capital	-116	-54	-62
Net assets held for sale	-	67	
Invested capital	166	304	-138
Equity	162	142	20
Provisions	18	16	2
Net interest-bearing debt	-14	146	-160
Financing*	166	304	-138

* 2016 after reclassification of entities to be sold to entities held for sale

Capital invested: non-current assets

The non-current assets can be broken down broadly as follows:

Non-current assets in € x million	31-12-17	31-12-16	difference
Property, plant and equipment	47	55	-8
Intangible assets	80	82	-2
Other non-current assets	155	154	1
Carrying amount of non-current assets*	282	291	-9

* 2016 after reclassification of entities to be sold to entities held for sale

The item 'Property, plant and equipment' primarily includes company buildings and related land, machinery, installations, large equipment and other non-current assets. Investments in the year under review amounted to € 4 million (2016: NL € 8 million). Assets

related to the Belgian and German activities were already recognised under assets held for sale in 2016. The majority of other non-current assets consist of holding values from joint ventures in which Heijmans participates.

The other non-current assets include a pension receivable of € 30 million for the Heijmans pension fund. The receivable claim is based on the assumption that this closed plan will gradually wind down, and on the conclusion that Heijmans, as the employer, will eventually be the sole remaining stakeholder and that the final balance will therefore logically accrue to Heijmans. Heijmans expects possible new IFRS regulations may mean that this receivable will eventually no longer be included in the statement of financial position. The pension fund executive and Heijmans are also currently in talks on a possible (partial) reinsurance. If these talks should result in a decision in favour of a (partial) reinsurance, this may lead to a decline in the pension receivable. Both of these situations would also have a negative impact of a few percentage points on Heijmans' solvency.

Capital invested: working capital

Working capital at year-end 2017 was lower than at year-end 2016. The working capital can be broken down broadly as follows:

Working capital In € x million	31-12-17	31-12-16	difference
Strategic land holdings	150	147	3
Residential properties in preparation and under construction	27	58	-31
Other inventory	10	12	-2
Work in progress	-68	-58	-10
Accounts receivable	166	176	-10
Payables	-401	-389	-12
Working capital*	-116	-54	-62

* 2016 after reclassification of entities to be sold to entities held for sale

The working capital fluctuates significantly during the year. This can be project-specific and related to payment schedules, or may be due to discussions regarding the progress of a project. The construction sector is marked by a seasonal pattern with higher levels of activity in the second and fourth quarters, which has an especially

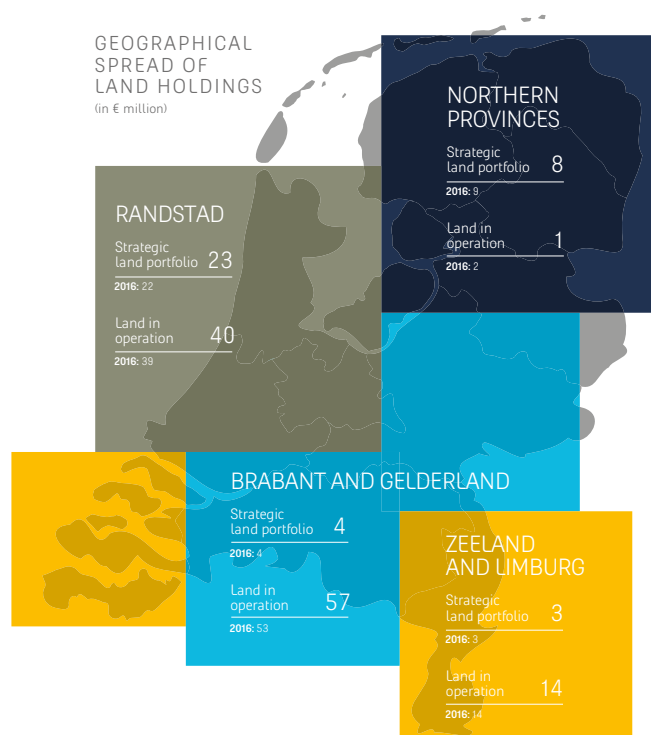
marked impact on the Infra and Non-Residential segments. Many contractual discussions are financially settled in the fourth quarter of the year, particularly those pertaining to large, integrated projects.

Working capital is usually at its lowest level at the end of the year. Higher working capital requirements in the course of the year result in a greater capital utilisation, which Heijmans primarily finances through the use of a revolving credit facility. The refinancing agreed in early 2017 also includes an agreement to reduce the total commitment under this facility gradually to € 122 million at year-end 2019, from € 256 million at year-end 2016. Heijmans had reduced this facility to € 156 million at year-end 2017. The reduction of this facility has increased the need to limit fluctuations in the working capital across the year in order to monitor the room in the facility throughout the year. Heijmans used a combination of measures to substantially reduce the absolute size of the working capital fluctuations in 2017. These included a reduction of the impact of claims and disputes at the level of Work in progress and loss provisions and the sale of foreign subsidiaries that also had strong seasonal fluctuations in working capital. Another measure was to increase the focus in the Fit for Cash programme on the gradual distribution across the year of both production and the financial settlement of large-scale transactions (such as settlements in integrated contracts or investor deals at Property Development). Thanks to this combined with the €97 million in cash revenue from the sale of Heijmans' foreign activities, Heijmans successfully created more than sufficient headroom in the revolving credit facility throughout 2017.

The item receivables does not include material items involving contested invoices or debtors with payment difficulties. A large proportion of the clients are (semi) public sector bodies with strong credit worthiness and short payment terms. This enables Heijmans to keep the average term of receivables outstanding at a low level. The average period of receivables outstanding declined somewhat last year due to the fact that current pressure on the supplier side increased the emphasis on shorter payment terms.

Work in Progress (assets and liabilities netted) improved in 2017 – in other words, there was more pre-financing – because at Infra in particular Heijmans agreed good payment schedules for new and existing works and also made solid progress in the settlement of risk projects.

Land holdings increased to € 150 million (2016: € 147 million). Land holdings per type of holding can be broken down as follows:



Financing: equity

Equity increased by € 20 million in the year under review, mainly as a result of the net profit of € 20 million Heijmans realised last year. The book profits on the sales transactions had a considerable impact on this.

The movements in equity can be broken broadly as follows:

Change in equity in € x million	2017	2016	difference
Result after tax	20	-110	130
Share issue	0	-17	17
Changes in pension valuation	0	4	-4
Tax effect of results recognised in equity	0	-1	1
Change in equity	20	-124	144

Solvency on the basis of the guaranteed equity, defined as the equity plus outstanding cumulative preference share capital, at year-end 2017 was 27% (2016: 18%). The sale of the foreign subsidiaries, which led to a balance sheet reduction and a book profit, made a strong positive contribution to the improvement in solvency in the first half of the year.

Heijmans targets solvency of between 25% and 30%.

Amounts in € x million	31-12-17	31-12-16	difference
Equity	162	142	20
Cumulative preference shares	45	45	0
Capital base	207	187	20
Total assets continued operations	271	774	-4
Assets held for sale	-	282	-282
Solvency	27%	18%	

In view of the importance Heijmans attaches to the further improvement of balance sheet ratios and the reduction of the revolving credit facility, the company has decided not to pay out a dividend on (depository receipts for) ordinary shares for the financial year 2017.

Financing: net interest-bearing debt

The net cash position at year-end 2017 was € 14 million (2016: € 146 million net debt after reclassification to assets held for sale and € 100 million debt before reclassification to assets held for sale). On balance, net debt declined by € 114 million, with a contribution of € 97 million from the sale of the foreign subsidiaries (including book profits). Although some of the losses taken in 2016 and 2017 had yet to be recognised in the cash position, Heijmans nonetheless had a positive operational cash flow as a result of the strong focus on working capital and the recovery in its results. The so-called recourse net cash position (see section 6.20 of the financial statements for an explanation), which is also the basis for agreements with banks, stood at € 59 million at year-end 2017 (2016: net debt of € 49 million, rather than a net cash position).

Interest-bearing debt in € x million	31-12-17	31-12-16	difference
Non-current	54	58	-4
Current	6	118	-112
Gross debt	60	176	-116
Cash and cash equivalents	-74	-30	-44
Net debt*	-14	146	-160

* 2016 after reclassification of entities to be sold to entities held for sale

The gross debt can be broken down broadly as follows:

Gross debt in € millions	31-12-17	31-12-16	difference
Cumulative financing preference shares	45	45	0
Project finance	0	1	-1
Other financing facilities	15	130	-115
Gross debt*	60	176	-116

* 2016 after reclassification of entities to be sold to entities held for sale

Refinancing 2017

In early 2017, Heijmans reached agreement on the credit facility the syndicate of banks consisting of ABN Amro, ING, KBC and Rabobank made available to the company. These agreements were laid down on 31 March 2017 in a new agreement valid until 30 June 2019. As part of the refinancing agreement, Heijmans agreed to a gradual reduction of the facility from € 256 million to € 122 million on 30 June 2019. Partly as a result of the divestments realised, the facility had already been reduced to € 156 million by October 2017, eight months earlier than initially agreed with the banks. KBC will gradually withdraw from the syndicate in the period between mid-2018 and mid-2019. The reduction of the facility to € 122 million from € 156 million is entirely related to the withdrawal of the KBC's remaining commitment to the facility.

Specific financial covenants applied to 2017. These did not require testing in Q1 2017. Minimum levels of EBITDA and solvency were agreed for Q2, Q3 and Q4 2017. The agreements also covered a gradual increase in minimum EBITDA to € 20 million as at year-end 2017 and solvency rising to a minimum of 20% at year-end 2017. Heijmans easily met these financial covenants throughout 2017. Following the sale of the German and Belgian activities, solvency increased to more than 25%, while this stood at 27% at year-end 2017. The minimum EBITDA, which is by definition slightly different from the reported underlying EBITDA, was consistently above the agreed minimum levels.

As of 2018, the financial covenants applicable before 2017 are once again in effect. In view of the substantial debt reduction realised in 2017 and the expected continued improvement in underlying EBITDA in 2018, Heijmans expects to operate within the agreed covenants in 2018.

With respect to the score on the covenants applicable from 2018, we refer to section 6.20 for a breakdown of the calculation method, as well as comparable figures. Given the substantial reduction of the net debt and the realised recovery of the rolling EBITDA, Heijmans would have already met the terms of these covenants as of Q4 2017.

In line with the definitions in the financing agreement, Heijmans must adjust a number of aspects of the EBITDA, net financing expenses and the net debt as reported in the financial statements. The main adjustments pertain to the inclusion of associates that are no longer consolidated as a result of the introduction of IFRS 11 from reporting year 2014; the recognition of the cumulative financing preference shares B (and related financing expenses) as equity rather than borrowed capital; the exclusion of so-called non-recourse PFI project financing (and related financing expenses and project results); and finally, with respect to EBITDA certain expenses cannot be characterised as 'non-operational', including value adjustments in land holdings, reorganisation costs and adjustments related to pension valuations. In view of this, Heijmans has taken the underlying operational result plus depreciation and amortisation as the basis for the calculation below.

This resulted in the following breakdown as at 31 December 2017:

x € 1 million	2017	2016*
Interest-bearing debt	60,8	178,3
Less: cash and cash equivalents	74,4	78,2
Net debt	-13,6	100,1
<i>Adjustments for:</i>		
Net debt of joint ventures	89,2	84,7
Non-recourse net debt for project financing	-95,0	-92,6
Cumulative financing preference shares B	-45,1	-45,1
Other	5,3	2,0
Covenant net debt (A)	-59,2	-49,1
Reported EBITDA	59,0	-75,4
Exceptional expenses	-14,2	28,7
EBITDA of joint ventures	-14,0	-0,2
Underlying EBITDA	30,8	-46,9
<i>Adjustments for:</i>		
Capitalised interest	1,5	1,8
EBITDA for project with non-recourse financing	-5,2	-3,6
Other	-1,3	-0,6
Covenant EBITDA (B) - Interest Cover	25,8	-49,3
EBITDA allocated to divestments	0,9	0,0
Covenant EBITDA (C) - Leverage ratio	24,9	-49,3
Net interest expense	11,3	9,6
<i>Adjustments for:</i>		
Joint venture net interest expense	1,1	2,1
Non-recourse project financing interest expense	-2,8	-3,0
Interest on cumulative financing B preference shares	-3,6	-3,6
Other	-2,7	-0,8
Net covenant interest expense (D)	3,3	4,3
Leverage ratio (A/C) <3	-2,4	-1,0
Interest cover ratio (B/D) >4	7,7	-11,5

* before reclassification of entities to be sold

Heijmans has agreed various sureties with the banks. This includes a right of lien on the bank accounts (100%), intellectual property rights, receivables, materials, a right of lien on the revenue from the sale of the divested companies, as well as a first right of mortgage on land holdings with a total carrying amount of around € 75 million. The facilities were subject to an interest rate of 4% as of year-end 2017, with a reduced rate coming into effect the moment Heijmans realises a further reduction of the facility.

As a result of the implementation of IFRS 11, most project financing facilities for projects executed in cooperation with third parties are no longer recognised separately in the consolidated statement of financial position. They are instead recognised under the item associates /financial assets.

The remaining financing facilities are a number of financial leases and a current account facility.

Cash flow

The condensed statement of cash flows, based on the indirect method, is as follows:

Cash flow in € x million	2017	2016*	difference
EBITDA - underlying	31	-47	
Restructuring expense	-8	-4	
Interest paid/received	-9	-9	
Income tax	-2	-4	
Movement in working capital and other	9	-4	
Cash flow from operations	21	-68	
Sale of associates	97	0	
Investments in property, plant, and equipment	-4	-15	
Proceeds from property, plant and equipment	1	7	
Loans granted to joint ventures and associate investments	-3	-14	
Investment cash flow	91	-22	
Dividend paid	0	0	
Other	2	0	
Movement in net debt*	114	-90	204

* before reclassification of entities to be sold

Order book

At year-end 2017, Heijmans' order book stood at a total of € 1,898 million, comparable to the level at year-end 2016 (€ 1,863 million, excluding discontinued operations). The largest incoming orders were the Wintrack II and Zuidasdok projects, which Heijmans acquired in early 2017. The Property Development and Residential Building order book was higher as a result of the acquisition of a number of excellent projects. Heijmans' withdrawal from the RIVM project was one of the reasons for the decline in the order book at Non-Residential. The impact of the loss of revenue from the

RIVM project amounted to more than € 150 million in the order book. In addition to this, the selective order intake on the basis of margin-over-volume principle was also a factor in the decline. At year-end 2017, approximately 60% of the revenue forecast for 2018 was already in the order book (year-end 2017: 61%). The order book at year-end 2017 and the comparative figures for 30 June 2017 and 31 December 2016 can be broken down as follows:

Order book in € x million	31-12-2017	30-06-2017	31-12-2016
Property Development	420	305	311
Residential Building	435	342	327
Non-Residential	589	756	758
Infra	814	987	730
Eliminations	-360	-269	-263
Total order book	1.898	2.121	1.863

Outlook

Last year was a transition year marked by a recovery in profitability, the continued implementation of Heijmans' revised strategy and the realisation of the planned debt reduction, as well as the repositioning of the Dutch core business. Heijmans made progress on all these aspects last year. Due to the combination of profit recovery and the policy aimed at de-risking the company – largely by limiting the potential impact of individual project results via an improved balance in the types of project – Heijmans has laid a solid foundation for the future. The order book is well filled. The quality of the order book improved steadily over the course of 2017, with contracts that are in line with our strategic parameters. Heijmans' key goal for 2018 remains a continued recovery in profitability.



Traffic measures professionals Josh van den Borgh,
Ronnie Martens and John Sint Niklaas.



Operational report

Property Development and Residential Building

As in 2016, last year the market was marked by growing demand for homes, especially in the four largest cities and their surrounding regions. House prices (including purchasing costs payable by vendor) increased once again in 2017. The market was characterised by a rapid turnaround on the back of economic developments. The growth in the number of households and the growth of cities and their peripheries were even more marked last year. We will see a structural shortage in homes in the coming years, as a result of the expected increase of more than 1 million households between now and 2030. The majority of these homes will have to be built in inner city areas and in newly-developed areas around the cities. This will put considerable pressure on inner city areas: the space available is declining, which will lead to continued urban densification. The response to this complex issue will require a great deal of creativity, as developing these types of locations will require an integrated approach to the inner-city challenge, with a combination of residential, non-residential, infrastructure development, air quality and green area development. Heijmans is responding to that development and deploying its integrated strengths in area developments such as Haga in The Hague, Nieuw Kralingen in Rotterdam, Kanaleneiland in Utrecht and Sloterdijk Centrum in Amsterdam.

The realisation of the Heijmans Woonconcept (Huismerk and Wenswonen) has shown that long-term partnerships with co-makers and reaching clear, reciprocal agreements have resulted in a sustained ability to respond to demand. In the year under review, Heijmans began production on more than 550 homes based on the Woonconcept and we expect this number to increase to around 1,000 in 2018. Production has not come to a standstill despite the considerable pressure on the availability of materials and capacity in the chain. Flexibility in planning capacity in both construction and property development also creates the opportunity to combine projects and optimise processes.

◀ Community engagement manager Simone Koenders and Hart van Zuid
programme manager Nina Cranen, Rotterdam



The increasing digitalisation in residential environments is another significant development. The use of data and sensor technology makes it possible to gain more insight into both residential needs and how homes are used. This in turn enables the addition of functionalities to the residential environment in the fields of comfort, safety and energy consumption, as well as additional services. Heijmans is responding to this trend with its 'Slim Wonen' ('Smart Living') concept, which is now a standard component of every new-build owner-occupier house that Heijmans builds. At the end of 2017, Heijmans had delivered the 1,000th home built in line with this concept.

Heijmans has opted for a strategy of product optimisation combined with improvements to the sales process. To this end, the company has taken stock of how customers (want to) experience the process and product and how Heijmans can respond to this (the so-called customer journey). The company also organised a number of training courses to improve the customer experience and will continue to make further improvements to both processes and systems. The average customer rating for a Heijmans home, measured by the external organisation SKB (Stichting Klantgericht Bouwen), was 7.17 in 2017 (on a scale of 10) and was therefore comparable to the peer group. This figure was 6.69 in 2016. Heijmans' ambition and strategy is to translate these insights into the customer experience into a continued improvement in this rating in the future. Remaining issues that require attention are: zero snagging items, response time, problem-solving potential and improving services and customer contacts at specific moments in the sales process. Heijmans has noted that customers increasingly take into account the total monthly expenditure - including costs such as energy and the measures to reduce these costs - in the purchase of a new home. Heijmans also expects to see increasing digitalisation in the customer journey, giving customers, who wish to do so, the opportunity to explore, choose and eventually buy their home online.

In addition to the increase in house prices (including purchasing costs payable by vendor), the land prices and the costs of developing and building homes are also on the rise on a nationwide basis. The demand for prefab shell homes, piles and roofs increased strongly in 2017 and this underlined the previously noted need to serve the market on the basis of partnerships with suppliers.

The recovering economy has also led to an increase in demand for commercial properties. These are primarily inner-city locations and buildings with a high level of

mixed functionalities, such as apartment buildings with a commercial ground floor or other combinations of residential, commercial and leisure spaces. Based on the need to make existing office buildings more sustainable, Heijmans expects to see an increase in renovation as well as transformation and/or demolition/new-build contracts. In 2017, Heijmans therefore started preparations that will enable it to actively seize opportunities on the commercial property front that arise from transformation and sustainability contracts from 2018 onwards. In addition, Heijmans is setting up a section for multi-functional high-rise residential construction within the Building & Technology business area, in order to focus the construction organisation on this development.

The growth in the market offers opportunities for the continued development of the existing land holdings portfolio to meet growing demand and by doing so reduce capital requirements. At the same time, it also means Heijmans needs to devote attention to the acquisition of new land holdings to meet growing demand in the future. Heijmans is selective on this front and focuses on positions in economically strong regions with a development horizon of less than five years.

Residential Building has a strategy of controlled growth and the selective acquisition of contracts, which come largely from Property Development, as well as via its own acquisition pipeline. This approach means that Residential Building can maintain a high level of quality and margins, even while there is growing pressure on capacity and prices in the building chain.

In line with the Heijmans business model, Property Development and Residential Building are centrally organised and managed business areas that cooperate closely in serving the market. The know-how and expertise in area development remains a key driver for the development of the organisation's project portfolio and acquisition strength. The acquisition capabilities of Property Development extend way beyond residential building, as a result of urban densification and inner-city contracts that are almost by definition integrated multi-functional projects.

Residential Building saw a marked turnaround in the year under review. The market saw strong growth, which meant we had to devote attention to controlled growth and the underlying procurement and capacity planning. However, no projects were brought to a standstill despite the strong market growth and resultant demand for capacity. The co-makership Heijmans aims for based on its procurement policy is paying off particularly well in

this market. Heijmans increasingly collaborates with permanent partners and has deliberately reduced the number of its suppliers. Thanks to the strong collaboration between Property Development and Residential Building, there is clear oversight of project schedules and reciprocal engagement at an early stage, which enables Heijmans to anticipate market developments and the required operational process. Increasing sustainability also remains a key focal point, and a neighbourhood-focused approach is gaining ground on this front. Other issues such as energy supply also play a role in this. This energy supply challenge also remains important at product level, in terms of design, concept and standardisation. Heijmans is also responding to the major challenge of making existing housing stocks more sustainable through renovations, which also lead to considerable improvement in the living comfort of these homes.

These areas of expertise, operating methods and organisation put Heijmans in an excellent position in the growing housing market, which translates into the acquisition of interesting new projects and healthy progress in ongoing projects. For instance, in the year under review, Heijmans acquired contracts for the development of 125 homes in Leidsche Rijn Centrum in Utrecht, and for 150 homes and commercial spaces as part of the inner city transformation of Sloterdijk-Centrum in Amsterdam. Heijmans also won a contract from real estate investor Vesteda for the development and realisation of more than 370 homes in various municipalities in the Netherlands. And the realisation of the Bananenstraat in the Katendrecht neighbourhood in Rotterdam, the Gasthuiskwartier area development project in Den Bosch and the Noorderhaven project in Zutphen all saw solid progress last year. On the renovations front, Heijmans is improving the sustainability of 1,000 homes for housing corporation Lefier in Groningen over the next two years. In Amsterdam, Heijmans delivered the Wiener & Co inner-city area development project, which received the Zuiderkerkprijs award for the best residential building in 2017.

Property Development

Property Development (in € x million)	2017	2016
Revenue	391	332
Underlying EBITDA	20	15
Underlying EBITDA margin	5,1%	4,5%
Order book	420	311

Property Development is reaping the benefits of the strong growth in the housing market, both in the form of an increase in the number of homes sold and in the increase in house prices (including purchasing costs payable by vendor). Heijmans sold 2,192 homes in 2017 (2016: 1,962), with 1,394 (64%) of these sold to private buyers and 798 (36%) sold to investors (2016: 1,019 homes / 52% to private buyers and 943 homes / 48% to investors). The increase in the value of homes is visible in the average price (including purchasing costs payable by vendor) of the homes sold to private buyers. This increased to € 299,000 in 2017 (2016: € 243,000). Property Development recorded revenue of € 391 million in 2017 (2016: € 332 million), while underlying EBITDA was € 20 million (2016: € 15 million). The order book stood at € 420 million at year-end 2017.

The stock of strategic land holdings increased to € 150 million, from € 147 million. Unconditional commitments, which will result in future property acquisitions, declined to € 73 million in 2017 (2016: € 93 million). Conditional commitments, which may lead to future property acquisitions, declined to € 114 million (2016: € 146 million). The majority of these conditional commitments will have only a limited cash impact upon materialisation. These are primarily commitments to acquire land once a building permit has been granted and/or a certain sales percentage has been achieved. The growth in the market means there is an opportunity to develop positions in the existing land holdings portfolio to meet demand, while at the same time reducing capital requirements.

Residential Building

Residential Building (in € x million)	2017	2016
Revenue	297	296
Underlying EBITDA	5	4
Underlying EBITDA margin	1,7%	1,4%
Order book	435	327

Revenue at Residential Building in 2017 was comparable to the previous year at €297 million (2016: € 296 million). Heijmans has opted for a strategy of controlled growth in a market that saw a strong turnaround in 2017. The market saw strong growth, which meant we had to devote additional attention to controlled growth and the underlying procurement and capacity planning. However, no projects were brought to a standstill in the year under review. The co-makership Heijmans aims for

on the basis of its procurement policy is paying off particularly well in this market. Heijmans is increasingly collaborating with permanent partners and has deliberately reduced the number of its suppliers. Residential Building is looking to maintain a selective focus on projects with healthy margins. Residential Building booked an underlying EBITDA of € 5 million in 2017 (2016: € 4 million) and the order portfolio stood at € 435 million at year-end 2017.

Non-Residential

The performance of the Non-Residential business area was disappointing in 2017. In the year under review, Heijmans changed and renewed the management of the organisation considerably, reassessed projects, improved the internal information systems and took measures to tighten the tender and acquisition process. Partly as a result of our margin-over-volume policy, revenue declined to € 240 million last year (2016: € 315 million). The decision to withdraw from the RIVM project consortium also affected revenue, the result and the order book.

Non-Residential has tightened its focus and is now targeting the healthcare (cure) market, education (college and university buildings) sector, commercial property for private parties and (semi) public sector organisations, industry, data centres, leisure and multi-functional high-rise residential buildings. The conservative acquisition policy with respect to new-build projects is related to the question of whether the preconditions outlined in the tender request are realistic and offer Heijmans the opportunity to realise a margin in line with its risk profile. In addition, Non-Residential's Services business unit recorded a solid performance in the field of maintenance and management, with annual revenue of € 171 million.

The optimisation of the financial processes has given Heijmans clear insight into current schedules, project processes and cash flow, which has reduced the chance of surprises in projects. The implementation of SAP - launched in 2016 and completed in 2017 - has played a crucial role in this.

Aside from these internal measures, Non-Residential has also restructured the commercial process on the basis of the previously outlined market analysis, but also by developing concepts and added value. This enables Non-Residential to operate more pro-actively in the market, an approach aided by creative strength and close collaboration with clients. The BeSense product is an example of this development. This remote sensor system enables users to respond quickly to accommodation issues on both the maintenance and management fronts,

as well as renovation and the realisation of new functionalities. After all, sensors can show how buildings are being used, where and when cleaning and other forms of maintenance are needed and which functionalities could be introduced to anticipate future user needs. This focus on data is a key spearhead for Non-Residential. BeSense won the 2017 European Cleaning & Hygiene Award in the category 'Ground-breaking Innovations' and this underlined the strategic value of the product when it comes to smart and efficient building management.

The market for non-residential new-build projects showed the first signs of recovery in the year under review. Although we saw an increase in volumes in the tender stages throughout a large part of the year, there were no real signs of a recovery in price levels. Principals in the non-residential market are increasingly aware that price setting has to go hand in hand with the complexity of projects and the impact on the procurement side as a result of economic recovery. Yet the budgets for new-build projects are still frequently inadequate. Non-Residential therefore continues to be selective in terms of the acquisition of projects. The revenue of the Services business unit remained more or less unchanged from the previous year in 2017. Here too, Non-Residential is selective in its acquisition of new contracts and deliberately opting for larger maintenance contracts - with the opportunity for follow-up contracts - often from existing clients, rather than a portfolio of numerous small, one-off contracts. Examples of the former are the maintenance and management at Schiphol, the Meander Medical Centre in Amersfoort, the government building Turfmarkt 147 in The Hague and the buildings at Eindhoven Technical University.

The Services business unit is focusing on developing strong customer relationships, which means Non-Residential is engaged with its clients more frequently and for longer periods of time and can therefore use its in-depth knowledge of its clients' business processes to help them focus on their core business. Now that the market is recovering, it will be possible to realise interesting projects with a recurring character in the construction team. Products like BeSense also support this client strategy and are leading to interesting new requests on the maintenance and management optimisation front.

Heijmans decided to withdraw from the RIVM projects and transferred its share in the consortium to Strukton. This was in line with the strategy aimed at reducing the impact of a number of specific projects as quickly as possible in 2017, the year of transition. While a financial and technical solution for the project was found,

Heijmans nonetheless decided that the transfer of its share in the project was the best way to operate in line with this strategy. The permissions required from project financiers and principals have since been received. As a result of this decision, Heijmans has taken a one-off loss of € 3.5 million and will no longer play a role in the execution and exploitation of this PPP project.

In early 2018, Heijmans delivered the new swimming centre in Hart van Zuid, which is part of the 'Hart van Zuid' area development in Rotterdam. The realisation of this swimming pool involved the transformation of an office building. Heijmans is also working on the renovations of the Ahoy events and conference centre as part of the Hart van Zuid development. In addition, in 2017 Heijmans won the contract for the realisation of two new KLM training centres at Schiphol. And in the spring of 2017, Heijmans delivered the Eurojust building in The Hague. Eurojust is active in the fight against international crime and terrorism.

Non-Residential (in € x million)	2017	2016
Revenue	240	315
Underlying EBITDA	-6	-14
Underlying EBITDA margin	-2,5%	-4,4%
Order book	589	758

The results of Non-Residential lagged in 2017, partly because revenue was significantly lower last year at € 240 million, compared with the previous year (2016: € 315 million). Underlying EBITDA amounted to € 6 million negative (2016: € 14 million negative). Although the market for non-residential new-build showed an increase in volumes, there was no real recovery in price levels. This decline was due to a tightened commercial focus and a strict acquisition policy when it comes to new-build projects and the related under-coverage of general overheads. The decision to withdraw from the consortium for the RIVM project also had an impact on revenue, the result and the order book. This decision had an impact of more than €150 million on the order book, which stood at € 589 million at year-end 2017.

Infra

In 2016, the Infra business area recorded a strongly negative operating result due to a number of high-risk projects that had a significant downward impact on the result. These strongly negative developments led to a

strategic focus on the reduction of risks (de-risking) and getting results back on track in 2017. In early 2017, Heijmans appointed a Chief Risk Officer to supervise operating and project risks and develop and implement risk management across the board at Infra. We also adapted the project risk categorisation. This means that in addition to revenue/volume, we also include other aspects such as contract risks and assess the complexity in the selective acquisition of projects. Heijmans has made a number of strategic choices in terms of market focus and acquisition, such as the emphasis on line infrastructure, the creation of an improved balance in the revenue mix between large projects on the one hand and regional projects, asset management and specialisms on the other.

As part of Heijmans' 'Focus, Discipline, Excellence' strategy, Heijmans adjusted the Infra organisation in 2017, based on the guiding principles of ownership, focus on results and collaboration. The regional businesses are managed locally, while specialist know-how is organised centrally and made available across the entire organisation. Heijmans' centralised and integrated management is aimed at maintaining the added value and integrated nature of the business units. In 2017, the company also worked on risk-aware entrepreneurship to strengthen the regional operations. With a view to future-proofing the company, Heijmans has developed an approach to the development of new products based on the principles of the circular economy and sustainability, such as the development of sustainable concrete and asphalt.

In the process of this shift, we also devoted attention to corporate culture and core values as crucial factors in the success of the strategy. The 'IK!' corporate culture programme formed an integral part of all internal communications and therefore reached all employees. By actively promoting the related principles and values, the company is constantly working on its corporate culture. Investments in people, expertise, training and the right skills remain a priority on this front.

Progress settlement high-risk projects

In the first quarter of 2017, the settlement of a number of high-risk projects continued to demand the organisation's attention, but the impact of these projects was reduced. This trend continued throughout the year. Heijmans reached definitive agreement on the N23 Westfriisiaweg project, where work is now up and running after the restart of the project. With respect to the Wilhelmina locks project, Heijmans is still awaiting the definitive ruling of the Arbitration Board for the Building Industry (Raad van Arbitrage voor de Bouw). Following various additional efforts, work on the A9 project is progressing towards

delivery of the tunnel to the Dutch Ministry of Public Works and Water Management (delivery for use), which is scheduled for the end of June 2018.

Large projects won by Infra in 2017 included the design and realisation of the Zuidasdok in Amsterdam (Heijmans has a 15% share in the consortium) and the contract for the realisation of the new high-voltage network Wintrack II in partnership with Eurocoles (Heijmans share 60%).

In 2017, Heijmans improved the balance in revenue between large integrated projects and regional projects, maintenance and specialist works. For instance, Heijmans signed the alliance contract for the dyke reinforcement project Gorinchem Waardenburg and announced it will execute a new project with energy-generating noise barriers near the A50 in Uden: Solar Highways. In the spring, we realised the large-scale maintenance on the Kaagbaan runway at Schiphol airport, in which we combined a wide range of different activities to complete the project in just over nine weeks. In the summer, Heijmans built a heat-transport pipeline in the Amsterdam Oostelijk Havengebied area for energy company Nuon, with the purpose of providing existing and future homes in the area with residual heat from the electricity plant in Diemen. Heijmans also won the contract for the construction of the Zilverbaan in Veldhoven, the new western access route to the future connection to the A67 motorway.

Infra

Infra (in € x million)	2017	2016
Revenue	680	621
Underlying EBITDA	16	-73
Underlying EBITDA margin	2,4%	-11,8%
Order book	814	730

Infra's results improved significantly in 2017 compared to the previous year. Revenue increased to € 680 million (2016: € 621 million). Unlike in the previous year, Infra was not faced with delays in large-scale projects such as the N23, which meant revenue was at a healthy level and more evenly distributed across the year. Underlying EBITDA improved significantly to € 16 million (2016: € 73 million negative).



"Building for the future"

Housing corporation Nijkerk saw a growing number of tenants falling between the cracks and to help fill a growing gap commissioned 28 Heijmans ONE homes. At Spookkamp, the ONE homes will form a small neighbourhood for the next 10 years, providing a home for young people and singles. Afterwards, the movable homes can be transported to another location in the municipality. "We are building a future-proof housing stock."

Peter Toonen, Executive Director
housing corporation Nijkerk



Read the interview on [heijmans.nl](https://www.heijmans.nl)



People and Organisation

People are the heart of the organisation. The Heijmans organisation came under immense pressure in late 2016 and in the year under review. This made debt reduction and safeguarding the continuity of the company our top priorities. As a result, Heijmans decided to make drastic changes in a short space of time, which demanded a huge commitment from the company's employees. Those same employees showed enormous engagement and dedication and, last year, together we managed to take a number of major steps that yielded significant results. The positive impact of these steps has given our employees a new esprit and confidence. At the same time, the construction industry is facing growing shortages on the labour market, while developments on the social front are demanding creativity, experience and expertise. These developments are making human capital more important than ever. Heijmans aims to be an employer of choice, putting it in a position to attract and retain high-quality employees. Heijmans is looking to differentiate itself by offering a long-term challenge (a career), with room for growth and professional and personal development. Heijmans also wants to offer its employees a safe and healthy workplace and this is one of our key strategic priorities. Heijmans' commitment as an employer, the innovative projects we win and the integrated nature of the services we offer are key factors in being an attractive employer. Heijmans uses this strategy to respond to developments on the work front and the sector as a whole, and to respond to developments in the health and work experience of our (future) employees.

Trends and developments

The year under review was marked by a significant turnaround as a result of the economic recovery and growth in the housing market. The technical sector is proving to be a sector with more than its fair share of professionals in short supply, according to research from the Dutch Employment Insurance Agency UWV. This is also very much visible in the construction sector, which is one of the main technical sectors in the Netherlands. While the economic crisis of a few years back led to a policy largely driven by efficiency considerations, in 2017 we saw the creation of room to offer new perspectives. Shortages in

◀ Works planner Loes Kerkdijk,
New fly-over A1-A50 near Beekbergen junction

experienced and qualified technical staff increased significantly, with project managers, BIM specialists, work planners, site managers and calculators in particular high demand in the current market. This shortage of personnel in the manufacturing industry in general will also continue to grow in the coming years, and this will require extra attention from Heijmans and from broader society as a whole. Shortages in the labour market had an impact on Heijmans' HR policy in 2017, especially in the second half of the year. In consultation with all business areas, we looked at the development in demand and hired several recruiters. The continued ageing of the population will result in an outflow of large groups of experienced professionals in the years ahead, which will exacerbate the impact of this shift. Despite these developments, Heijmans was able to meet the demand from the organisation and fill vacancies in 2017.

In addition to shortages in the labour market, Heijmans has also noted that labour is becoming increasingly flexible. This means not only that the time and place of work is shifting and becoming more flexible, but it is also creating an increasing demand for a new kind of leadership. This new style of leadership is characterised by the connection with and between employees, the need to devote attention to their development and personal motivation and circumstances. Shortages in the labour market mean it is increasingly important to respond to this need in a way that employees recognise and appreciate.

Culture and core values

In 2016, Heijmans launched the 'IK!' programme aimed at actively promoting certain core values and kinds of behaviour. This programme is a logical translation of the corporate strategy into conduct and attitude, driven by the core values of ownership, result-orientation and collaboration. Attention to culture and conduct is crucial, especially in a project organisation like Heijmans, where the uniformity of work on projects, the impact of details and the actions of every individual can all have a major impact. This awareness has increased in recent years and as a result promoting our core values has become more of a priority. The choice of 'IK!' as the umbrella concept shows that every success, every change and every improvement starts with you: what can you do, where can you improve and where can you have an impact? 'IK!' is also a good fit with the safety programme 'GO!', which is also based on the same consistent principle. In addition to risk awareness, Heijmans also actively targeted contract awareness. Both have an immense value in a project organisation in which consistency is important and risks

can be considerable. In the past year, the various business areas developed the IK! programme in more detail and implemented the programme in their respective organisations. This has resulted in the following actions:

In Non-Residential, the core values have been linked to a strategic path. The strategy and core values were introduced and discussed during a road show at all offices and business units. The company has appointed various coaches/ambassadors in the organisation, who initiate a dialogue on the subject and actively discuss the content. The company also published a regular newsletter, and highlighted the core values and acceptable behaviour in concrete stories and practical examples that are shared within the business area via a news app. This enables us to put the programme into practice in a low threshold and consistent manner. In addition, in the spring of 2017 we conducted an engagement scan among all employees of Non-Residential to gauge the employees' engagement with the company.

The survey revealed the following areas of improvement: improved reciprocal know-how exchange, personal attention, leadership focused on people and reducing the divide between 'outside' and 'inside'. At Property Development, we also set up a core team of ambassadors to further develop and embed the programme in the organisation. At Infra, IK! has been linked to a strategic process and both 'IK!' and the strategic process have been highlighted in all communications in the organisation: via a road show, in personal letters, in a strategy booklet and by giving all managers a proactive role in promoting the relevant values. We also conducted an employee survey at Infra in 2017. This revealed the following areas of improvement: work pressure, personal development, management, cooperation and communications. It is hardly surprising that areas where the organisation has come under significant pressure in recent years are also those that are highlighted as potential areas of improvement in an employee engagement survey. These have since been included in the culture programme at Infra and will require extra attention in the coming period.

Learning organisation

The concept of the learning organisation remains a key priority for Heijmans, which can be seen in training programmes, job rotation and the corporate culture. Learning is also expressed in terms of encouraging employees to point out areas for improvement and making those the subject of an ongoing dialogue. The organisation is gaining in know-how and aims for increasingly know-how intensive profiles at every level of the organisation. That also increases the importance

of developing and raising the quality of that know-how. This is even more important given that the market is demanding ever-increasing levels of know-how, creativity and experience to respond to and overcome social challenges. Heijmans stresses the importance of individual, practical know-how and experience in the training of its employees. We share and discuss best practices and internal training courses include discussion of current, Heijmans-related issues. During the 'trade days', which are part of the training package, the company combined efforts with skilled workers to assess their training and education needs. This raised 90 points, which have been addressed and discussed in toolbox meetings, works instructions and via the quality sheets. In the past year, Heijmans organised training for employees who use a company PC in the field of cyber security and the correct handling of data and hardware.

Know-how intensity

Know-how intensity as a KPI is the result of a number of developments in the construction industry that Heijmans focuses on indirectly. Projects are becoming more complex and more integrated. Building in inner-city areas, transformations and high-rise construction are all examples of projects that require a high level of know-how. At the same time, these are also the type of projects Heijmans is looking to acquire, and the kind of projects the company can use to create its differentiating potential in the market. Contracts are becoming ever more complex and new forms of collaboration are also placing new demands on the abilities of employees. Heijmans is also working on numerous concepts and innovative developments. One key development is the ongoing digitalisation in both operations and product upgrades. This requires a new set of competencies. The combination of the above has resulted in the recruitment of people in positions that require relatively high levels of education or specialist knowledge, which means Heijmans is becoming a more know-how intensive company.

Know-how intensity is measured by dividing all positions into four academic categories: LBO/VMBO (pre-vocational), MBO (vocational), HBO (applied sciences) and WO (university). This shows that the organisation has become more know-how intensive since 2016.

Cat. 1 (< MBO level 3)		Cat. 2 (MBO level 3 of 4)		Cat. 3 (HBO)		Cat. 4 (WO)	
2017	2016	2017	2016	2017	2016	2017	2016
8%	9%	44%	44%	44%	43%	4%	4%

Education level as at 31-12-2017

In 2017, the percentage of employees with an MBO 3 level education declined slightly to 8% of the total workforce (2016: 9%). The percentage of employees with an MBO 3 or 4 level education remained the same. The percentage of employees with a HBO level education increased slightly to 44% of the total workforce in 2017, from 43% in 2016. The percentage of employees with a university degree (WO) remained the same.

Talent development

Heijmans taps into the potential of the various groups within the organisation through talent development programmes. The management development programme targets the senior and middle management levels of the company, the young potential programme targets young employees and trainees, while the professional programme focuses on technical and specialist positions. Heijmans uses its management development programme to direct the development of senior management. The company aims to develop at least 70% of its succession potential from in-house personnel.

Diversity

Diversity remains important, also in terms of team performance and accountability for results. This extends beyond the division of men and women, as it also pertains to cultural diversity and diversity in terms of personal profiles. Heijmans therefore conducted an analysis on the basis of the Management Drives method in its numerous project and management teams. The purpose of this analysis was to arrive at diverse teams in which different profiles complement and stimulate each other. Aside from that profile, each vacancy is assessed in terms of whether a man or a woman would be preferable in that position. The proportion of women in senior management positions increased to 12.5% across the entire organisation last year. This percentage is highest at Property Development and in the staff departments. There are no women in the Executive Board, while the Supervisory Board has one female member. Through work placement, trainee programmes, the annual master class and recruitment, Heijmans can see growing numbers of young women entering technical education and subsequently choosing technical jobs. This offers Heijmans the opportunity to increase the diversity in the organisation in terms of the proportion of men to women.

Health and Safety

Safety

Safety spearheads

The GO! Safety programme aims to create safe working conditions and literally 'No Accidents'. Heijmans launched

this programme in 2013 and it is headed by a programme manager and a programme team that comprises a mix of line managers (a reflection of the work areas), procurement, quality and safety managers. The programme team holds a strategy meeting once a year to evaluate the programme and the objectives and translate these into a programme for the year ahead. The programme manager regularly reports to the Executive Board.

The Safety programme is also actively promoted by 45 'GO!' coaches. They actively promote the rules of safety-related conduct and attitude and enter into a dialogue with employees. They support their peer (senior) site managers and coach their colleagues in the field of safety. They also raise safety awareness through targeted training courses and toolbox meetings. The coaches encourage safe procedures on their 'own' building sites and take individual and collective actions to make safety a topic of discussion and to raise the level of safety at every level of the organisation. The GO! coaches have all followed a 5.5-day training course geared to coaching skills and soft (social) skills. Heijmans has also taken steps to have all managers obtain SCC (SHE (Safety, Health and the Environment) Checklist Contractors) certification as another way of raising safety awareness.

The safety programme is based on three pillars. The first is a change of attitude and behaviour when it comes to safety. The second is a uniform safety level and a uniform and shared perception of safety within Heijmans. The third principle is collaboration on safety in the construction chain.

The programme has been running for more than four years now and there has been a clear change in culture and behaviour and we have made major progress, but we still have a long way to go to realise these goals. The company has therefore decided that, in addition to the changes we have already realised, we need additional drastic and structural measures to take us even closer to the targets we have set. Heijmans has extended the scope of the programme through 2020.

Targets and actions of the safety programme 2013-2020

The programme has the following goals: no accidents resulting in death or permanent injury, the safest construction company in the Netherlands (IF<1) in 2020, a sustainable change of culture with respect to safety and a proactive attitude towards the safety of employees. We plan to achieve this by encouraging a change of attitude and behaviour, uniform safety requirements and collaboration aimed at safety in the construction chain.

Actions 2017

Heijmans continues to dedicate considerable attention and energy to attitude and behaviour rules with respect to safety, to make sure the shift we have started in terms of both attitude and actions is embedded in the organisation. Heijmans has initiated a range of efforts to continue to draw attention to these rules and encourage compliance with same.

- In 2016, Heijmans initiated an investigation into the effectiveness of toolbox meetings, which are often used to highlight safety issues. One of the measures this has resulted in is the training of site managers, so they can hold interactive toolbox meetings with the building site employees. Heijmans provided these training courses in 2017. Thanks to the new, interactive nature of the meetings, the subject tends to make a stronger and more lasting impression on the building site employees who take part.
- In 2017, members of the senior management team once again made working visits in the context of the GO! programme. These so-called workplace inspections increase their visibility and engagement in terms of safety at the building site. The senior management (including managers from corporate staff departments) take to the building sites in pairs, to enter into a dialogue about safety on the spot.
- ***Online and digital communications***
The GO! app is an online platform used to share important information about safety and the safety programme, such as the health, safety, welfare and environment guide, practical 'handles' and the content of toolboxes. Employees can also use the app to report unsafe situations at work, draw their colleagues' attention to such situations and learn from same. In June, the 3000th GO! app report was filed. More than 3,700 reports have been filed since the introduction of the GO! app in 2014.
- In the past year, Heijmans digitalised the workplace instructions (WPI) and integrated it in the GO! app. This makes it possible to register all findings and photographs of an inspection during a site visit immediately. In 2017, we conducted more than 8,500 electronic site inspections. The average number of questions per site inspection covers around 15 to 16 items. These are immediately collected and analysed using the systems behind the GO! app, making it possible to address any issues quickly and translate these into improvement measures.

- All Heijmans employees receive a monthly newsletter ('update in de keet' or site cabin update) and these too are part of the GO! App. All this information is freely accessible at no charge to everyone in the building chain, including subcontractors, suppliers and customers. Other building companies have also adopted the system and structure of the GO! App. This way, safety know-how and the approach to safety are distributed across the sector via the Governance Code Safety in the Building Sector and the Safety taskforce of industry organisation Bouwend Nederland.

- **Safety introduction movie**

In 2016, Heijmans made the GO! safety introduction film, as a uniform information medium for all visitors and employees at Heijmans buildings sites. The safety introduction film was introduced in the business areas Residential Building and Non-Residential in 2017, followed by Infra in Q1 2018.

- **Hand-outs and safety instructions**

In 2015, the company started the implementation of integrated safety in the design stages of projects, by drawing up a design schedule. In 2017, we trained a number of design and development managers, developers and design leaders in the organisation and presentation of a safety design session. Also in 2017, Heijmans produced various hand-outs / instruction leaflets of comprehensive safety themes for developers, designers and construction engineers.

- **Introduction new employees**

Every new employee at Heijmans takes part in an introduction day. GO! is an important part of that day. New employees discuss safety themes together and think about what they could do to improve safety. In 2017, Heijmans held six introduction days attended by a total of 257 new employees.

- **Safety meetings Procurement**

In 2017, Heijmans invited a group of selected strategic suppliers/subcontractors to attend two safety sessions. During these sessions, Heijmans and its partners discussed safety issues and developed solutions together using the Kaizen method of continuous incremental improvements. We have made these safety meetings a structural part of our drive to improve safety standards.

- **Taskforce Bouwend Nederland**

Heijmans is represented on the Safety taskforce of Bouwend Nederland, which the industry organisation set up in 2017. The taskforce's ambition of zero lethal

accidents is in line with Heijmans' own ambitions.

- **Governance Code Safety**

In early January 2014, Heijmans and 14 other companies and organisations signed the Safety in Construction Governance Code. By signing the code, the companies and organisations committed to increasing safety in the sector with a joint policy aimed at a safe working and living environment, maximum safety awareness and attitude, sound collaboration and chain integration. In 2016, a CEO vanguard group was set up in which Heijmans is represented. The company is heading the development of a uniform reporting app for the construction sector and is also represented in the safeguard committee for the generic gate instructions. At the end of 2017, the parties to this initiative signed the so-called generic gate instruction (GPI). Under this initiative, project employees will follow a generic safety training course that will eventually replace all project and company-specific gate instructions in the construction sector. The Foundation Cooperation for Safety (SSV), which provides training courses for companies involved in high-risk activities, is collaborating in this effort.

Safety figures

The trend in accident index figures for Heijmans in the Netherlands is shown in the table below. The figures are based on the number of accidents resulting in absenteeism among our own personnel (including temporary personnel) in relation to the number of hours worked.

In 2017, we registered 77 accidents among our own and temporary personnel and those of subcontractors. Unlike in previous years, the IF figure for Heijmans in the Netherlands also includes joint works from 1 January 2017. Heijmans' share in the joint work, in percentages, is also the company's proportional share in the accidents resulting in absenteeism. The calculation does not make a distinction between the employees of the partners involved in the joint work.

	the Netherlands	
	2017	2016
Fatal accidents	1	0
IF*	3,7	3,6
# accidents with absenteeism (including subcontractors)*	77	94

IF: number of accidents with absenteeism of at least one day per million working hours.

* The calculation method for these KPIs has changed from 2017 onwards, which means the 2017 and 2016 figures are not comparable. For a full explanation of the calculation method, we refer to the chapter Reporting methods in the appendices to this report.

In 2017, there was one fatal accident. Heijmans is deeply saddened by this accident and has expressed its condolences to the family of the victim. The internal accident investigation of the fatal accident is likely to be finalised in the first quarter of 2018 and the conclusions and recommendations will subsequently be shared internally and externally.

Health

Heijmans' own Health and Safety Centre advises, guides and supports managers to safeguard the employability and availability and therefore the productivity of employees. The Health and Safety Centre also handles the prevention of absenteeism and contributes to the optimisation of working conditions. This safeguards and promotes the employees' long-term employability and availability for work. The starting point is the employee and how they can be employed despite their health issues. Heijmans immediately refers employees with health complaints to the network of specialists it has developed. In addition to speed, this also has a beneficial effect on absenteeism. However, absenteeism increased in the year under review, partly due to cases of long-term sick leave. Among office staff, this generally involves stress-related issues. Partly in response to this, the Health and Safety Centre organised stress management workshops across the entire company. These workshops revolved around picking up stress signals and providing insight into the best way to respond to those signals.

All Heijmans employees can make use of a periodic medical examination by the Dutch Health and Safety Centre (De Arbodienst). Heijmans supports subsequent interventions resulting from these medical examinations, such as workplace visits, ergonomic assessments and vitality interviews.

OECD Directives

Heijmans acknowledges the various points set out in the OECD guidelines, and acts in accordance with them. The company is subject to audits by certifying bodies and auditors in this context. We report publicly on our activity on this front in our integrated annual report (GRI4), at the General Meeting of Shareholders, on the company website and via other channels. Our integrity policy, HR policy and sustainable procurement policy are examples of explicitly described elements of our approach to health and safety.

Absenteeism

Heijmans targets an absenteeism percentage of less than 4%. Absenteeism in the Netherlands as a whole increased to 4.21% in 2017 (2016: 3.71%). The rapidly growing market, demand for skilled employees and older people staying in the workforce for longer goes hand in hand with changes and increased work pressure. This is reflected in the slight increase of 0.5% since 2016. The frequency of absenteeism declined while the duration of same increased slightly. The difference in absenteeism percentages between direct (building site related) and indirect employees is related to the relatively high percentage of physical complaints and absenteeism among building site employees. Heijmans implemented the vitality programme 'work enjoyment and time management' at Residential Building and Property Development in 2017 and this has since been made available to all business units. Heijmans actively encouraged employees to participate in the sustainable deployment analysis conducted by construction industry knowledge and advice centre Vollandis. In the year under review, a total of 800 employees participated in this analysis (including 433 covered by the collective labour agreement for the metal industry and 367 covered by the collective labour agreement for the construction industry).

Workforce figures

At year-end 2017, Heijmans had 4,554 employees (year-end 2016: 4,716), broken down into age groups as follows:

	the Netherlands 2017	the Netherlands 2016
Employees aged 24 years or less	99	81
Employees aged 25 to 39 years	1.399	1.510
Employees aged 40 to 54 years	2.036	2.141
Employees aged 55 years and older	1.020	984
Total	4.554	4.716

Heijmans aims to maintain the current age group balance in the workforce, despite ageing of the workforce in the construction industry as a whole.

Inflow and outflow

In 2017, 584 employees left Heijmans in the Netherlands, compared to 551 in 2016. Heijmans hired 422 new employees, compared to 321 in 2016. Heijmans Property Development and Residential Building saw the largest increase in the balance of inflow and outflow.



“Heijmans has plenty of know-how. Together you know everything.”

As a developer at Heijmans, Marloes van der Meulen is right there at the inception of new places and buildings. She also works on innovation within Heijmans. Marloes won the Young Heijmans Disruptor 2030 award, in which young employees were asked for their ideas for the future. “If you want to attract future talent, you need to offer opportunities for a healthy balance between work and private life and the development of soft skills.”

Marloes van der Meulen, developer at Heijmans



Learn more about Marloes
via heijmans.nl



Sustainability achievements

Vision

The construction industry has a unique opportunity to leave its mark on the future, as early as the design and development of the built environment. Sustainable design, with a view to alternative and decentralised energy generation, efficient use of energy, space and materials and optimum comfort and user experience can all make a difference to the human environment. Heijmans wants sustainable design to contribute to reductions in CO₂ emissions, reduction in the amount of residual materials produced, waste separation and re-use after disposal. Heijmans' ultimate goal is to no longer extract energy, materials and space, but instead add to the living environment, and by doing so create value.

Sustainability of organisation

Within the Heijmans organisation, a dedicated company-wide steering group discusses aspects such as improvement, innovation, sustainability and safety in conjunction with each other. The CEO of the company chairs this group. The steering group comprises representatives of the various business areas and procurement. The materiality analysis outlines a number of aspects that affect and are important to Heijmans, including sustainability-related aspects. Heijmans has introduced specialist teams in the business areas to take up those aspects and issues. The line organisation is responsible for the specific operational choices relating to these aspects. A company-wide CO₂ desk combines all expertise on protocols and tools in this area and provides support in the field of CO₂ foot-printing and advice.

Sustainability policy

The company's corporate sustainability vision was laid down in the 'Spatial Contours of Tomorrow' vision (2013-2020). At the heart of this vision lies the ambition to create and add value rather than destroy it. This applies to resources in the fields of energy, materials, space, etc. This way Heijmans anticipates and responds to developments in energy transition, the circular economy and the development of spatial quality. These ambitions also provide a benchmark in the development of Heijmans' innovation programmes. Based on this premise, the sustainability policy has been divided into three areas:

1. continuing efforts to make Heijmans' operations more sustainable;
2. greenification of the chain in cooperation with partners in the chain;
3. development of sustainable solutions in Heijmans' overall product and services portfolio.



Increasing the sustainability of the operations

Active chain management and the procurement policy are key drivers in Heijmans' efforts to make its operations more sustainable. For instance, the company has outlined an Energy Management Plan (EPM), which is used to monitor the energy transition, energy efficiency and energy savings of all buildings and materials. The plan outlines actions for each object and each type of resource, which are then implemented at a central level. The company's sustainable procurement policy combines the activities in the chain. This applies to both the collaboration partners and the products procured. Heijmans' sustainable procurement policy includes explicit agreements with its larger partners, relating to both sustainability and quality and safety. The company has set up an extensive training programme for buyers and is working towards certification of the continuing greenification of the procurement processes, to initiate dialogue on this subject with its partners. The chapter 'strategy implementation' provides insight into the key steps taken in the field of procurement in the year under review.

Footprint

The CO₂ emission for scope 1 and 2 of Heijmans the Netherlands was 51,088 tonnes in 2017, a decline of 2.8% compared with 52,563 tonnes in 2016.

Foot-printing objective 2016-2020

Heijmans aims to reduce CO₂ emissions, in relation to revenue, by at least 10% in four years' time and uses 2016 as the benchmark year for both emissions and revenue in this respect. The new Energy Management Plan (EMP) for 2017-2020, outlines additional measures to realise further reductions in CO₂ emissions during that period. The focus is primarily on reducing emissions from asphalt plants, projects and lease cars. In the EMP, we have outlined a number of concrete measures that we will use to reduce energy consumption and thus CO₂ emissions in the coming years. In 2017, the entire Heijmans organisation was assessed against the standards of the CO₂ performance ladder, with the purpose of gaining a 'CO₂-aware certificate' for the entire company. This certificate will be issued in the course of 2018.

'Greenification' of the chain

At the end of 2017, we once again refined our sustainable procurement policy and communicated it to our suppliers. A key change from the 2016 policy was the

definition of themes in the field of sustainable procurement and the analysis of same for each product group. These themes are: management and organisation, human rights, labour practices and the environment. Based on the analysis, we define the relevance of each theme and formulate and implement actions that we can tackle with our partner. You can find an up-to-date overview of relevant certificates and standards, as well as the sustainable procurement policy underlining the above, on the Heijmans website.

Developing sustainable solutions, a number of case studies:

Carmel apartments in Beek

A co-operation of Heijmans and Van Wijnen is currently renovating 384 apartments in the Carmel complex in Beek for the ZOwonen housing corporation. The two companies are making the 1960s apartments more sustainable and energy efficient and the plan is to eventually make them fully natural gas-free.

Collaboration Haarlem city council

In the year under review, Heijmans won a contract from the Haarlem city council for a range of maintenance projects over the next four years, varying from sewer replacement to road construction. Together with a number of partners, Heijmans will make an innovative contribution to the circular economy and the city's sustainability goals. The collaboration adds routine and increases transparency in the division of tasks between the city council as overall manager and the selected implementing partners. The council and the various partners will also be able to make better use of each other's innovative capabilities.

Leidsche Rijn Centrum

Heijmans is developing and realising 125 homes for the Utrecht city council adjacent to the central shopping area in the Leidsche Rijn Centrum. The quality of the homes and urban allure of the plan to be developed will contribute to the urban living quality of Leidsche Rijn. The project is also highly sustainable, with an energy performance coefficient of -0.3, due to a number of measures including PV cells on roofs and facades.

Central Waterway Waarderpolder

For the Haarlem city council, Heijmans has started construction on a waterway that will make a significant

contribution to the sustainable and attractive design of public spaces in the Waarderpolder development. As part of the contract, Heijmans is also drilling, constructing eight tunnels, and carrying out work to lay and remove sewage systems. The company is also coordinating the relocation of the various pipes and cables and replanting around 77 trees and planting 63 new trees with the necessary adjustments to the public infrastructure.

Greenification of 1,000 homes in Groningen

Heijmans won a contract from housing corporation Lefier in Groningen to renovate almost 1,000 homes in the space of two years. The objective is to improve comfort for the residents and make the homes more sustainable and more energy efficient. The corporation's investment is in line with its 'Lefier pakt aan!' programme and part of a € 1 billion investment the corporation is making in its portfolio of homes over the next 10 years.

Zero Energy homes

In early November 2017, Heijmans and housing corporation BrabantWonen launched a pilot to renovate four homes on Leuvenstraat in Den Bosch and turn them into Zero Energy homes (ZEN) homes. These are the first social housing homes in the city to be transformed into highly sustainable homes. The pilot will test whether ZEN renovation is feasible both technically and financially, so more of the corporation's homes can be transformed into energy-neutral homes. Heijmans will monitor and maintain the homes and provide residents with guidance for 18 years after delivery. This is necessary to ensure that the residents' annual balance of energy consumption does indeed end at zero at the end of the year.

Solar Highways

In October, Heijmans announced a new project in cooperation with a number of partners to build energy-generating noise barriers: Solar Highways. The 68 noise barriers will be installed along the A50 near Uden, and will generate enough energy to provide 40 to 60 homes with electricity. This makes Solar Highways the largest project in Europe aimed at generating energy using integrated solar noise barriers. The work started in early 2018 and the energy-generating noise barrier will be connected to the electricity grid by the end of the year. Heijmans and its partners will then evaluate and monitor the performance of the screens for 18 months. The outcome will be used to make accurate assessments in the realisation of similar initiatives in the future.

Other sustainability actions

GPR certificate

As of the year under review, Heijmans is making GPR certificates available for all the homes it develops, making the sustainability of the homes both measurable and visible. GPR Gebouw is a digital tool that maps out all relevant sustainability aspects in a building and makes them measurable, using ratings for energy, environment, quality of use and future value. The tool can be used at every stage of construction: from development and design through realisation and renovation. GPR Gebouw is a leading certification method in the construction sector.

Sustainable timber

In the year under review, Heijmans used around 12,000 m³ of timber in its projects. Around 99 percent of the timber comes from certified, sustainably managed forests and around 78 percent of this has been FSC certified. This brings Heijmans close to achieving its target of using 100% sustainable timber.

Circularity

Raw materials are becoming increasingly scarce. The continued extraction of natural resources is putting enormous pressure on the earth's long-term perspectives and this has created a real sense of urgency in terms of developing alternatives. Making systems circular is one of the key solutions on this front and it can be done in a number of stages. Heijmans uses the Value Hill tool to gain insight into existing systems, to break open systems and discover new opportunities and possibilities. The greatest added value for Heijmans is in the pre-realisation stage: by creating smart designs and working with partners to develop plans that assume the longest possible life and enable the re-use of buildings, parts of buildings or the materials used. We also make distinctions between the re-use, renovation, redesignation of a product or building and/or the recycling of materials and residual substances. Heijmans has various examples of this approach available. For instance, Restaurant 'Bij Daphne in de Kas' in the Vathorst neighbourhood of Amersfoort was built with existing and old building materials. Heijmans' Greenway LE products re-use raw materials, and in the conversion of homes to zero energy consumption, we renovate existing homes to significantly improve their energy performance. In the case of self-healing asphalt, an existing product heals itself by using its own unique built-in properties, a process that is activated using a simple procedure.



Horizontal directional drilling (HDD), Loosbroek



Circularity goes well beyond product development, as it also involves process improvements. The Building Information Model (BIM) contributes to this by providing all partners in a process with insight into each other's activities and their collective result. This helps reduce the costs of failure and increases efficiency. Heijmans was also involved in the development of Madaster in 2017. The purpose of Madaster is the elimination of waste by giving materials an identity. The platform acts as a public, online library of materials in the built environment. Madaster registers, orders, saves and makes data available while devoting significant attention to safety, privacy and continuity.

Waste flows, reduction and separation

In 2018, we will launch the Heijmans raw materials network. This tool will provide insight into the supply and demand of material flows, which will in turn encourage and facilitate the re-use of materials and reduce transport movements. In this context, we will no longer look at overall quantities across the entire company, but rather assess the situation per project to ensure we handle material flows in the most sustainable and cost-efficient manner possible.

Monetisation

In 2017, Heijmans took further steps in the field of monetisation. In 2016, Heijmans developed a tool in the construction of the Karel de Grotelaan project in Eindhoven to monetise projects based on the GPR methodology. This year, we ran calculations for the entire property portfolio of the ZOwonen housing corporation. This revealed that the full realisation of the corporation's ambitions could result in a saving on social costs. You can find more information in the article on the Heijmans website.

Human rights

The EU directive on reporting non-financial information and information on diversity, includes an explicit requirement to report on the relevance of human rights for Heijmans from 2017 onwards. The company can have a direct and indirect impact on human rights in the Netherlands and the rest of the world with its activities. Heijmans endorses the general premises of the Guiding Principles related to companies and human rights laid down in UN resolution 17/4 on 16 June 2011. These describe the exceptional obligation of companies to comply with all relevant legislation, to respect human rights, and to take appropriate, effective measures if rights or obligations are infringed. Heijmans realises

that it can also have a positive impact by, for example, drawing up fair collective labour agreements, procuring sustainable materials, and collaborating with partners that adhere to these same principles.

A significant proportion of the human rights aspects that are relevant at Heijmans apply to the entire construction sector. When we talk about human rights, it is often in terms of violations, yet many of the issues related to this theme receive daily attention from management and are a standard part of the active management of safety, HR and the procurement policy. This involves issues such as safeguarding healthy working conditions, freedom of association (trade unions), applying fair and equal pay policies, and taking into consideration sustainability aspects in procurement. Tracing the source of materials with a sustainability label, such as those for sustainable timber, is a part of this. Heijmans also has attitude and behaviour rules based on a number of basic human rights principles. These are an integral part of the employment terms and conditions and are actively promoted and brought to the attention of employees. They therefore have an impact on the conduct and actions of all Heijmans employees.

Heijmans endorses various international human rights-related frameworks such as ILO directives, OECD directives and the aforementioned Guiding Principles. Heijmans also has various reporting mechanisms and a whistle-blower's scheme to monitor this aspect. When it comes to chain responsibility and procurement, this subject requires a material analysis of the risks associated with the procured products and a discussion with stakeholders on the reach and depth of monitoring. Heijmans involves its suppliers and subcontractors in this dialogue. As part of Heijmans' sustainable procurement policy, the company also monitors compliance with the procurement agreements by means of careful selection of suppliers (preferred supplier policy) and via account management. The implementation of the actions Heijmans has undertaken or has yet to undertake as part of the Act on Sham Employment Arrangements (WAS) also plays a role on this front. This is how Heijmans accepts its responsibility in the chain. The company has developed KPIs related to human rights, subdivided into the categories safety, HR and procurement policy.

Certification and standards

Guarantees and certificates ensure that process and quality standards are maintained in the construction

industry. The main certificates that apply to the entirety of the Heijmans organisation are: ISO 9001, ISO 14001 and VCA. Heijmans also has numerous sector-specific or material-specific certifications. The Heijmans website provides an overview of all prevailing certifications.

Green Deals and cooperation agreements are agreements reached at industry level. By reaching sector-wide agreements on sustainable design, construction, procurement and production, Heijmans and its partners and peers contribute to a future-proof construction sector and a sustainable country. Heijmans participates in many Green Deals and makes an active contribution to making the Netherlands sustainable.

ISO: Heijmans has been certified as fully ISO 9001 (quality) and VCA (SCC, safety) compliant since 2011. Heijmans N.V. has also been certified as compliant with ISO 14001 (environment) since 2013. This certification was extended for a period of two years in the year under review.

The Foundation for Climate-Friendly Procurement and Business (SKAO): Heijmans Infra has held the highest certification on the SKAO CO2 performance scale (formerly Prorail's CO2 performance scale) since 2010. This certification increases Heijmans' chances of winning tender bids, as a growing number of public sector organisations are making this certificate a requirement in their tenders.

ProRail Safety Scale: Heijmans Infra has been certified at level 3 of the ProRail Safety Scale since mid-2013. Improving our performance on safety will also be a high priority in the next few years. ProRail transferred the safety ladder to NEN as of 2016.

FSC and PEFC (sustainable timber): Heijmans obtained FSC and PEFC certification in 2015. In 2016 - just like the year before - Heijmans shared first place in the ranking and with BAM was the joint leader of the Forest50, which ranks the Netherlands' 50 largest construction enterprises in terms of their use of sustainable timber. In 2017, Heijmans occupied fourth place in the ranking.

Overview Green Deals

In 2017, Heijmans signed a number of Green Deals or city deals:

- National Raw Materials agreement: this agreement is a follow-up on government plans to encourage a circular economy. Heijmans contributes to this effort

by sharing know-how and expertise in the field of alternative and decentralised energy sourcing, efficient use of energy, space and materials and optimum user comfort and experience.

- Den Bosch Energy Coalition: this cooperative combines more than 50 companies and organisations in Den Bosch, all working together on the reduction of the companies' CO2 emissions and a sustainable energy supply for the city.
- Green Deal sustainable GWW 2.0: this Green Deal underpins the ambition to make sustainability an integrated part of railway, land, waterway and road construction projects by 2020 and is a follow-up on the 2013 GWW Green Deal.
- City Deal Climate Adaptation: Heijmans and a number of city councils, water authorities and companies will share know-how in the field of climate-proof building and use same in practical applications.

The Heijmans website includes an overview of all Green Deals, alliances and memberships.

Dilemmas

Sustainability and company interests

Heijmans has developed numerous initiatives to increase the sustainability of its own operations. Further upscaling on this front will require investments. This is a difficult choice at a time when margins remain under pressure and investments do not always pay off in terms of winning projects. For instance, this applies to increasing sustainability by reducing natural gas consumption for heating in asphalt plants.

Standards and regulatory restrictions

The application of innovative sustainable materials, products or solutions is not always in line with the bandwidth provided for in existing regulations. The dilemma is combining innovation with respect for regulations. One example is the Heijmans ONE, a temporary home that is placed in so-called 'pause landscapes' (land that may be developed in the future) or areas temporarily designated for residential purposes. The challenge is to have these homes meet existing regulations while at the same time there is such an explicit need to use and enliven these areas, to increase safety and give such areas more urban significance.

Measuring Circular Building

The concept of circular building is gaining in popularity, as evidenced by the large number of government policy plans and plans in cities such as Amsterdam and

Rotterdam. Tenders increasingly require the inclusion of concrete plans for circular building. However, tools to measure the level of circularity are often still lacking. This creates the risk that subjective criteria will become the standard. At the same time, building companies want to develop these concepts and provide concrete solutions for their clients.

Increasing sustainability of area versus building

Energy transition is a dominant trend in the construction sector. A lot of regulations in this area are geared towards increasing the sustainability of individual homes. However, creating far-reaching effects requires area-wide measures, such as the introduction of collective heating systems and remote sustainable energy generation. However, upscaling on this front means a rapid increase in the number of stakeholders and this often makes the business case unattainable. The alternative of searching for solutions at building level is simpler but does slow down the pace of the transition. This challenge requires cooperation between corporations, municipal authorities and private buyers.



"Make quality visible in the building sector"

Rating products and services online has become standard practice. But not everywhere. Gaining insight into the performance of suppliers, (sub)contractors and consultants in the building industry is still not the norm. Heijmans wants to change that. Not only for itself, but for the entire sector. Director of procurement Esther Donders explains why.

Esther Donders, director of procurement at Heijmans



Read the interview with Esther at heijmans.nl



Corporate governance

Generally speaking, corporate governance is about sound and effective management of a company, supervision of that management and how the execution of the strategy is reported to all the company's stakeholders, including shareholders, employees, clients and society in general.

Factors that play a role in this include the strategy and the achievement of the company's business objectives, the corporate culture and how the company meets its reporting and transparency obligations.

A disciplined and unified corporate culture is a precondition for the successful execution of Heijmans' 'Focus, discipline and excellence' strategy. Heijmans endorses the importance of good corporate governance and a code of conduct for the achievement of its business objectives and the realisation of the related corporate culture. And in doing so, Heijmans strives to maintain the highest possible standards. What this means in effect is that Heijmans respects and complies with legislation, and observes and initiates guidelines that apply either to the company specifically or to the industry in general. Additionally, this means that Heijmans also strives to achieve the highest possible levels of integrity and transparency in its actions and any decision-making that affects its stakeholders. Heijmans also strives to conduct a continuous dialogue with these stakeholders and to distribute information simultaneously and accessibly.

For more detailed information on how governance and supervision are organised at Heijmans, see the Corporate Governance Statement (as referred to in Sections 2(a) in conjunction with 3 through 3(b) of the Decree Adopting Further Provisions Regarding the Content of Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) and including the information required under the Decree implementing Article 10 of the Dutch Takeover Directive), which is available on the Heijmans website under the heading 'Corporate Governance: Codes, Articles of Association and regulations'.

Corporate culture

In late 2016, Heijmans formulated a number of new core values that are now being disseminated right across the organisation and that flesh out the Heijmans 'Focus, discipline and excellence' strategy. These values are ownership, result-orientation and collaboration. In 2017, Heijmans implemented this programme under the header "IK". You will find a more detailed explanation of this programme in the People and organisation chapter of this annual report.

◀ Area developer Alwin Snijders and site manager Willem van der Kieft on the building site of De Schoone Ley, The Hague



Corporate Governance in general

Heijmans attaches a great deal of importance to achieving an equitable balance between the interests of its various stakeholders. The basic principles of the Heijmans corporate governance structure are good business conduct, integrity, reliability, client focus, openness and transparent dealings by the management, as well as the proper supervision of same. Heijmans endorses the principles of the Corporate Governance Code to the effect that the company is a long-term alliance of the various stakeholders in the company.

Depositary receipts for Heijmans shares are issued through the SA Trust (Stichting Administratiekantoor Heijmans). The purpose of this is to prevent resolutions being adopted by a shareholders meeting through a random majority. The depositary receipts for shares are freely exchangeable for ordinary shares.

Employee representation

A key stakeholder group, our employees, is represented by a number of representative bodies within the Heijmans organisation. Until May 2017, Heijmans had a Central Works Council and a works council for each business area. This representative structure changed following the Works Council elections in May 2017. Following these elections, the company installed a single works council, the Works Council Heijmans the Netherlands. The company also installed a number of committees, each with its own remit, such as finance, social policy and communications, comprising both members of the works council and other members. Following the divestment of Heijmans' foreign subsidiaries in early 2017, the company dissolved the European Works Council.

In the period to May 2017, the Central Works Council met five times, with three of these meetings in the presence of the Chairman of the Executive Board. A member of the Supervisory Board also attended one of these meetings. In the period after May 2017, the Works Council Heijmans the Netherlands met nine times. The Chairman of the Executive Board attended five of these meetings and a member of the Supervisory Board attended one of the meetings. Over the course of 2017, the works council dealt with seven requests for approval and five requests for advice.

Remuneration policy for the Executive Board and the Supervisory Board

For information on Heijmans' remuneration policy for the members of its Executive Board and its Supervisory Board and how this policy works in practice, we refer you to the relevant section of the Remuneration report, which should be considered inserted here, as well as to section

6.28 of the 2017 financial statements, which should also be considered inserted here.

Implementation of the Corporate Governance Code 2016 and compliance with and deviations from the code

Both the Executive Board and the Supervisory Board conducted an extensive review of the Corporate Governance Code 2016, which has also been passed into law since year-end 2017. Heijmans has implemented the code by amending the regulations governing the Executive Board, the Supervisory Board and the Supervisory Board committees. Heijmans endorses the underlying principles of the corporate governance code and has incorporated these principles as such in the company's corporate governance structure.

Heijmans deviates from the recommendation of the code with respect to one best practice:

Best practice 4.4.3 stipulates that a director may be appointed to the board of the trust office (SA Trust) for two four-year terms, after which they may be appointed for two terms of two years each. The report of the board of the trust office must provide grounds for any re-appointments after a term of eight years.

Heijmans endorses this provision. The current Articles of Association of the Heijmans Share Administration Trust (SA Trust) include a provision (Article 4.1) that states that members of the SA Trust board shall be appointed for a maximum period of four years, and may be re-appointed twice for a further period of four years, therefore taking the total to 12 years. Additionally, it is also stated that it is possible to deviate from this maximum in exceptional circumstances. In accordance with these provisions, in March 2017 Mr. W.M. van den Goorbergh was appointed for a period of four years for the fourth time. This decision took into account the importance of continuity within the board, partly in view of the current terms of the other board members and in relation to the phase Heijmans is in at this time. Both Heijmans and the board of the SA Trust endorse this best practice and the board of the SA Trust is currently preparing an amendment to its articles of association.

Corporate Governance Statement

The Corporate Governance Statement as referred to in section 2(a) in conjunction with sections 3 through 3(b) of the Decree Adopting Further Provisions Regarding the Content of Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) and including the information required under the Decree implementing Article 10 of the Dutch Takeover Directive is available on



Henk Brandt in residential park Het Funen, Amsterdam

the Heijmans website in the section 'Corporate Governance: Codes, Articles of Association and regulations'. This statement should be considered inserted and repeated here.

Special aspects

Dividend policy

The holders of ordinary shares or depositary receipts for ordinary shares are entitled to the pay-out of a dividend. Heijmans N.V.'s dividend policy includes a pay-out ratio, barring exceptional circumstances, of approximately 40% of the profit from ordinary business operations after tax. The remaining 60% is added to the reserves in accordance with Article 31 (5) of the Heijmans N.V. Articles of Association.

Heijmans Preference Share Trust

The Heijmans Preference Share Trust has been given a call-option, which gives the Trust the right to obtain preference shares in the capital of Heijmans N.V. up to a maximum of (close to) 100% of the face value of the issued capital in ordinary shares and financing preference shares B.

The purpose of the Trust is to protect the interests of the company in such a way that these interests, and the interests of all those involved, can be safeguarded as effectively as possible and any influences that could affect the company's independence, continuity and/or identity in conflict with these interests can be resisted as effectively as possible. The purpose of taking protective preference shares is to provide the opportunity and the time to effect the protection of the above-mentioned interests in the event that the company finds itself in a potentially undesirable situation. .

Powers of the shareholders' meeting and the rights of shareholders

According to principle 4.1 of the Code, good corporate governance assumes full participation by shareholders in the decision-making at the general meeting. The Supervisory Board and the Executive Board consider it important that as many shareholders as possible participate in the decision-making at shareholder meetings. The notice of convocation, agenda and documentation to be dealt with at a shareholder meeting are all published on the company's website at least 42 days in advance of the meeting. As far as possible, the Company gives shareholders the opportunity to vote remotely and to communicate with all other shareholders.

Holders of shares or depositary receipts for shares who cannot attend a shareholders' meeting can issue a proxy and voting instructions to a third party designated by the Company, which third party will vote in accordance with the voting instruction.

Under the Heijmans Articles of Association, any resolutions by the Executive Board that involve a significant change to the identity or character of the Company or its business are subject to approval by a shareholders' meeting. The Shareholders' Meeting also has a number of other significant powers, including the adoption of the financial statements, the appropriation of the result, the discharge of the members of the Executive Board and the Supervisory Board, the adoption of the remuneration policy for the Executive Board and the remuneration of the members of the Supervisory Board, resolutions to amend the Articles of Association or to dissolve the Company, and the designation of the Executive Board as the body authorised to acquire and issue shares.

Limitations on the transfer of shares

There is no limitation in the Articles of Association or contractually on the transfer of shares or depositary receipts for shares issued with the cooperation of the Company, except for the block on transfer and delivery of financing preference shares B laid down in the Articles of Association. Article 11 of the Company's Articles of Association stipulates that the Company's Executive Board must approve any transfer of financing preference shares B.

Substantial shareholdings in Heijmans

Holders of shares and depositary receipts for shares that, as far as the Company is aware, held an interest of more than 3% in Heijmans as at 31 December 2017, according to the Register of Substantial Shareholdings of the Dutch Financial Markets Authority (AFM), are listed on page 17, in the section entitled 'The Heijmans Share'.

Protective measures (special controlling rights, limitation of voting rights)

The shares into which the authorised share capital of the Company is divided do not endow the holders with any special controlling rights. The Company does not have any employee participation plan or employee share option plan. There are no limitations on the exercise of the voting rights attached to ordinary shares or the depositary receipts for ordinary shares. The number of votes conferred by a financing preference share B with a face

value of €0.21 is contractually restricted to 1,278 votes. The Company's Articles of Association include the usual provisions related to registration as a recognised party entitled to attend and to vote at a shareholders' meeting. Article 6 of the Company's Articles of Association states that the Executive Board, with the Supervisory Board's approval, is designated by the General Meeting of Shareholders as the body authorised to issue shares or depositary receipts for shares. The scope and duration of this power is determined by the General Meeting of Shareholders.

Agreements with shareholders that may limit the transfer of (depository receipts for) shares or limit voting rights

The Company is not aware of any agreement involving a shareholder that may limit the transfer of (depository receipts for) ordinary shares issued with the cooperation of the Company, or limit voting rights in said (depository receipts for) shares.

Amendment of the Articles of Association

A resolution to amend the Articles of Association can only be passed by a majority of at least two-thirds of the votes cast at a General Meeting of Shareholders at which at least half the issued capital is represented, unless the proposal for such a resolution comes from the Executive Board, acting with the approval of the Supervisory Board. If a proposal for a resolution stems from the Executive Board acting with the approval of the Supervisory Board, the resolution can then be passed by a simple majority of the votes, regardless of the capital represented. The Company will discuss the content of any proposal to amend its Articles of Association with Euronext Amsterdam N.V. before submitting it to the General Meeting of Shareholders.

Authorisation of the Executive Board with respect to the issuance of shares and the acquisition of treasury shares

In accordance with the Articles of Association, on 12 April 2017 the General Meeting of Shareholders designated the Executive Board, with the approval of the Supervisory Board and for a period of 18 months commencing on 12 April 2017, as the body authorised to:

- issue shares and/or grant rights to acquire shares. The mandate to issue ordinary shares is limited to 10% of the issued share capital on 12 April 2017, plus 10% if the issue takes place as part of a merger or takeover, or in the context of forging a strategic alliance. The

mandate to decide to issue preference shares covers all preference shares in the authorised capital, either now (the date of the meeting of 12 April 2017) or at some future time, such without prejudice to the provisions of Article 6 of the Articles of Association; and

- to limit or exclude the pre-emptive right to ordinary shares in the event that these shares are issued, making use of the above-mentioned right to acquire shares.

Furthermore, the General Meeting of Shareholders of 12 April 2017 gave the Executive Board the authority - for a period of 18 months commencing on 12 April 2017 and subject to the approval of the Supervisory Board - to decide that the Company will acquire ordinary and financing preference shares B in its own capital, by purchasing same in the market or by other means. This authorisation is limited to 10% of the issued share capital and the company may only purchase the treasury shares at a price between their face value and 110% of the average closing prices over the last five trading days prior to the date the ordinary shares are purchased, and between the face value and 110% of the issue price for financing preference shares B.

Consequences of a public bid for important contracts

The agreement with the banking consortium includes a change-of-control clause with respect to the facility of €156 million (the amount at year-end 2017). This clause states that the consortium must be informed of any change of control, and must then be given the option to demand early repayment. Change-of-control clauses may also appear in joint venture agreements to which subsidiaries are party.

Payments to members of the Executive Board upon the termination of employment as a result of a public bid

The Company has no agreements with the members of the Executive Board or employees that provide for payments upon termination of service resulting from a public bid.





“Long-term contracts are about trust and effective collaboration”

Heijmans has a lot of asset management contracts. Clients concentrate on management, while Heijmans and other companies take care of the day-to-day business. A discussion between a client and Heijmans about how you keep each other on your toes in such a long-term collaboration.

Floris Vosse, catering entrepreneur at 'Bij Daphne in de Kas', Amersfoort
Pieter de Groot, framework contract manager



Read the interview (in Dutch) at heijmans.nl



Conduct, integrity and dilemmas

Culture and structure

Heijmans attaches a great deal of importance to ethical conduct by its employees. Openness is a basic requirement for this ethical conduct. Heijmans encourages a more open working attitude in a number of ways, including the example set by the Executive Board and senior management, the discussion of large and complex projects in the weekly Executive Board meeting, and the review meetings with management. In addition to this corporate culture, Heijmans has introduced a structure for the reporting of issues related to conduct and integrity. Such reports are then investigated and action can be taken if deemed necessary.

At the end of 2016, Heijmans formulated new core values, which are being disseminated right across the organisation and flesh out Heijmans' 'Focus, discipline and excellence' strategy. These values are ownership, result-orientation and collaboration. Heijmans implemented this programme in the course of 2017 under the header "IK!".

Compliance Officer

Heijmans has appointed a compliance officer who acts as the central contact and reporting point for integrity issues. The system safeguards the anonymity of any reports, and the compliance officer reviews the action necessary in each individual case, taking into account the nature of the issue and the applicable rules. In many cases, issues are resolved on the shop floor, for instance in consultation between the employee and their supervisor. However, this is not always the case.

Integrity Committee

The task of the Integrity Committee is to advise the company on integrity-related matters. The Integrity Committee discusses integrity-related issues, dilemmas and themes and all related matters twice a year in principle. On the basis of these discussions, the committee then issues recommendations on the policy front or for instance the need to initiate training courses. The Executive Board establishes the policy and decides which actions are to be taken in this context. The Committee is chaired by the CEO. Other members of the Committee are the Compliance Officer, the Procurement Director, the HRM Director, the IT Security Officer, and the Chair of the Works Council. These are the core members of the committee.

◀ Project manager Reijer Kruisifix and project leader Kees Marijnissen during locks maintenance work, Terneuzen

The committee discussed a range of topics on various occasions, such as how to keep the subject of integrity permanently top of mind for all employees. One subject constantly on the agenda was whether it was possible to improve the reporting structure at Heijmans and how this could be done.

Dilemmas & conduct

Heijmans is firmly convinced that how we behave has a significant impact on the quality of the company's work and financial performance. One example is the impact of conduct in the field of safety, which can make a huge difference in the construction industry.

A number of frequently occurring dilemmas are:

Should you call someone to account or not?

Of course, it is not always clear whether certain behaviour is acceptable or not. Heijmans is still constantly faced with integrity and conduct-related issues. By calling each other to account in the event of undesirable conduct, in line with the standards we strive to maintain, we actively encourage more openness and, in the end, more acceptable conduct. Examples include the wearing of safety clothing, the separation of waste at building sites, or the deliberate submission of incorrect expense sheets, the use of company property for personal purposes and unacceptable behaviour towards third parties.

To make it easier for employees to call each other to account in cases of unacceptable behaviour, Heijmans organises dilemma discussion groups, where employees can discuss certain issues openly and freely.

Acceptable versus unacceptable behaviour

It is sometimes difficult to define the fine line between acceptable and unacceptable behaviour, but doing it is crucial for the culture on the shop floor. One example is inappropriate behaviour towards others.

Self-determined rules versus applicable rules

Even when the rules that dictate how we should act and what Heijmans considers acceptable behaviour are laid down in the code of conduct, unstated and different rules are still accepted in certain situations. Once again, this could apply to the likes of submitting expense sheets, payments or the use of company equipment. It can be difficult for (new) employees to go against the flow and to remind colleagues of the actual rules.

Many of the issues reported are related to the above-mentioned conduct and dilemmas.

Compliance

In 2017, nine integrity issues were reported to the compliance officer and/or the counsellors. Heijmans encourages its employees to report actual or suspected abuses and provides various options for submitting such reports. The Compliance Officer also regularly sends out requests to management and HRM for reports. The Executive Board believes it is important that employees feel free to file reports and know that their reports will be taken seriously. The reports made in 2017 related to unacceptable behaviour by employees. Examples included taking company property and/or surplus materials, demanding terms from suppliers and/or subcontractors for personal gain and inappropriate and/or unprofessional behaviour by managers. The reports led to written (final) warnings or dismissal. The first consideration in each case was the seriousness of the incident and this was then followed by an investigation of the facts in all cases. All reports are discussed at Executive Board meetings and subsequently evaluated by the relevant managers.

Integrity and conduct

The integrity and conduct Heijmans expects from its employees are laid down in a number of rules and guidelines:

- **Integrity-sensitive positions:** Heijmans has a 'Procedure for Integrity-Sensitive Positions'. Integrity-sensitive positions include members of the Executive Board, directors of operating companies, project directors, directors of staff services, property developers, development managers and other managers, company lawyers and procurement managers. Heijmans also has a fixed procedure for the screening of employees. On the basis of this procedure, employees in an integrity-sensitive position and applicants applying for such a position are asked to provide a Personal Statement of Judicial Records and are also asked to submit a Certificate of Good Conduct.
- **Reviews:** the Executive Board discusses integrity issues and they are shared with the management teams (on an anonymous basis). The Integrity Committee is responsible for translating reports and issues into appropriate policy.
- **The 'Kr8 van Heijmans' Code of Conduct:** With the motto "A question of character", the Heijmans Code of Conduct lays down what Heijmans considers desirable conduct. This Code deals with matters such as safety, integrity and competition and requires Heijmans employees to act and behave in accordance with its provisions. The Code of Conduct is linked to a sanctions policy. Managers are required to

set an example by their personal conduct. The Code of Conduct is an integral part of the employment contract with permanent and temporary personnel, and also applies to any self-employed contractors with whom Heijmans works.

- Integrity is a fixed item for job interviews and introduction programmes.
- To encourage integrity in its project development activities, in 2009 Heijmans Property Development set up a Transaction Register in accordance with the NEPROM Code of Conduct, in addition to its quality management system and the Heijmans Code of Conduct. The Transaction Register is used to investigate, record and document the relevant details of every business-to-business property transaction in advance, making it possible to check transactions for correctness, integrity and lawfulness after the fact. This is also endorsed and incorporated in Heijmans' procurement policy.
- **Procurement:** New suppliers are asked to sign a sustainability statement that includes rules with respect to improving social aspects, working conditions, health & safety and the environment.

Fighting corruption and bribery

Heijmans is well aware of the fact that the trust its clients and partners, as well as its shareholders and employees, have in the company is crucial to our licence to operate. That trust will be damaged if Heijmans or its employees are guilty of corruption and/or bribery. Fighting corruption and bribery is an integral part of Heijmans' general compliance programme, set up to prevent unacceptable and illegal behaviour. Heijmans states in the Integrity and Ethical Conduct sections of the Heijmans Code of Conduct, which governs the employment contracts of all Heijmans' employees, that it expects employees to avoid all actual or apparent conflicts of interest between personal and business interests. Employees are not allowed to accept or offer any gifts or invitations that call into question the independence of either Heijmans or the purported recipient of said gifts or invitations. Heijmans and its employees must abide strictly by all legal rules and generally accepted norms applicable to business operations and that are expressed in Heijmans' own guidelines, such as the Transaction register used within Heijmans Property Development. Heijmans imposes the application of its code of conduct or an equivalent code on the subcontractors and partners with whom it does business. If an employee can, by the nature of his or her position, find themselves in a situation where they are more likely to encounter corruption or bribery, the company will devote specific attention to this situation,

for instance by organising special training. Procurement is viewed as a major risk in the light of corruption and bribery. Heijmans has taken measures to mitigate this risk. For instance, the most important aspects of procurement are centrally organised, which increases the level of direct supervision; the most important preferred suppliers are chosen centrally and very carefully; procurement has a clearly defined segregation of tasks and procedures that are subject to the 'four-eyes principle'; plus the company uses standard contracts that are exchanged digitally. Heijmans also has a system of functional coordination between project procurement and the central procurement organisation. In early 2018, Heijmans introduced a transparent evaluation system for suppliers, which excludes suppliers that fail to meet Heijmans' standards from our list of preferred suppliers.

Heijmans has taken a range of preventative measures to safeguard integrity, including integrity training for employees and the design and implementation of control systems, such as those described in the Risk Management chapter. In addition to this, Heijmans has introduced a number of mechanisms for the (anonymous) reporting of integrity-related issues (reporting procedure integrity & misconduct), see further on in this chapter. In addition to these measures aimed at preventing and identifying integrity issues, these issues are also discussed in a committee set up for this purpose. Heijmans does not have any quantifiable performance indicators at this time.

Compliance

Heijmans has appointed a number of counsellors for the business units and at holding company level to implement and safeguard compliance with the Code of Conduct. These counsellors can give advice on dilemmas encountered by employees in the course of their daily activities. Heijmans requires its suppliers and subcontractors to endorse the Heijmans Code of Conduct, the Dutch Construction Industry (employers' group Bouwend Nederland) and NEPROM codes of conduct or their own (industry) code. Heijmans' subsidiaries, associates and joint ventures are included in the register of the Foundation for Evaluating the Integrity of the Building industry (SBIB). Every two years, we file a report with the SBIB on any breaches of the Heijmans Code of Conduct, together with an account of how Heijmans dealt with said breaches.



Major maintenance Kaagbaan runway, Schiphol Airport

Additional and separate regulations

In some cases, values from the Code of Conduct have been incorporated in additional and separate regulations:

- ***Dossier statement***

The Heijmans Code of Conduct has also been defined in more detail in the so-called dossier statement. This statement is required with every bid issued. It consists of an explicit statement by the responsible management that preparation of the tender or quote did not involve any anti-competition practices.

- ***Internal reporting procedure***

For those situations in which it is either difficult or impossible to find a solution within the scope of daily workplace activities, some time ago Heijmans introduced an internal reporting procedure, which states the steps to be taken when submitting a report of an abuse. It also describes how such reports are investigated, and defines the role of management in the event that a report is submitted. This internal reporting procedure offers employees the opportunity to report an abuse orally or in writing to the central reporting point (the compliance officer) or a counsellor, without endangering their legal position under employment law. Employees can also report abuses anonymously via the SpeakUp system.

- ***Insider Trading Regulations Heijmans N.V.***

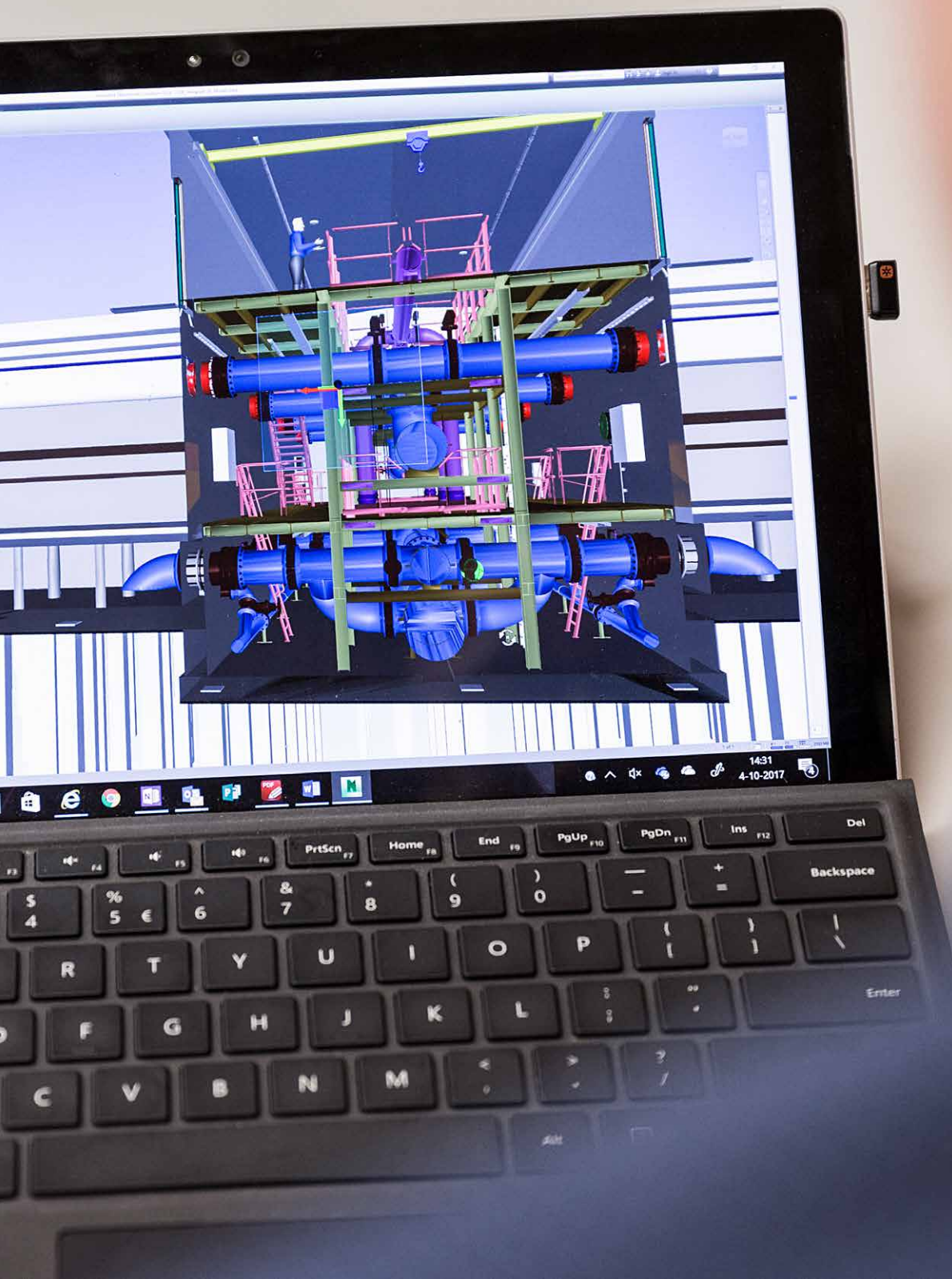
These regulations, amended following the implementation of the EU Market Abuse Regulation in mid-2016, contain provisions that apply to the officers stated in the above-mentioned regulation other Heijmans employees.

- ***Personal investments regulation***

Heijmans has a set of regulations that apply to personal investments by members of the Executive Board and the Supervisory Board. The Chairman of the Executive Board is the compliance officer for transactions in shares, depositary receipts for shares and options on shares. The Chairman of the Supervisory Board acts as compliance officer for the Chairman of the Executive Board.

Dutch Human Environment & Transport Inspectorate

In early 2014, Heijmans was the first contractor to sign a declaration of intent with the Dutch Human Environment & Transport Inspectorate (IL&T) as a preliminary to a compliance covenant related to the enforcement of the (extremely extensive) set of regulations that fall within the remit of the Inspectorate. Heijmans already has such a covenant in place with regard to the Dutch Driving Times Decree. The IL&T supervises enforcement of the regulations in several so-called domains, including soil, transport and dangerous materials. An enforcement covenant introduces horizontal supervision, on the basis of which Heijmans is expected to report deviations on its own initiative, and to take preventative measures and report annually to the IL&T. Within Heijmans, the IL&T domains mainly cover the activities of Infra. The IL&T and Heijmans N.V. signed the covenant on 26 June 2015. The agreement was extended for a five-year period at the end of 2017 and will be reviewed annually.



Risk management

Following the negative result Heijmans reported in 2016, the year under review was marked by the recovery in the continuity of the company. Heijmans sold its foreign subsidiaries, reduced its net debt, secured its financing base through to mid-2019, and made significant progress in the resolution of issues related to a number of large projects. Risk management was a major priority in the year under review.

This section of the annual report describes the risk profile of the company, the associated risk factors, the actions taken to mitigate these risks and the priorities for 2018 on this front.

Heijmans' main risks are:

- Strategic risks
- Market risks (residential, non-residential, infra and the procurement market)
- Operational risks, the most relevant to Heijmans being:
 - Insufficient control of project risks when acquiring and executing projects;
 - Safety risks
 - Retention and recruitment of personnel risks
- Financial risks, the most relevant to Heijmans being:
 - Lack of liquidity
 - Capital ratios that hinder the execution of the strategy
 - Insufficient capacity of bank guarantees
 - Inadequate financial robustness of partners
- Legal and compliance risks:
 - New forms of collaboration
 - Increasing importance of other jurisdictions
 - Disputes and legal proceedings

This risk section also describes the main items of attention in the management letter from the external auditor. Before exploring the specific risks and mitigating measures, we will first describe the company's risk profile and general risk management measures.

Risk profile and risk appetite

Heijmans is active in construction and infrastructure projects, including management, maintenance and/or services, and additionally in property development and, to a lesser extent, in Public-Private Partnership (PPP) projects. In addition, Heijmans produces a limited quantity of end products such as asphalt. In 2017, Heijmans re-examined its risk appetite in the light of its weakened financial situation. Partly on the basis of this re-examination, Heijmans divested its foreign subsidiaries and lowered its risk appetite.

The distinction between construction and infra projects on the one hand and property development (and PPP projects) on the other has an impact on the risk profile.

Construction and infra projects

Target margin: operational margin of 3-4%.

Moderate risk profile focused on a profitable business model.

The construction and infrastructure projects, including services, are based on contracts that Heijmans executes, with a large part of the work to be executed outsourced to third parties. These activities are marked by relatively low operating profit margins. Heijmans targets operating profit margins of 3-4% for these activities. The business model for these types of activity is profitable when projects involve – on average – negative working capital that effectively results in little or no investment of capital. Infra activities generally involve a somewhat higher level of capital investment than construction or installation projects, partly due to the greater use of the company's own equipment. This makes it essential to devote a great deal of attention to the management of downside risks. After all, if they do indeed materialise, these risks can quickly result in unprofitable activities when working with low operating profit margins. The flipside to avoiding these risks is that Heijmans may sometimes have to deliberately turn down potential upside opportunities. To achieve a profitable business model, Heijmans therefore strives for a moderate risk profile on this front. When Heijmans revised its risk appetite, it also categorised the projects in more detail. In this process, Heijmans looked at items such as the annual revenue from a project in relation to the company's revenue, the type of contract, the client, the competency fit and the risk profile of the chosen solution. This process is used as a basis to assign each project a risk category (1 to 3). This classification is based on: the higher the risk profile, the higher the authorisation in the organisation, the higher the return requirements and the more frequent the project monitoring.

In addition, Heijmans is striving for a better revenue mix

at Infra, with a shift in the ratio of large projects on the one hand and regional projects, specialist activities and asset management on the other is developing in favour of the second category of activities.

Property Development

Target margin: operational profit margin of 7-8%.

Moderate risk profile focused on stimulating the turnover rate of capital.

The property development and PPP activities require a higher level of invested capital, which in turn requires higher returns. In these markets, Heijmans aims to achieve an operating profit margin of 7-8%. The time factor is an important component of the risk profile for these activities. For instance, capital is frequently utilised for longer periods of time to generate higher returns. Here, too, Heijmans aims for a moderate risk profile to improve the turnover rate of its capital. What this means in practical terms is that invested capital is constantly utilised as quickly as possible for property development production. In a tightening of this policy in 2017, Heijmans decided to invest only in new real estate and land holdings if these can be developed within the next five years.

End products

The risk profile of end products such as asphalt is primarily determined by the scale of the production capacity needed. This capacity is effectively aligned with the demand from Heijmans' own projects, as well as deliveries to third parties.

General risk management measures

The premise of Heijmans' approach to risk management is the structural, integrated and timely identification and monitoring of key opportunities and risks based on the above-mentioned risk profile. The objective is to effectively anticipate and mitigate uncertainties and threats, but also to take advantage of any opportunities. Heijmans has designed its risk management in line with the principles of the COSO-ERM framework, assigning a prominent role to the risk management of projects.

Risk management is embedded in a management model marked by centrally organised operating companies with short lines of communication to the Executive Board. The sale of the non-Dutch activities in 2017 led to a clear enhancement of Heijmans' system of centralised management. In addition, Heijmans effected the execution of its strategy via a number of improvement processes aimed at the company's operational core processes and the promotion of a culture that, in addition to openness and transparency, also incorporates taking

Procedural measures

Important aspects within the **control framework** are:

- Management regulations and instructions for the management of operating companies/business units related to authorities, the acquisition of projects, entering into investment commitments and reporting and accountability obligations.
- Conduct-related instruments such as the Heijmans Code of Conduct and the IK! programme - see the Strategy and People and organisation chapters for more information on this.
- An accounting manual with rules for internal and external financial reporting and related procedures.
- Business process systems for the primary and secondary processes of the construction and property development operations, including risk management systems, with the aim of achieving uniform processes across the group. This includes the completion of the SAP/ERP implementation in the organisation and the implementation of the new HR system.
- A register of statements as an extra safeguard for the integrity of senior management and specific positions.

Heijmans uses the following **control mechanisms**:

- A planning and control cycle, with monthly reporting by operational management on matters such as the trends in relevant markets, the financial situation relative to the budget, the financial and operational status of projects, and safety.
 - Tender board, GO/NO GO procedures and gate reviews for tenders, under which all category 3 tenders require the approval of the Executive Board.
 - Regular project reviews: all projects are divided into various risk categories (1, 2 and 3). The Executive Board discusses risk category 3 projects at least once a month and the category 2 projects each quarter.
 - Regular review meetings between the Executive Board and the operating companies.
 - The daily monitoring of movements in the liquidity position of group entities and the monthly monitoring of specific projects.
 - Company-wide process audits, aimed at compliance with control measures in the context of project-specific risks, and the control of other company-wide risks. In 2017, Heijmans conducted 50 audits.
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responsibility and ownership. For more information on this, see the Strategy and People and organisation chapters of this annual report.

The control framework consists of various formal procedural and organisational measures that are applied right across the company. Heijmans' open culture, in which ownership plays a prominent role, also makes a major contribution to the management of risks.

In addition, Heijmans uses a number of control mechanisms, including the planning and control cycle, reviews and reporting, that are embedded in the organisation. These control mechanisms are explained below.

Organisation and the Chief Risk Officer (CRO)

The Executive Board determines Heijmans' strategy and its related risk appetite. Heijmans has an organisational structure under which the operating companies are managed centrally with short lines of communication to the Executive Board. The central management teams of the operating companies, the Executive Board and the staff departments are located in the head office in Rosmalen. This promotes the open and informal culture, which in turn makes the exchange of information both quick and efficient. In 2017, Heijmans introduced the role of Chief Risk Officer (CRO). The aim of the CRO is to take risk management to a higher level at every level and across the entire breadth of the company. In 2018, Heijmans will adjust the management of the financial function. Following this adjustment, all financials will have a direct reporting line within the financial function to the CFO, safeguarding independence vis-à-vis the line management even more effectively.

The Executive Board is supervised by the Supervisory Board – see also the Corporate Governance chapter. The Executive Board and the Supervisory Board consult with each other in scheduled meetings and on an ad-hoc basis if this is deemed necessary, and risk management or topics directly related to risk management are frequently on the agenda of said meetings.

Culture

Heijmans believes that the culture of the organisation is a significant factor in the management of risks. Due to the risks inherent in projects they entail a certain level of unpredictability, and this cannot be mitigated entirely with guidelines and procedures. These require a certain level of flexibility and an open and action-oriented culture, in which people display sufficient ownership to solve any problems that may arise. The example set by the management is crucial to this, as is the willingness to call each other to account in the event of the failure to honour agreements, but also to point out items that have gone well. The use of conduct-related instruments, such as the Heijmans Code of Conduct and the IK! Programme – see the Strategy and People and organisation chapters for more information on this – ensures that employees have practical guidance on what Heijmans expects from them in terms of behaviour and what behaviour is deemed unacceptable.

Internal guidelines and procedures

The Executive Board determines the parameters within which the directors and management of the operating companies can operate. The authorities related to project acquisition, entering into investment commitments and reporting and accountability obligations are embedded in management regulations and instructions to the management of the operating companies/business units. Rules for internal and external reporting are laid down in the Accounting Manual, including related procedures, such as the procedure for investments. The operating process system includes descriptions of the primary and secondary processes of the construction and property development operations, including risk management systems used to monitor and control project-related risks. This increases the uniformity of the process for the entire group. The Heijmans-wide roll-out of the SAP-based ERP platform that was completed in 2017 also made a significant contribution to this uniformity. Heijmans has also designed procedures related to the tender process that prevent the company from taking on any projects with irresponsible levels of risk.

Tenders are divided into three categories depending on, among other things, the scope, the type of contract, complexity and type of client. Rules for authorisation and escalation have been laid down for each category. For instance, the final decision on whether or not to submit a quote for the projects in the highest risk class, category 3, rests with the Executive Board. This procedure includes a number of phases that need to be completed with a decision as to whether to proceed with a tender (GO/NO GO). The standard documents that are recorded in each phase are registered in a system developed for that purpose, which is also used to record the GO/NO GO decision. Several months after a category 3 project has been awarded, Heijmans conducts a project status update (PSU) review, to determine among other things whether the premises used during the tender phase are still applicable or whether these need to be adjusted. The CRO plays an important role in the tender process and the management of risks in the execution of the project.

Planning and control cycle

The Executive Board consults with the management of the operating companies and project managers on a regular basis and on an ad-hoc basis if this is deemed necessary. In these meetings, the Board and the management review matters such as the developments in relevant markets, the financial situation in relation to the budget, the financial and operational status of projects and safety on the basis of monthly and quarterly reports. Projects in progress with a high risk profile (primarily category-3 projects) are subject to separate regular project reviews with the Executive Board and the CRO, in the presence of the project manager in charge of the project. The monitoring of actual and estimated future liquidity movements is based on three reporting lines:

- Net debt is reported on a daily basis, such on a consolidated basis and per business area. This pertains to an overview of both all bank balances and the (project) financing facilities. The movement is then compared with the forecast. Inadequate liquidity is a key early warning criterion and is discussed immediately with the management in question.
- A liquidity forecast for the next thirteen weeks is drawn up on a weekly basis. Every two weeks, the management of the business areas are interviewed to discuss these forecasts and the potential impact of individual projects on said forecasts. This reporting line is used, among other things, to get a better understanding of the current liquidity movements and to gain advance insight into the sensitivities in said liquidity movements.

- A monthly liquidity forecast for the next 12 months. This is then used to test whether the available financing facilities will be sufficient to meet the company's cash requirements. This forecast is also used to allocate each business area its own limit on house bank funding.

Dossier statement

The management responsible for a tender has to sign a dossier statement for every quote submitted. In this statement, they declare that the preparation of the quote did not involve any anti-competition practices. When joining the company, members of the senior management team and employees in specific positions are asked to provide a Personal Statement of Judicial Records and a Certificate of Good Conduct (verklaring omtrent gedrag - VOG) issued by their local council, as an extra safeguard for integrity. The submission of these statements is recorded in a register. The statements are also saved in the personnel file of the employee in question. The employees in question provide a new personal statement every three years. Upon the publication of the half-year and annual results, the management of the operating companies submit a confirmation letter, in which they affirm, among other things, that all relevant information is accurate and has been incorporated in full in the figures, and that it has been explained in sufficient detail in the reports of the operating company.

Audits

In 2014, Heijmans appointed a risk and audit manager, with the aim of taking the company's internal audit programme to a higher level. The primary task of the risk and audit manager is to initiate and conduct audits that are sufficiently operationally focused, including clear feedback reporting to management in question. In 2017, Heijmans conducted around 50 audits under the management of the risk and audit manager. The main focus of the risk and audit manager's activities in 2017 was on the implementation of the GRIP programme and a controlled settlement of the divestment of Heijmans' foreign subsidiaries. The focus of the audit programme in 2018 will be on items that are vital to (financially) successful projects: in particular the compliance with procedures related to tender and project management, adequate contract management, qualified and committed project teams, the management of opportunities and risks, adequate project controls, cash management and learning potential (evaluation and post-project calculations). Heijmans' external auditor EY will audit the annual financial statements. EY provides support for consortiums

in which Heijmans participates and in a number of instances provides support for the activities of other public auditors.

Risks and mitigating measures

Strategic risks have an impact in the medium to long term or the long term. Generally, these risks manifest gradually over time. Heijmans sees the main risks in this category as failing to respond effectively enough to the need to create differentiating potential, to operate sustainably and to be innovative. In addition to this, there is also the question of whether the company's scale in a particular market segment is appropriate and offers sufficient perspective. Important considerations in this respect are having the knowledge and expertise required, and ensuring the correct deployment of people and materials.

Strategic risks and management measures

In principle, the Executive Board monitors strategic risks. The Executive Board continuously analyses and evaluates the development of the operational activities in relation to the attractiveness of markets and market segments. The board also initiates actions with the aim of turning identified risks into opportunities. In this context, in late 2016 Heijmans decided to take a comprehensive approach to the continued recovery of the company, including safeguarding the company's financing. The aim was to transform Heijmans into a purely Dutch company. Heijmans implemented and completed this process in 2017. In view of this, it is no longer possible for Heijmans to spread risks across different countries and geographical areas, but it has increased the manageability and focus of the company. This tightened focus of the strategic plan is built on three pillars: (focus: margin, discipline: de-risking and excellence: execution), with a major focus on the optimisation of the cost structure and margins. Heijmans' approach to sustainability is embedded at Executive Board level, in the portfolio of the Chairman of the Executive Board.

Impact of risks and mitigating measures

Risks	Impact	Control measures
Market risks		
<p>General Insufficient availability of materials, services and workers, resulting in the hiring of foreign professionals.</p>	<p>Threat to the continuity and throughput time of projects, rising prices and declining margins on projects, risks in the deployment of foreign workers related to employment conditions, labour law, safety and working methods.</p>	<ul style="list-style-type: none"> • Early involvement and contracting of suppliers, advisers and subcontractors, (early supplier involvement), with the aim of laying down quality and availability requirements in agreements at the earliest possible stage. • Lean planning sessions with subcontractors and suppliers involved in the project. • Framework agreements with preferred suppliers to enable the company to adapt quickly in projects within the parameters of conditions agreed in advance. • Introduction of a methodology for Procurement project strategy. • Availability of the right market and pricing information for calculation departments. • Close contact between category buyers, project buyers and calculation departments. • Implementation of a quote platform to bring together the supply and demand of goods and services. • Implementation of subcontracting-related legislation and measures in the supply chain (among others, the Dutch Sham Employment Arrangements Act (WAS) and the Dutch Employment of Foreign Nationals Act (WAV)), including a control protocol and audit plan.
<p>General Insufficient availability of the right quality in the supply chain in terms of working methods, sustainability, certification, regulations, etc.</p>	<p>Inability to meet requirements of and commitments to clients, missing contracts, as well as higher prices, as costs are incurred in the supply chain to meet those requirements.</p>	<ul style="list-style-type: none"> • Working with selected preferred suppliers and subcontractors. • Supplier development, acting in unison with these preferred suppliers and subcontractors to meet certification requirements in the chain. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Implementation of a supplier evaluation tool.
<p>Real estate and land holdings Risk of deviations from assessments and estimates.</p>	<p>This risk is generally greater for land holdings without a zoning plan than land holdings with a zoning plan.</p>	<ul style="list-style-type: none"> • Risks arising from investments in land holdings or from entering into long-term commitments are managed via strict procedures, with explicit approval from the Executive Board required for all larger investments. • Any determination of the indirect revenue value takes into account uncertainties related to strategic land holdings, such as demographic developments, location, designing and working out development plans and management decision-making, and as location-specifically as possible. This provides a location-specific forecast of developments in land and house prices and other variables, which ultimately determine the indirect revenue value of the land holdings. Heijmans conducts twice-yearly internal assessments of the valuation of its entire portfolio of land holdings.

Risks	Impact	Control measures
<p>Residential Building The demand for transformation of vacant buildings into residential complexes results in the demarcation of responsibilities between existing buildings and renovation.</p>	Unforeseen costs in the event of insufficient contractual clarity on liabilities.	<ul style="list-style-type: none"> • Selective acquisition of contracts (margin-over-volume). • Extra attention for contract management from the tender phase through to delivery, especially for the demarcation issues in transformation projects. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Placing all construction activities under a single management within Building & Technology to facilitate the deployment of non-residential and maintenance market know-how and expertise in transformation projects.
<p>Residential Building Residential supply lags demand – tight market and capacity shortage</p>	Not possible to achieve planned production.	<ul style="list-style-type: none"> • Rapid development of projects through internal collaboration Residential Building and Property development. • Early contracting of suppliers and subcontractors. • Selective collaboration with external construction firms, largely in the peripheral regions of the Netherlands, in so far as Heijmans has insufficient in-house construction capacity to meet demand.
<p>Non-residential Lagging growth in the granting of contracts for integrated non-residential new-build projects, including service and maintenance, while competition and pricing pressure remain fierce.</p>	Low margins and major impact of increase or decrease in volume coverage ratio.	<ul style="list-style-type: none"> • Selective acquisition of contracts (margin-over-volume), with focus on sub-segments that are a good fit with core competencies and experience: Heijmans' appetite for risk in this market is limited.
<p>Infra and Non-residential Range of contract types in the market, contract types that impose increasing levels of responsibility on Heijmans.</p>	Responsibilities for issues in areas where Heijmans has insufficient in-house expertise, or in the absence of insight into or influence on the related risks. This can lead to unacceptable risks.	<ul style="list-style-type: none"> • Selective acquisition policy, with particular attention for the type of tender, the acquisition process, as well as the procurement, project and contract management. • Introduction of a tender board. • Professional contract management. • Consistent compliance with guidelines for the accurate pricing of risks with an appropriate profit margin. • Increased interaction between the disciplines Risk Management, Risk Office, Contract management, Project Management, Legal Affairs and Procurement. • Bringing the contracting of suppliers and subcontractors into line with the liabilities assumed. • Strategic partnering with clear parameters and premises laid down in a handbook for consortiums. • Clear guidelines for the Administrative Organisation (AO) in cooperation with strategic partners. • Focus on risk awareness, attitude and behaviour via corporate culture programmes and GRIP programme to increase the predictability of projects.

Risks	Impact	Control measures
Infra and Non-residential Inability to respond to developments in the market: e.g. digitalisation and energy transition.	No response to clients' issues, not a relevant player in the market.	<ul style="list-style-type: none"> • Integrated approach to developments and revenue models so Heijmans can realise added value for clients. • Strategic planning for investment decisions (long term) related to technology and competence development. • Maintaining a balance between innovation budget and portfolio allocation. • Including specialisms of third parties so Heijmans can offer total solutions. • Strategic focus on smartification (e.g. digitalisation) and greenification (e.g. energy).
Operational risks		
Complex and integrated projects Errors in design and/or calculations and interpretation differences in design liability.	The failure to recognise or late recognition of material project risks, resulting in time and money related surprises.	<ul style="list-style-type: none"> • Heijmans has implemented a GO / NO GO procedure and gate reviews with respect to tenders in various phases of the tender process, with particular attention devoted to risk analysis, risk appetite and the producibility of the design. • Independently of the gate review, Heijmans uses peer reviews when the project risk profile calls for same. • GRIP programme started; focused on improvement of Project Control during the entire lifecycle of a project. • Collaboration with risk-bearing partners, at least in projects that require competencies that are less prevalent at Heijmans, or for projects with a scope that is not a good fit with Heijmans' risk profile. • Specific start-up reviews in the first months after acquiring a project. • Safeguarding contract management in the tender phase, the preparation phase and the execution phase. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Extra focus on compliance procedures and the reduction of surprises through operational audits. • Implementation Key Risk Indicators (KRIs) to make risk movement transparent. • Continued implementation of the GRIP programme. • Further use of the SAP/ERP platform through deeper analyses of projects.

Risks	Impact	Control measures
<p>Safety risks</p> <p>These increase in line with the complexity of projects and increase in reciprocal coordination, and when work pressure increases – partly driven by economic growth.</p>	<p>Personal injury of a permanent or temporary nature, or even death.</p> <p>Legal liability for Heijmans.</p> <p>Loss of productivity and delays to projects.</p>	<ul style="list-style-type: none"> • Safety programme GO! With a focus on attitude and behaviour, a uniform and shared image of safety and collaboration on safety, order and orderliness on the building site. Heijmans deployed a sophisticated range of instruments and took a number of actions on this front in 2017. For more information, see the 'People and Organisation' chapter in this annual report. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Workshops for upper and middle management to increase awareness of the role they play in safety. • Develop approach to boost reporting of unsafe situations at every level of the organisation. • Embed the principles of order and orderliness in standards for the set-up and layout of building sites. • Implementation of approach to improve the way we handle multilingual workforces on building sites, for instance by producing an English-language version of the GO! app, plus safety manuals and communications in several languages. • In collaboration with subcontractors and suppliers, the development of joint standards for dealing with specific risks in projects, such as lifting.

Risks	Impact	Control measures
<p>Retention and recruitment of personnel</p> <p>Risks on this front are increasing as a result of the upturn in demand in the sector and in the economy in general, but also in view of the fact that skilled workers have left the sector in recent years due to the crisis.</p>	<p>Having access to qualified and motivated personnel is a precondition for the execution of the company's core activities in a professional manner.</p>	<ul style="list-style-type: none"> • Engaging and retaining qualified personnel by <ul style="list-style-type: none"> – Management development and talent development policy, with the aim of encouraging upward mobility and job rotation. – Engagement scans in the business areas to measure employee engagement and to make the right interventions per target group. – Adequate follow-up to fleet review and execution of the strategic personnel plan. – Continuous management training and trainee programmes focused on early recruitment, engagement and internal training of young, talented university and college-educated employees. – Regular testing of employment terms and conditions, in both a material and immaterial sense, to make sure these remain sufficiently competitive. • Safeguarding operational quality through a steady inflow of new employees: by investing in recruitment capacity and involving management and existing personnel in the filling of vacancies; by investing in labour market communications and targeted, individual approaches to candidates, largely via the use of social media. In addition to this, campus recruitment and collaboration with relevant student associations and cooperation with educational institutions via covenants. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Safeguarding compliance with HR-related risks by virtue of the Dutch Sham Employment Arrangements Act (WAS), the Chain Responsibility Act, amended freelance staff regulations, plus employment of foreign nationals and personal data protection legislation, in the knowledge that there have been many legislative changes in these domains and more changes could follow.

Risks	Impact	Control measures
Financial risks		
Liquidity risk	The liquidity risk pertains to the chance that the company's financing needs are at some point greater than the available financial leeway provided by the financing facilities made available.	<ul style="list-style-type: none"> Active monitoring of liquidity movements on the basis of daily and weekly cash reports. Testing whether liquidity forecasts are still valid. All the business areas draw up these forecasts on a weekly basis for three months in advance and on a monthly basis for the next twelve months. Every two weeks, the company conducts a cash review with the financial directors of the business areas to discuss assumptions and map out risks for the period ahead. As a result of the losses on the risk projects at year-end 2016, and taking into account the liquidity forecasts, in early 2017 Heijmans reached new agreements with its banks with respect to the committed credit facility. One of these agreements was that the current account credit of € 25 million would from that point forward be committed as part of the total credit line of € 155.9 million as at 31 December 2017, which will be reduced to € 122 million as at 30 June 2019. The committed financing facility is at Heijmans' disposal, provided the company complies with various covenants. <p>In 2018, the applicable financial covenants are the Interest Coverage Ratio (EBITDA/interest at a minimum level of 4), the Leverage Ratio (recourse debt /EBITDA at maximum level of 3) and Average Leverage Ratio (average recourse debt /EBITDA at a maximum level of 2.5). On the basis of the budgets drawn up, Heijmans appears to have sufficient headroom to be able to meet the conditions of these covenants.</p> <p>In addition to this, as part of its Fit for Cash programme, Heijmans has a continuous stream of initiatives in place to keep the invested capital in Property Development and the working capital in Infra, Non—Residential and Residential Building at a predictable and controlled level. The GO / NO GO criteria for new projects and the monitoring of existing projects also put a great deal of emphasis on the requirement that projects have effective financing plans.</p> <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> Further debt reduction and a focus on same Refinancing

Risks	Impact	Control measures
Solvency risk	Clients / suppliers may decide to exclude Heijmans from certain tenders or require additional bank guarantees for compliance with execution obligations if Heijmans fails to meet solvency requirements.	<ul style="list-style-type: none"> • The sale of Heijmans' foreign subsidiaries. The combination of book profits and the balance sheet reduction helped Heijmans to raise solvency back above the desired 25% level. • The (accelerated) development of land holdings, which reduced the invested capital in property. This had a positive impact on cash flows. • Stringent working capital management, driven by the Fit for Cash programme. In 2017, Heijmans devoted a great deal of attention to the reduction of the impact of seasonal patterns on its working capital to average out the company's financing requirements through the year and to monitor the headroom in the facility more effectively. • Clear agreements and information sent to other financial stakeholders to limit the risk of credit-limiting measures by guarantors and credit insurers.
Availability of bank guarantees	If bank guarantees are withdrawn, this may result in a situation in which Heijmans no longer has access to new bank guarantees, which may in turn mean that it cannot meet its contractual requirements in project tenders. A (negative) change in the terms could lead to more stringent conditions, which could in turn damage Heijmans' competitive position.	<ul style="list-style-type: none"> • Heijmans has a guarantee policy, which includes a detailed description of which conditions are set per type of guarantee, terms, amounts guaranteed, etc. The aim of this policy is to avoid unreasonably high, long-term and double sureties, thereby limiting the call on guarantee facilities. Treasury ultimately tests all guarantee requests against the guarantee policy and these are then submitted to the various guarantors. • Heijmans closely monitors the headroom in the guarantee facilities: every two weeks, the company draws up a Heijmans-wide overview of all guarantee requests that may need to be filled out in connection with ongoing tender processes and projects. Not only does this make it possible to estimate whether the current guarantee facilities are sufficient for the coming period; it also enables the early identification of any bottlenecks with respect to the guarantee policy. • Intensive stakeholder management with bilateral financiers. In other words, keeping guarantors up-to-date on the financial situation and the importance of current exposure.

Risks	Impact	Control measures
Creditworthiness of partners	<p>If a partner is unable to meet its obligations, it is possible that Heijmans, as co-partner in the consortium formed for the project (usually a general partnership) could become liable for the execution of the entire scope of the project. This would render Heijmans financially and operationally responsible for precisely that part of the scope for which Heijmans had sought a partner.</p>	<ul style="list-style-type: none"> • It is standard procedure to test the creditworthiness of partners in advance. If this is considered inadequate, Heijmans seeks additional assurances. This can take the form of a financial guarantee, or Heijmans might explore the possibility of accruing sureties at the level of the consortium, such as the retention of consortium-based pre-financing reserves. • The parties involved also sign a consortium agreement before submitting a tender quote. This includes a detailed demarcation of the respective obligations.
Legal and compliance risks		
New business models are resulting in new forms of cooperation and new partners	<p>The manner of the cooperation and the intended goal are insufficiently defined and/or the need to do so is recognised too late, which means that Heijmans interests are inadequately safeguarded.</p>	<ul style="list-style-type: none"> • Heijmans has several professionals in its Legal Affairs and Procurement departments who are specifically tasked with guarding against this. • There is a growing awareness of the need to think about the manner of the cooperation and to lay down agreements related to same at an early stage, and Heijmans' boards, and Legal Affairs and Procurement directors are involved at an early stage of any alliances. • Existing knowledge is made as widely available as possible internally and whenever possible Heijmans draws up model agreements. Heijmans organises training courses to increase the depth of knowledge on this front. • Heijmans selects external experts to provide support whenever necessary. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • In 2018, a number of legal experts will devote specific attention to new business models, and will remain a contact point for all colleagues (within and outside Legal Affairs). Via scheduled consultations, they will also keep this subject on the agenda.

Risks	Impact	Control measures
<p>New business models imply an increase in the importance of legal fields outside our traditional legal fields, such as intellectual property law and IT law.</p>	<p>Due to the lack of knowledge and involvement, Heijmans might reach agreements (or fail to reach agreements) that do not serve Heijmans' best interests.</p>	<ul style="list-style-type: none"> • Several lawyers in Heijmans' Legal Affairs department have improved their knowledge in this field. Heijmans will follow this up in 2018 via a number of internal and external training courses. • Heijmans employees know which internal experts to approach if they have any questions. • Heijmans does its utmost to preserve the value of know-how. How the company handles intellectual property is subject to careful analysis (cost-benefit analysis). • Intellectual property rights are administered centrally. The administration is kept up to date and Heijmans responds adequately to any infringements. • In addition, Heijmans has contracted several external advisers to provide support. Among other things, this means Heijmans has effective and practical standard statements and agreements. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • In 2018, Heijmans will continue to work on deepening its knowledge. In-house lawyers are a contact point for everybody within Heijmans. • In addition to existing models, Heijmans will work on the development of new models.

Risks	Impact	Control measures
<p>(Long-running) disputes and legal procedures.</p>	<p>Disputes and legal procedures can have a major financial impact. If a dispute arises during a project in progress, this can have serious consequences for the execution and progress of a project (in terms of time and money).</p>	<ul style="list-style-type: none"> • In the tender phase, certainly for larger, more complex projects, Heijmans carries out intensive contract assessments (according to a fixed format). At year-end 2017, Heijmans revised this format and made it standard procedure in all business areas. • Heijmans has made the role of contract management in larger projects more explicit (GRIP). In project teams, it is always clear who acts as the contract manager. • Heijmans makes sure contracts with various parties are harmonised by, whenever possible, using standard contracts, ensuring effective transition from tender to execution phase, and by limiting any changes in a project team. • The insurance policy is tailored as much possible to the business operations. Insurability is a major attention point in the tender phase. • Heijmans is alert to so-called early warnings, such as delays, poor liquidity, cost overruns and bad atmosphere, and acts upon these warnings. • In the event of (potential) disputes, Heijmans frequently puts together inter-disciplinary teams, who come together according to a standard procedure, providing the right knowledge, expertise and commitment to arrive at a good result. If it proves impossible to prevent a legal procedure, Heijmans devotes careful consideration to which lawyer, expert and/or mediator it would be best to deploy. • Due to the fact that any dispute involves not only those responsible for the project, but also colleagues with a little more distance from the problem that has arisen, it is easier to not get bogged down in principles and not to lose sight of the best end result, such as an amicable settlement. • Initiation of alternative dispute mediation, ideally before there is an actual concrete dispute. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Via the Heijmans Academy, Heijmans will organise training courses on standard terms and conditions in the construction industry, such as the UAV and UAV-GC (uniform administrative conditions).
<p>Implementation of and compliance with the European General Data Protection Regulation (GDPR).</p>	<p>From 25 May 2018, Heijmans' business operations must be in compliance with the GDPR. Failure to comply could result in heavy fines.</p>	<ul style="list-style-type: none"> • Heijmans has appointed a data protection officer. • Heijmans has brought its Model Data Processing Agreement into line with the GDPR. • Reporting Procedure Data Leaks. • Data processing register has been created and will be filled out. • All employees are required to take an e-learning course in IT security. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> • Heijmans will devote attention to increasing internal awareness by drawing up a privacy policy, training, privacy code of conduct, procedures, intranet messages, etc.

Risks	Impact	Control measures
Heijmans fails to abide by laws and regulations.		<ul style="list-style-type: none"> All employees are bound by the Heijmans Code of Conduct. Lawyers and other specialists identify and implement new developments and Heijmans provides information and/or runs pilot projects and conducts audits where necessary. Heijmans' membership of various industry organisations and task forces generally makes it possible to identify developments at an early stage. The Compliance Officer organises compliance consultations (with all relevant disciplines), in which the parties involved discuss compliance in the broadest sense. For specific subjects, Heijmans has semi-permanent programmes to support adequate follow-up. For instance, in 2017 Heijmans organised mini-colleges to stress the importance of competition law-related subjects, as well as integrity workshops. <p>Additional focus in 2018:</p> <ul style="list-style-type: none"> The design and implementation of a programme for the development and exchange of know-how on specific subjects.

Risk statement

It can generally be concluded that in 2017 Heijmans actually implemented the measures it proposed, as outlined above:

- Sale of non-Dutch activities
- Tightened focus on core competencies and projects that Heijmans is capable of executing
- Maintenance of strict procedures and related risk and audit functions
- Attention devoted to recruitment, retention and deployment of the right people in the right place and development of the required competencies
- Attention devoted to cultural aspect and core values
- The introduction of the GRIP programme
- Introduction of the CRO function

Partly in view of the above, the Executive Board can state that given the current situation it was justified to prepare the financial statement on the assumption that Heijmans will continue as a going concern and that the risk and control systems generally functioned properly, for which the company had to make an extra effort in a number of large Infra and Non-Residential projects. With respect to

the financial reporting risks, Heijmans' internal risk and control system provide a reasonable level of certainty that the financial reporting as shown in the financial statements for 2017 (pages 131 through 218) do not to our knowledge contain any material misstatements. However it is not possible to provide absolute certainty. Heijmans can therefore not guarantee the absence of material mistakes, fraud or the violation of legal regulations. This annual report includes an explanation of the risks and uncertainties relevant to the expectation that the Company will continue as a going concern for a period of twelve months after this report was drawn up.

The optimisation and monitoring of the functioning of the internal risk management and control systems remains a key priority for the Executive Board. In the year under review, the Executive Board and the audit committee, as well as the entire Supervisory Board, discussed the structure and operation of the internal risk management and control systems intensively and frequently. In the year under review there were no integrity issues that had an impact on the company's risk profile.





Supervisory Board



Ms. P.G. (Pamela) Boumeester (1958)

Dutch nationality; formerly Managing Director of NS Poort. Appointed Member of the Supervisory Board of Heijmans N.V. in April 2010, reappointed in 2014. To step down in 2018. *Principal additional positions:* member of the Supervisory Board of Ordina N.V., member of the Supervisory Board of Jaarbeurs Utrecht, non-executive director Global Via Infrastructuras S.A., Chair of Stichting Royal Haskoning, Chair of the Advisory Board of H&S Group, and member of the board of the Dutch Enterprise Chamber.



Mr. R. (Rob) van Gelder (1945)

Dutch nationality; formerly Chair of the Executive Board of Heijmans N.V. Previously, Mr Van Gelder was a board member of Koninklijke Boskalis Westminster N.V. for 20 years, and Chair of the board for over 13 years. Appointed as a Member of the Supervisory Board of Heijmans N.V. on 1 July 2010 and reappointed in 2014. To step down in 2018. *Principal additional positions:* Chair of the Supervisory Board of Atlas Services Group.



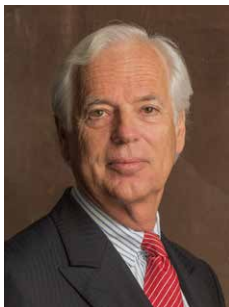
Mr. R. (Ron) Icke (1957), Vice-Chair, Chair of the Audit Committee

Dutch nationality; formerly Chair of the Executive Board of USG People N.V. Appointed as a member of the Supervisory Board of Heijmans N.V. in April 2008. Reappointed in 2012 and 2016. To step down in 2020. *Principal additional positions:* Chair of the Supervisory Board of DPA Group N.V., Chair of the Supervisory Board of ORMIT B.V., Chair of the Supervisory Board of Domus Magnus Holding B.V., member of the Supervisory Board of Kas Bank N.V., member of the Supervisory Board of VvAA Groep B.V., member of the Supervisory Board of the Dutch Land Registry, board member of Stichting Administratiekantoor V.O. Zee, board adviser Star Group B.V. and board adviser Partou B.V.



Mr. S. (Sjoerd) van Keulen (1946), Chair of the Remuneration Committee and the Selection and Appointments Committee

Dutch nationality; formerly Chair of the Executive Board of SNS REAAL N.V. Appointed as a member of the Supervisory Board of Heijmans N.V. in April 2007. Reappointed in 2011 and in 2015. To step down in 2019. *Principal additional positions:* member of the Supervisory Council of Stichting Het Wereld Natuur Fonds, member of the Supervisory Council of Stichting Natuur en Milieu, member of the board of Stichting Administratiekantoor Preferente Aandelen Randstad.



Mr. Sj.S. (Sjoerd) Vollebregt (1954), Chair of the Supervisory Board

Dutch nationality, former Chair of the executive board of Stork B.V. and Fokker Technologies B.V. Previously employed at Exel, Ocean, Intexo Holding and Royal Van Ommeren, among others. Appointed as a member of the Supervisory Board of Heijmans N.V. in April 2015, appointed as Chair in 2016. To step down in 2019. *Principal additional positions:* Chair of the Advisory Board of Airbus Defence and Space Netherlands, Chair of the Economic Board of Drechtsteden and non-executive director at Mylan N.V.



Report of the Supervisory Board

The Supervisory Board has taken note of the report of the Executive Board for the 2017 financial year. The financial statements have been audited by Ernst & Young Accountants LLP and the latter issued an unqualified auditor's report on 23 February 2018. The auditor's report is included on page 218 of the financial statements. We recommend that the General Meeting of Shareholders adopt the 2017 financial statements and grant discharge to the members of the Executive Board for their management of the company. We approve the proposal by the Executive Board not to pay out a dividend on (depository receipts for) ordinary shares for 2017, in view of the importance of the recovery of the balance sheet.

Position and key developments in 2017

Role and powers of the Supervisory Board

The Supervisory Board supervises the strategy of the Executive Board and the general course of business at the Company and its affiliated company and advises the Executive Board. The Supervisory Board also focuses on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of financial reporting. In the performance of its duties, the Supervisory Board acts in the interests of the Company and its affiliated companies and in doing so takes into account the legitimate interests of the Company's stakeholders. The Supervisory Board also takes into account the social aspects of business operations that are relevant to the Company. The Articles of Association of Heijmans N.V. and the Regulations for the Supervisory Board of Heijmans N.V. include rules with respect to board meetings and resolutions. Both of these documents are available on the Heijmans N.V. website under the heading "Corporate Governance: Codes, Articles of Association and Regulations".

Specific areas of supervision

The Supervisory Board's supervision of the Executive Board includes aspects such as the strategy geared towards value creation, the realisation of objectives, the risks associated with business activities, the structure and operation of the internal risk management and control systems, the process of financial reporting, compliance with legislation and regulations, shareholder relations (for further details, see the section 'Corporate

◀ Senior project leader Peter Hoogstad for Ahoy, Rotterdam



Governance: General' in the Corporate Governance section of this annual report), the activities of the Executive board with respect to the culture within the company, the operation of the reporting procedures for abuses and irregularities and the social aspects of business operations that are relevant to the Company.

Accents and activities in 2017

Development of results

The Supervisory Board was once again intensively involved in the company's affairs, partly in view of the developments initiated at the end of 2016. In early 2017, Heijmans extended its financing and sold its foreign subsidiaries, following intensive consultations between the Executive Board and the Supervisory Board. This created a solid basis for debt reduction and an improvement in capital ratios. The Board also gave its undivided attention to the 'Focus, Discipline and Excellence' programme. In its meetings, the Supervisory Board also devoted extensive attention to the 'margin-over-volume' policy, the continued professionalisation of the organisation and the improvement of internal processes. The Supervisory Board was consulted frequently on the reduction of the risk profile of a number of large projects.

Financing

In early 2017, Heijmans reached new agreements with its financiers as a result of which the financing facility was extended until 1 July 2019. Under the agreement, 2017 was subject to amended covenants, while the previous covenants came back into effect in 2018. The agreement also includes a phased reduction of the credit facility. The Supervisory Board and Executive Board frequently discussed the progress of the results in relation to the requirements laid down in the financing agreement. The results achieved meant that Heijmans was able to accelerate the reduction of the credit facility to € 156 million as at 1 November 2017, which the Supervisory Board considers very positive indeed.

Strategy

The year under review also saw considerable focus on the fleshing out of the strategy that Heijmans outlined in 2016, which includes a focus on the Dutch market, the realisation of an improved risk profile, and improved capital ratios. The Supervisory Board believes the extension of the financing and associated agreements places Heijmans in a good position to work on a stronger Dutch company. The Supervisory Board has discussed the detailed strategy with the Executive Board and has approved same. The Supervisory Board will follow the execution of the strategy closely in the years to come.

Improvement across the board is considered a highly important aspect and this is an integral part of the strategy. The uniform application of processes and quality standards is crucial to the reduction of costs and increase in efficiency. This will enable the company to make greater use of its own acquired know-how and experience, to create 'routine' and ensure a generic approach to projects. Risk assessment, limitation and control play a crucial role in it. The Executive Board is directly in charge of the process of continuous improvements, including the likes of the GRIP (Geen verrassingen in projecten) programme to eliminate surprises in projects. The Supervisory Board kept itself up to date on the progress made in the fields of renewal and innovation.

Corporate governance

The Supervisory Board was kept abreast of the developments in the field of Corporate Governance, including the new Corporate Governance Code, which was published in December 2016 and was taken into law in 2017. In view of this revised Code, Heijmans updated the regulations of the Supervisory Board and Executive Board, and the company reported on the 2017 financial year in line with the Corporate Governance Code 2016. For more information, we refer to the Corporate Governance chapter on page 83 of this annual report.

Frequency of meetings and attendance

In 2017, the Supervisory Board held seven scheduled meetings in the presence of the Executive Board. A number of these meetings were preceded by internal consultations within the Supervisory Board. In addition, the Board held five meetings in the form of conference calls. At two of the meetings, one member of the Supervisory Board was unable to attend: Ms. Boumeester and Mr. Van Keulen respectively. Ms. Boumeester was unable to attend one of the conference calls. Messrs. Vollebregt, Icke and Van Gelder were present at all meetings and participated in all conference calls. The members of the Board who were unable to attend used the opportunity available to them to discuss the items on the agenda with the Chair prior to the meeting and were therefore given the opportunity to express their views on said subject. All the members of the Remuneration committee and the Selection and Appointments committee attended all meetings of said committees. Mr. Van Keulen was absent from one meeting of the Audit committee.

During its meeting of June 2017, the Supervisory Board visited the Beatrixsluis lock project in Nieuwegein. Ahead of the meeting, the project management provided an

extensive presentation on the project, which prompted an intensive discussion of project management in the meeting. The Supervisory Board members also made a number of individual project visits.

The Company's external auditor attended the meeting at which the financial statements for 2016 were discussed. The Supervisory Board is represented a number of times each year at the consultation meetings of Heijmans' Works Council. The Supervisory Board members hold regular consultations with the members of the Executive board, depending on the specific portfolio of each Supervisory Board member. This is true in particular for the Chair of the Supervisory Board and the Chairmen of the Selection and Appointments committee, the Audit Committee and the Remuneration Committee.

Resolutions

The important resolutions of the Supervisory Board in 2017 included the following:

- Approval of the strategy;
- Approval of resolution of the Executive Board to adopt and change the operational and financial objectives of the Company;
- Approval of the 2017 business plan and budget of Heijmans N.V., which outlines the strategic principles of the policy;
- Approval of the dividend proposal of Heijmans N.V.;
- Approval of the proposal of the Executive Board with respect to the appropriation of the results of Heijmans N.V. for the financial year 2016;
- Approval of the decision of the Executive Board to enter into an agreement on an extension of the syndicated credit facility until 1 July 2019;
- Approval of the decisions of the Executive Board to sell Oevermann, as well as the Belgian subsidiaries in the context of the improvement of the company's capital structure;
- Approval of the specification of the criteria for short-term and long-term variable bonuses of the members of the Executive Board;
- The resolution to appoint Mr. J.G. (Hans) Janssen to the Executive Board as of 30 October 2017, such for a period of four years, after the close of the Extraordinary Meeting of Shareholders of 17 October 2017;
- Entering into a dialogue with Mr. R.F. (Ruud) Majenburg with respect to his departure from the Executive Board.

Executive Board

The composition of the Executive Board changed in 2017. On 26 October 2017, Heijmans announced the departure of R.F. (Ruud) Majenburg as board member of Heijmans as of that date. Ruud Majenburg joined Heijmans in January

2016 and was appointed to the Executive Board in April of that year. During this period, he put a great deal of effort and commitment into Heijmans' Infra activities. The Supervisory Board and the Executive Board are very grateful to Mr. Majenburg for his efforts and his major contribution to the company.

In the year under review, after the Extraordinary Meeting of Shareholders of 17 October 2017, the Supervisory Board appointed Mr. J.G. (Hans) Janssen to the Executive Board as of 30 October 2017, for a period of four years.

In close consultation with the Chairman of the Executive Board, the Supervisory Board considered the optimal composition of the Executive Board. This resulted in a joint decision to have the Executive Board consist of two members.

As of end-October 2017, the Executive Board has two members. Their areas of attention per January 2018, are as follows:

- Mr. A.G.J. (Ton) Hillen, CEO: General affairs, Property Development, Building and Technology*, Infra, Sustainability, HR & Management Development, PR & Communications, Innovation.
- Mr. J.G. (Hans) Janssen, CFO: Finance, Investor relations, ICT, Legal Affairs, Pensions, Procurement and Facilities.

* until 1 January 2018, Residential Building and Non-Residential were separate business areas. Their operations have been integrated into the Building & Technology business area as of that date.

Self-assessment Supervisory Board

One of the principles of the Dutch Corporate Governance code is that supervisory boards are collectively responsible for their own performance, with self-assessment being defined as a best practice. In the fourth quarter of 2017, the members of the Supervisory Board, partly with support from an external party, assessed the board's own functioning, and the interactions with the Executive Board. The self-assessment was based on the completion of an extensive questionnaire, and individual interviews with all parties concerned, these being the members of the Supervisory Board, the members of the Executive Board and the company secretary. The ensuing report was discussed with the Supervisory Board. As a result of the assessment, the Board subsequently discussed and implemented a number of measures for improvement.

Diversity

The composition of Heijmans' Supervisory Board is diverse in terms of gender, background and experience.

Under the Management and Supervision Act, larger companies are obliged to strive for a composition of at least 30% female and 30% male members on the Supervisory Board, insofar as the seats on the board are filled by natural persons. One of the five members of the current Heijmans Supervisory Board is female, representing 20% of the total. Given the total number of seats, the target ratio of 30% will not be achieved. For further background information on all the Supervisory Board members, see page 114 of this annual report. The target profile for Supervisory Board members is available in the 'Corporate Governance' section of the website. In the event of vacancies - other than reappointments - the Supervisory Board aims to increase the diversity of the experience and competencies of its members. The diversity policy applicable to the Executive Board and Supervisory Board is included in the Corporate Governance statement, see page 83 of this annual report.

Committees

The Supervisory Board has appointed three committees: the Audit Committee, the Selection and Appointments Committee and the Remuneration Committee. The Board has drawn up Regulations for each committee, establishing the role of the committee in question, its composition and how it carries out its duties. These regulations are available in the 'Corporate Governance' section of the (Dutch) Heijmans website under 'Codes, Articles of Association, Regulations'.

Audit Committee

The Audit Committee comprises three members of the Supervisory Board and its duties cover a number of financial areas. The matters discussed by the Audit Committee are in preparation for the discussion of these items by the full Supervisory Board. The subjects include the interim report, the financial statements, the budget, the reports of the external auditor, other financial reporting, the operation of internal risk and control systems, the relationship with and the evaluation of the external auditor, the pension plans, and the changes in the company's financing requirements and debt position, including the relationship with the company's financiers.

The Audit Committee also discussed the valuation of land holdings, the state of affairs at the supplementary company pension fund, the implementation of the SAP ERP system, the company's tax position, future amendments to IFRS regulations, and the list of issues. The committee also discussed integrity and compliance, Risk & Audit Management and the reports provided by the Risk & Audit Manager.

The members of the Audit Committee are Mr. R. Icke (Chair), Mr. R. van Gelder, and Mr. S. van Keulen. The Committee met with the Executive Board on five occasions in 2017. The external auditor also attended a number of meetings. The Committee consulted the auditor on one occasion in the absence of the Executive Board.

When relevant, managers with responsibility for finance, auditing, risks and compliance attended the meetings of the Audit Committee, together with the CEO and the CFO. Relevant items requiring approval from the full Supervisory Board were submitted to the full Supervisory Board together with a recommendation from the Audit Committee.

Selection and Appointments Committee

The Selection and Appointments Committee establishes, among other things, the selection criteria and appointment procedure for Supervisory Board members and members of the Executive Board. The Committee also evaluates, at least once a year, the performance of the members of the Executive Board. To that end, the committee conducts individual performance assessment interviews with the members of the Executive Board at least once a year.

The Selection and Appointments Committee met on four occasions last year. There was also regular reciprocal consultation. In view of the departure of Mark van den Biggelaar, which was announced in November of 2016, the Committee initiated a process in late 2016 to find a new CFO / member of the Executive Board. This scrupulously carried out process demanded a considerable amount of time and effort. Following an extensive selection procedure, the committee found a suitable candidate in Mr. Hans Janssen, and the Supervisory Board subsequently decided unanimously to appoint Mr. Janssen following the notification of the General Meeting of Shareholders. This committee consists of Mr. S. van Keulen (Chair), Ms. P.G. Boumeester and Mr. R. van Gelder.

Remuneration Committee

The Remuneration Committee, which has the same composition as the Selection and Appointments Committee, carries out preparatory work for the Supervisory Board with respect to the remuneration of members of the Executive Board. This is based on the remuneration policy for members of the Executive Board that took effect on 1 January 2010 and was adopted by the General Meeting of Shareholders on 28 April 2010.

The remuneration of the members of Heijmans' Executive Board in 2017 was in line with this remuneration policy, details of which are available on page 123 of this annual report.

In addition to their three regular meetings in 2017, the Remuneration Committee had reciprocal consultations on a number of occasions in the year under review. The Committee also held talks with Ruud Majenburg about the termination of his management contract. The Committee submitted proposals on the subject to the Supervisory Board. And the Committee discussed and drew up proposals with respect to the remuneration of Mr. Hans Janssen upon his appointment as a member of the Executive Board.

Other subjects the Remuneration Committee discussed included targets for the variable remuneration, the variable remuneration itself, and the Bonus Investment Share Matching Plan.

Composition Supervisory Board

The Supervisory Board currently has five members. None of the members were due to step down in 2017 pursuant to the retirement schedule.

The current composition of the Supervisory Board, together with the particulars of the members and principal and other positions they hold is described on page 114 of this annual report. Aside from Mr. Van Gelder (as a former Chairman of the Executive Board of Heijmans N.V. until 1 July 2010), all the other Supervisory Board members qualify as independent as meant in Article 2.1.8 of the Dutch Corporate Governance Code.

In conclusion

Heijmans has gone through some difficult times in recent years and has made every possible effort to get back on a positive course. The Supervisory Board has determined that in 2017 Heijmans made considerable progress towards that goal, structural recovery. This is notwithstanding the fact that Heijmans will need to continue its structural efforts with respect to strategic focus, tight project selection policy, optimal cost structure, safety, and improvements to its capital ratios. In short: on the improvement of its results. The 'Focus, Discipline and Excellence' programme launched last year will play a key role on this front. The foundations of Heijmans' sustainable success are the company's skilled employees, who excel in terms of their craftsmanship, their focus on results and on working as a team, together with a solid organisational structure.

The Executive Board made significant progress in that direction in 2017 and the company will continue to build on that in 2018.

Both the Supervisory Board and the Executive Board are aware that Heijmans' recovery made major demands on all employees within the firm in terms of both effort and engagement.

The Supervisory Board wishes to express its gratitude to the Works Council, all employees and the Executive Board of Heijmans for their significant contributions in the year under review.

's-Hertogenbosch, 23 February 2018

Sjoerd S. Vollebregt, Chair

Ron Icke, Vice-Chair

Pamela G. Boumeester

Rob van Gelder

Sjoerd van Keulen



Remuneration report

Principles of the remuneration policy

The Supervisory Board of Heijmans N.V. pursues a remuneration policy for the Company's Executive Board that is based on the following principles:

- Executive remuneration must be such that it is possible to attract and retain top managers, not only from the building industry but also from related sectors, such as property development and electrical and mechanical engineering;
- The remuneration policy must be consistent with the Company's corporate governance policy;
- Remuneration must be characterised by long-term value creation, the strategic and financial objectives and must be performance-based to a significant degree, with an appropriate balance between short-term and long-term results and/or objectives;
- Remuneration must not include any incentives that could result in individual behaviour that is in conflict with the Company's interests;

The Heijmans N.V. Executive Board operates as a team with ultimate responsibility clearly resting with the Chairman, although the other Executive Board member is also accountable for the overall end result, in addition to his specific areas of responsibility.

Relationship with the Corporate Governance Code

Heijmans endorses the principles relating to the remuneration of Executive Board members stated in the Corporate Governance Code. Moreover, Heijmans endorses the recommendations relating to the remuneration-related responsibilities of the Supervisory Board and the role of the Remuneration Committee.

Heijmans observes the principle of a maximum appointment term of four years for Executive Board members, as well as the compensation stated in the Code in the event of involuntary dismissal.

Positioning of the remuneration packages

Heijmans aims to offer remuneration packages at a median level when compared to other remuneration packages paid to directors of comparable enterprises in the Netherlands. Moreover, the remuneration package must be competitive and include the right incentives to generate effective strategy and above-average performance. The Supervisory Board plans to update this policy on a regular basis by reviewing it against market developments and socially accepted standards.

Principles of the remuneration policy for Executive Board members of Heijmans N.V.

The system chosen comprises a fixed basic salary and a variable bonus depending on short-term targets (variable bonus on an annual basis) and long-term objectives (annually recurring variable remuneration on a three-year basis). If both the short-term and long-term targets are achieved, the total variable remuneration amounts to 100% of the fixed salary. If performance significantly exceeds or falls below the agreed targets, the variable remuneration can be a maximum of 150% of the fixed salary, or may be reduced to zero. On target performance will result in a total variable bonus consisting of 50% of the variable annual bonus, and 50% of the annually recurring variable remuneration on a three-year basis. Half (50%) of the variable annual bonus depends on financial targets set each year. The remaining 50% is determined on the basis of individual qualitative performance, as assessed by the Supervisory Board.

If the Company closes any year with a net loss, the right to a variable annual bonus for that year is only vested if and when the company realises a net profit in the following year or the year thereafter, subject to a minimum level to be determined by the Supervisory Board. Thereafter, any right to a variable annual bonus for the year in question lapses. Half (50%) of the variable remuneration on a three-year basis depends on financial targets, and 50% on individual qualitative performance and other non-financial criteria, at the discretion of the Supervisory Board. The entire variable remuneration is subject to a claw-back clause, whereby a variable remuneration that has been allocated can be reclaimed if it was awarded on the basis of incorrect information. The Supervisory Board also has the discretionary power to adjust the variable remuneration component granted in a previous financial year if the Supervisory Board believes this remuneration results in an unfair or unreasonable situation due to very exceptional circumstances in the relevant assessment period (measure of last resort).

The Supervisory Board has the right to final review and potential adjustment of any and all awards of variable remuneration. The principles of the remuneration policy for Executive Board members of Heijmans N.V. were established by the General Meeting of Shareholders on 28 April 2010. The Supervisory Board sets the targets for determining the variable remuneration of members of the Executive Board. This pertains to the financial targets and the qualitative performance targets used to determine the annual remuneration and the long-term remuneration for the preceding three-year period.

Pay ratios within the company in 2017

In line with best practice 3.4.1. sub iv, we have analysed the pay ratio in the company, the difference between the salaries of management-level employees and other employees. This was calculated on the basis of the fixed agreed remuneration, including holiday bonus, with reference date 30 November 2017. The average fixed agreed remuneration of the members of the Executive Board as of the reference date was compared to a reference group comprising all employees who, on the reference date, had an employment contract with the company (Heijmans N.V.) or one of its subsidiaries in the Netherlands. The average fixed remuneration of the members of the Executive Board was € 462,500 on the reference date, compared with a fixed remuneration of € 52,553 for the reference group. Based on the above, the pay ratio can be expressed as 1 to 8.8.

The Remuneration Committee takes the pay ratio into account in the proposal it submits to the Supervisory Board with respect to the remuneration of the individual members of the Executive Board.

Activities in 2017

In 2017, the Remuneration Committee held three scheduled meetings, in which it discussed the usual annually recurring items, such as the remuneration of the members of the Executive Board, the objectives in the context of the variable remuneration, the variable remuneration itself and the Bonus Investment Share Matching Plan. In addition, the Committee members discussed subjects among themselves on a number of occasions. The Committee also discussed the departure of Mr. R.F. Majenburg and the termination of his management contract. The Committee submitted proposals to the Supervisory Board on that subject and on the subject of the remuneration of Mr. J.G. Janssen upon his appointment as a member of the Executive Board.

in €		Gross fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Severance payment	Pension contributions	Expense allowances including reimbursement of car expenses, long-service bonus and costs of the Share Matching Plan	Total
A.G.J. Hillen *	2017	500.000	345.868	-102.050	-	200.273	43.463	987.554
	2016	414.470	-	-95.780	-	116.917	45.048	480.655
J.G. Janssen**	2017	74.053	-	-	-	14.667	9.059	97.779
	2016	-	-	-	-	-	-	-
R.F. Majenburg ***	2017	331.409	248.557	-64.484	404.563	72.822	34.304	1.027.171
	2016	386.903	-	64.484	-	85.135	40.445	576.967
L.J.T. van der Els ****	2017	115.954	-	-	-	28.671	14.892	159.517
	2016	496.906	-98.753	-246.882	-	102.160	47.123	300.554
M.C. van den Biggelaar *****	2017	68.209	-	-	-	11.870	9.372	89.451
	2016	406.907	-79.132	-197.831	-	73.059	53.512	256.515
Total	2017	1.089.625	594.425	-166.534	404.563	328.303	111.090	2.361.472
	2016	1.705.186	-177.885	-476.009	0	377.271	186.128	1.614.691

* Chairman of the Executive Board since 1 December 2016 and member of the Executive Board since 18 April 2012

** Member of the Executive Board since 30 October 2017

*** Member of the Executive Board from 13 April 2016 to 26 October 2017

**** Member of the Executive Board from 28 April 2010 to 13 April 2017 and Chairperson of the Executive Board from 18 April 2012 to 1 December 2016

***** Member of the Executive Board from 1 September 2009 to 1 March 2017

Variable remuneration

In view of the extraordinary circumstances Heijmans found itself in towards the end of 2016 and in early 2017, the Supervisory Board decided to focus on the short-term targets for 2017 and to combine the short-term and long-term components for 2017. In view of the results realised, the Supervisory Board awarded Mr. A.G.J. Hillen a variable remuneration of 85% of the fixed agreed remuneration and Mr. R.F. Majenburg a variable remuneration of 75% of the fixed agreed remuneration. The Supervisory Board granted the members of the Executive Board a conditional short-term variable remuneration for 2015 of 20% of the fixed agreed remuneration. With respect for Mr. A.G.J. Hillen, Heijmans made a reservation of € 79,132, which was charged to the result for 2015. This award did not vest and the sum was therefore released in the result for 2017.

Remuneration members of the Executive Board

In addition to the amounts shown in the table above for gross fixed salary, pension expense and expense allowances for each (former) member of the Executive Board, the following amounts are recognised in the statement of profit or loss per member of the Executive Board:

- The members of the Executive Board were granted a short-term variable remuneration for 2017 of 85% of the fixed agreed salary for Mr. Hillen and 75% for Mr. Majenburg, in view of the realisation of the targets for 2017. The members of the Executive Board had been granted a conditional short-term variable remuneration of 20% of the fixed agreed remuneration for 2015. With respect for Mr. A.G.J. Hillen, Heijmans made a reservation of € 79,132 which was charged to the result for 2015. This award did not vest and the sum was therefore released in the result for 2017.
- No reservation has been recognised for variable remunerations for the periods 2016-2018 and 2017-2019 for the current members of the Executive Board (2016: for the periods 2015-2017 and 2016-2018: € 0.2 million). No reservation was made with respect to Mr. Hillen (2016: € 102,050) and no reservation was made for Mr. Janssen (2016: nil).
- Mr. Majenburg was granted termination compensation of € 404,563 gross upon his resignation as per 26 October 2017. This pertains to contractually agreed compensation.
- In April 2014, Mr. Van der Els and Messrs. Van den Biggelaar and Hillen acquired shares in Heijmans for 50% and for 20% respectively of the net short-term variable remuneration for 2013. In the context of the



Contractor Janus Dortmans at Sint Jozefzorg 'de Hofjes' in Tilburg

Share Matching Plan, a conditional share was granted for each share acquired – a total of 2,289 shares. The shares granted conditionally were vested after three years, after which they are subject to a mandatory lock-up period of two years. The total charge associated with the granting of the shares is calculated at the time the shares are awarded and is recognised pro rata in terms of timing in the statement of profit or loss during the period in which the awarded shares vested. In the 2017 statement of profit or loss, Heijmans recognised a charge of € 3,210 (2016: € 9629) with respect to the shares awarded in April 2011. In April of 2017, a total of 2,289 shares became vested. In April of 2017, the Group issued 2,289 shares and awarded same to the relevant (former) members of the Executive Board; these shares are subject to a mandatory two-year lock-up period.

- The pension scheme for Mr. Hillen pertains to the pension scheme of the industry pension fund and the directly insured average salary scheme. Mr. Hillen also receives an annual compensation of € 34,021 (2016: € 33,600), adjusted for possible collective labour agreement salary increases, for the lapse of the early retirement pension scheme and Mr. Hillen also received compensation of € 97,188 in 2017 (2016: € 65,538) for the loss of pension accrual on the salary over and above € 100,000, plus a compensation of € 50,232 (2016: nil) for the loss of the indexation in the Delta Lloyd average salary scheme. Mr. Majenburg receives a fixed compensation for pension expenses, which was € 72,822 in 2017 (2016: € 85,135) for the period when he was a member of the Executive Board. Mr. Janssen receives a fixed compensation for pension expenses, which was € 14,667 in 2017.

Pension

The pension scheme for one member of the Executive Board is a conditionally indexed average salary scheme, in which pension is accrued on the gross fixed salary and becomes payable at the age of 67 years. This pertains to the accrual of retirement pension, surviving dependants' pension and orphan's pension. This Board member also receives compensation for the loss of pension accrual on their salary in excess of €100.000. In deviation from the above, the other member of the Executive Board receives a fixed payment for the accrual of his own pension provision. Heijmans does not have any early retirement schemes.

Bonus Investment Share Matching Plan

This plan is intended to secure the longer-term commitment of executive directors and reinforce their focus on the long term and value creation for Heijmans by encouraging them to buy ordinary shares/depository receipts for ordinary shares of the Company and hold these for an extended period. Members of the Executive Board can opt to invest part of their short-term variable annual bonus after tax in shares in the Company's capital. If a director, hereinafter referred to as "participant", decides to invest, the investment is limited to 50% of his or her gross short-term variable annual remuneration. The minimum contribution is 10% of the gross short-term variable annual remuneration.

The shares purchased by the participant are subject to a mandatory lock-up period of three years, during which the participant may not transfer the purchased shares. However, the participant is entitled to dividend during the lock-up period. Immediately upon purchase, each purchased share grants the participant the right to one conditionally granted share (matching share), which are only vested after three years, provided the participant is still employed by Heijmans at that point. The matching shares are then subject to a mandatory lock-up period of two years. If the participant's employment terminates at any time during the three-year period, the right to the matching shares lapses (except in the case of retirement or death). If the employment ends during the two-year lock-up period, the matching shares remain blocked until the end of the lock-up period. The regulations for the Bonus Investment Share Matching Plan for the members of the Executive Board were established by the Supervisory Board on the basis of a proposal from the Remuneration Committee in 2011.

Remuneration Committee

The members of the Remuneration Committee are Mr. S. van Keulen (Chairman), Ms. P.G. Boumeester, and Mr. R. van Gelder. To prepare the matter for consideration by the Supervisory Board, the Remuneration Committee focuses on the remuneration of members of the Executive Board and members of the Supervisory Board.

's-Hertogenbosch, 23 February 2018

*S. van Keulen, Chair
P.G. Boumeester
R. van Gelder*

Statement by the Executive Board

To fulfil their legal obligation pursuant to Section 2:101(2) of the Dutch Civil Code and Section 5: 25c(2)(c) of the Dutch Financial Supervision Act (Wft), each member of the Executive Board states that to the best of their knowledge:

- The financial statements give a true and fair view of the assets, the liabilities, the financial position and the result of the Company and the companies included in the consolidation; and
- The annual report provides a true and fair view of the situation as at 31 December 2017 and the developments during the 2017 financial year at the Company and its affiliated companies, and of the data presented in its financial statements, and that the annual report provides information on the material risks the issuing institution faces.

's-Hertogenbosch, 23 February 2018

A.G.J. Hillen

J.G. Janssen

Technical expert Ruud Spijker
at the National Military Museum in Soesterberg





Financial statements 2017

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1. Consolidated statement of profit or loss

x € 1.000

		2017			2016		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
6.1	Revenue	1.402.215	85.059	1.487.274	1.369.680	514.111	1.883.791
	Cost of sales	-1.265.336	-78.200	-1.343.536	-1.334.976	-466.578	-1.801.554
Gross profit		136.879	6.859	143.738	34.704	47.533	82.237
6.3	Other operating income	2.506	31.035	33.541	721	1.132	1.853
	Selling expenses	-30.575	-1.517	-32.092	-32.163	-6.730	-38.893
6.4	Administrative expenses	-92.568	-5.375	-97.943	-106.129	-25.339	-131.468
6.5	Other operating expenses	-1.912	-8	-1.920	-1.590	-6.126	-7.716
Operating result		14.330	30.994	45.324	-104.457	10.470	-93.987
6.6	Finance income	1.702	534	2.236	2.482	2.340	4.822
6.6	Finance expense	-10.803	-165	-10.968	-11.277	-1.320	-12.597
6.11	Share in results of joint ventures and associates	-14.669	-1	-14.670	-4.662	2.622	-2.040
Result before tax		-9.440	31.362	21.922	-117.914	14.112	-103.802
6.7	Income tax	0	-2.380	-2.380	-349	-6.343	-6.692
Result after tax		-9.440	28.982	19.542	-118.263	7.769	-110.494
The entire result after tax is attributable to the shareholders.							
Earnings per share (in €)							
6.19	Earnings per ordinary share after tax	-0,44	1,35	0,91	-5,52	0,36	-5,16
6.19	Earnings per ordinary share after tax and dilution effects	-0,44	1,35	0,91	-5,52	0,36	-5,16
	Dividend distributed per ordinary share in the financial year	0,00	0,00	0,00	0,00	0,00	0,00

2a. Consolidated statement of comprehensive income

x € 1.000

	2017	2016
1. Result after tax	19.542	-110.494
Other comprehensive income that after initial recognition is possibly reclassified to profit or loss:		
Effective portion of changes in the fair value of cash flow hedges for joint ventures and associates	353	-568
Other comprehensive income that is never reclassified to the statement of profit or loss:		
Changes in actuarial results on defined benefit plans	508	-17.418
Tax effect on changes in actuarial results on defined benefit plans	-127	4.371
Other comprehensive income (after tax)	734	-13.615
Comprehensive income	20.276	-124.109

The entire comprehensive income is fully attributable to the shareholders.

2b. Consolidated statement of changes in equity

x € 1.000

2017	Paid-up and called-up share capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January 2017	6.423	242.680	-27.965	-193	239	31.208	-110.494	141.898
Result after tax	-	-	-	-	-	-	19.542	19.542
Other comprehensive income	-	-	381	353	-	-	-	734
Total realised and unrealised results for the reporting period:	-	-	381	353	-	-	19.542	20.276
Transactions with owners of the group:								
Bonus Investment Share Matching Plan	-	-	-	-	3	-	-	3
Appropriation of result for 2016								
Transferred to retained earnings	-	-	-	-	-	-110.494	110.494	0
Total transactions with owners	-	-	-	-	3	-110.494	110.494	3
Balance at 31 December 2017	6.423	242.680	-27.584	160	242	-79.286	19.542	162.177

x € 1.000

2016	Paid-up and called-up share capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Retained earnings	Result for the year after tax	Total Equity
Balance at 01 January 2016	6.423	242.680	-14.918	375	229	58.466	-27.258	265.997
Result after tax	-	-	-	-	-	-	-110.494	-110.494
Other comprehensive income	-	-	-13.047	-568	-	-	-	-13.615
Total realised and unrealised results for the reporting period:	-	-	-13.047	-568	-	-	-110.494	-124.109
Transactions with owners of the group:								
Bonus Investment Share Matching Plan	-	-	-	-	10	-	-	10
Appropriation of result for 2015								
Transferred to retained earnings	-	-	-	-	-	-27.258	27.258	0
Total transactions with owners	0	0	-	-	10	-27.258	27.258	10
Balance at 31 December 2016	6.423	242.680	-27.965	-193	239	31.208	-110.494	141.898

3. Consolidated statement of financial position

x € 1.000

Assets		31 december 2017	31 december 2016
Non-current assets			
6.9	Property, plant and equipment	46.575	54.507
6.10	Intangible assets	79.707	81.619
6.11	Joint ventures and associates	66.357	65.796
6.12	Other investments	29.631	33.615
6.21	Employee-related receivable	30.122	25.111
6.13	Deferred tax assets	29.817	29.946
		282.209	290.594
Current assets			
6.14	Strategic land holdings	150.043	146.974
6.14	Residential property in preparation or under construction	27.040	58.156
6.14	Other inventories	10.110	11.304
6.15	Work in progress	61.264	60.196
6.8	Income tax assets	38	38
6.16	Trade and other receivables	165.662	176.071
6.17	Cash and cash equivalents	74.437	30.249
		488.594	482.988
6.2	Assets held for sale	0	282.586
Total assets		770.803	1.056.168

x € 1.000

Equity and liabilities		31 december 2017	31 december 2016
Equity			
2b	Issued capital	6.423	6.423
2b	Share premium reserve	242.680	242.680
2b	Reserves	-27.182	-27.919
2b	Retained earnings from prior financial years	-79.286	31.208
1	Result for the year after tax	19.542	-110.494
		162.177	141.898
Non-current liabilities			
6.20	Interest-bearing loans and other non-current financing liabilities ¹	54.537	58.405
6.21	Employee benefits	15.298	12.333
6.22	Provisions	1.949	2.364
6.13	Deferred tax liabilities	607	609
		72.391	73.711
Current liabilities			
6.20	Interest-bearing loans and other current financing liabilities	6.229	118.630
6.23	Trade and other payables	377.400	371.066
6.15	Work in progress	128.965	118.081
6.8	Income tax liabilities	109	65
6.21	Employee benefits	1.995	2.703
6.22	Provisions	21.537	15.366
		536.235	625.911
6.2	Liabilities held for sale	0	214.648
Total equity and liabilities		770.803	1.056.168

¹ The interest-bearing loans include cumulative preference shares amounting to €45.1 million (2016: €45.1 million).

4. Consolidated statement of cash flows - indirect method

x € 1.000

		2017	2016
Operating result - including discontinued operations		45.324	-93.987
Adjustments for:			
6.2	Impairment of assets held for sale (a loss on the sale of the subsidiary Franki)	-	6.094
6.2	Gain on sale of entities disposed of	-31.035	-
6.3	Gain on sale of non-current assets	-725	-409
6.9	Depreciation of property, plant and equipment	11.759	16.930
6.10	Amortisation of intangible assets	1.920	1.622
6.14	Adjustment of valuation of property investments and land portfolios, excluding joint ventures	5.200	17.554
	Net change in work in progress	1.367	28.855
	Change in other working capital and long-term provisions	-1.525	-31.855
	Operating result after adjustments	32.285	-55.196
	Interest paid	-10.527	-13.380
	Interest received	1.894	4.561
	Income tax paid	-2.439	-4.100
Cash flow from operating activities		21.213	-68.115
6.9	Investments in property, plant, and equipment	-4.203	-14.986
	Sale of property, plant and equipment	1.766	6.846
6.2	Proceeds from sale of entities disposed of	96.893	-
	Capital contributions to joint ventures and associates	-5.406	-19.774
	Dividends received from joint ventures and associates	4.410	9.969
	Loans granted to joint ventures and associates, less loans repaid by them	-2.226	-4.302
Cash flow from investing activities		91.234	-22.247
6.20	Interest-bearing loans drawn down	0	68.818
6.20	Interest-bearing loans repaid	-116.269	-25.589
Cash flow from financing activities		-116.269	43.229
Net cash flow in the period		-3.822	-47.133
6.17	Cash and cash equivalents at 1 January	30.249	125.392
	Adjustment of cash and cash equivalents relating to assets held for sale	48.010	-48.010
6.17	Cash and cash equivalents at 31 December	74.437	30.249

5. Accounting principles

Heijmans N.V. (referred to as the "Company") has its registered office in the Netherlands. The Company's consolidated financial statements for the 2017 financial year include the Company and its subsidiaries (collectively referred to as the 'Group') and the Group's investments in associates and interests in jointly controlled entities. The Executive Board prepared the financial statements on 23 February 2018. These will be submitted for approval to the General Meeting of Shareholders on 11 April 2018.

(1) Statement of Compliance

The consolidated financial statements for 2017 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

(2) Basis of preparation

The financial statements are presented in thousands of euros. The financial statements are based on historical costs, unless otherwise stated.

The preparation of the annual financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and of revenue and expenses. The estimates and their underlying assumptions are based on experience and other factors that are considered reasonable. The estimates form the basis for calculating the carrying amounts of assets and liabilities that cannot easily be derived from other sources. Actual results could differ from these estimates. See also note 6.29, Management estimates and judgements.

The estimates and underlying assumptions are continually reassessed. Revised estimates are recognised in the period in which the estimate was revised, provided that the revision only affects that period. Revisions are recognised in the reporting period and future periods if

the revision also affects future periods.

The accounting policies described below have been consistently applied to all periods presented in these consolidated financial statements and to all entities in the Group, apart from the changes explained in (3).

(3) Implications of new standards

The IAS 7 amendment to IFRS 10 and 12 and to IAS 28 adopted by the EU and the annual improvements 2014-2016 cycle that apply to reporting periods commencing on or after 1 January 2017 have no material effect on the consolidated financial statements.

For new standards that have not yet come into force, Heijmans is looking into what impact they will have. This mainly concerns IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

(3a) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued on 24 July 2014 and was adopted by the EU on 22 November 2016. The standard is effective for reporting periods commencing on or after 1 January 2018. IFRS 9 generally requires that the amount of the credit loss provision established on initial recognition of financial instruments is measured on the basis of the expected credit losses over the coming 12 months. Subsequently, as long as there is no significant deterioration in the credit risk, the credit loss provision continues to be measured at the amount of the 12-month expected credit losses. If, however, a significant increase in the credit risk occurs, on either an individual or a collective basis, the amount of the expected credit loss provision is measured as the expected credit losses over the entire term to maturity of the instrument. In the case of trade receivables, it is permissible to adopt a simplified approach involving recognition of a loss allowance at an amount equal to lifetime expected credit losses every time. This new standard is not expected to have any material impact on the Group's financial results.

(3b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014, amended on 11 September 2015 and was adopted by the EU on 22 September 2016.

The standard is effective for reporting periods commencing on or after 1 January 2018. On initial application, this new standard is to be applied either fully retroactively (including restatement of comparative figures) or merely retrospectively with the cumulative effect recognised in the opening balance of equity in 2018. The Group has decided in favour of the latter option because we expect the impact which IFRS 15 has on the financial results to be limited, as explained below. Also, this method of initial application is considerably more efficient (less labour-intensive) than a fully retrospective application.

IFRS 15 introduces a 5-step model for revenue recognition. The steps are: 1. identifying customer contracts, 2. identifying the performance obligations in a contract, 3. determining the transaction price, 4. allocating the transaction price to performance obligations and 5. recognising revenue when performance obligations have been satisfied.

The Group has carried out a detailed analysis of the expected impact, based on the existing standards, the internal reporting guidelines and IFRS 15. A further assessment has been made of the effects on the major contracts that run over from 2017 to 2018. The revenue streams have also been analysed into categories with similar attributes and the effects on each category have been analysed, based on representative contracts. The main conclusions to come out of these analyses at this stage, which are mainly of a qualitative nature, are:

Identification of separate performance obligations: one of the steps in IFRS 15 involves identifying the performance obligations in a contract. Our analyses have shown that this is not expected to introduce any material changes compared with the existing reporting rules. For projects involving both a construction component and a long-term maintenance component, for instance, IFRS 15 means that there will be two separate performance obligations, partly because management of the contract will involve various project teams. Under the existing rules, construction and long-term maintenance are recognised as two separate projects, meaning that IFRS 15 is not expected to have any impact on contracts of this kind. In the case of housing projects, the adopted position is that transfer of ownership of the residential units is so intrinsically tied up with the

land beneath them that conveyance of the land and construction of the homes can be seen as a single performance obligation under IFRS 15. Under the existing rules, conveyance of the land and construction of the homes are accounted for as part of the same project so, again, IFRS 15 is not expected to have any effects.

Variable consideration: under IFRS 15, it is only permissible to recognise as revenue that portion of the consideration for which it is highly unlikely that a significant revenue reversal will occur. Under the existing rules, revenue is broadly speaking only recognised when it is probable. Where additional work is involved and with respect to claims against clients, for example, IFRS 15 potentially means recognising more conservative amounts.

Financing components in contracts: under IFRS 15, the effects of the time value of money must be accounted for separately if the payment date means that the customer or the Group obtains a significant financing gain (unless that gain does not arise out of financing arrangements but has a different origin, for example because parties wish to protect themselves against default). A practical exception to this requirement is if there is less than one year between payment and delivery. Our analyses have shown that this will not lead to any material changes compared with the existing rules, partly because the Group will be availing itself of the practical exception.

Recognition of revenue at a point in time or over a period: under IFRS 15, revenue is recognised when the performance obligation has been satisfied, i.e. the date on which the customer takes control. This can be a particular point in time or spread over a period. Our analyses have shown that this is not expected to lead to material effects on the financial results compared with the existing rules. In the case of construction projects, for example, the Group carries out works on the land owned by the customer. The customer obtains control of the constructed works as and when ownership is transferred. Partly for this reason, therefore, the revenue from projects will be recognised over a period under IFRS 15. Under the existing rules, the revenue from projects is recognised in proportion to progress, meaning that IFRS 15 is expected not to have any effect.

Apart from the above aspects, there are numerous other aspects that play a mostly minor role. One such aspect is the way in which tendering fees and mobilisation costs are to be treated under IFRS 15. Again, our analyses have shown that this is expected not to have any material effects on the financial results. Moreover, in the case of

Heijmans, there is a multitude of projects, so that differences in the timing of revenue recognition will more or less average things out ('ideal complex').

Analysis will not be completed until after publication of the financial statements. The outcome of the current discussions within IFRIC (International Financial Reporting Issues Committee) will form part of this analysis. Among other things, these discussions concern the treatment of loss-making contracts (use of incremental costs or integrated costs) and the question of whether the delivery of land and buildings should be seen as two separate performance obligations. Depending on the outcome of these discussions, there could be an impact on the Group's financial results. The extent of any such impact will be determined when the outcome of the discussions is known. The 2018 half-year report will be prepared on the basis of IFRS 15.

IFRS 15 has a number of requirements necessitating various supplementary disclosures with respect to such things as revenue categories, future performance obligations (order book), contract assets and movements in work in progress.

(3c) IFRS 16 Leases

IFRS 16 Leases, was issued on 13 January 2016 and was adopted by the EU on 31 October 2017. The standard is effective for reporting periods commencing on or after 01 January 2019. IFRS 16 will have material implications for the statement of financial position in particular. If IFRS 16 had been applied to the 2017 financial statements, an item representing right-of-use assets would have appeared on the balance sheet, giving rise to an item of a similar amount on the liabilities side in respect of finance lease liabilities. This would have had the effect of increasing the balance sheet total by approximately 10%. In the statement of profit or loss, there would have been changes in the items making up the operating result and in the interest figures (result after tax remaining unchanged), giving an increase in the operating result of several million euros, with a similar increase in the interest expense. Within the operating result, this gives rise to a movement from operating expenses to depreciation, as a consequence of which EBITDA (earnings before interest, tax, depreciation and amortisation) will increase. This movement does not have any effect on the net result. The impact on equity is expected to be limited in amount on the date from which the change in accounting policies becomes effective. The impact on the financial results for 2018 and ensuing years is expected to be of a similar magnitude.

(4) Accounting policies used for consolidation

(4a) Subsidiaries (full consolidation)

A subsidiary is an entity over which the Group has direct or indirect control.

Control exists if the Group:

- a) has power over the entity;
- b) is exposed or has rights to variable returns because of its involvement with the entity; and
- c) can use its power over the entity to affect the size of these returns.

Each of these three criteria has to be satisfied to establish that the Group has control over a company in which it owns an interest. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Business combinations are recognised according to the acquisition method, as from the date on which control is transferred to the Group. The transaction cost of an acquisition is recognised at fair value, as are the net identifiable assets acquired. Any resulting goodwill is tested every year for impairment. Any gain from a favourable purchase is recognised directly in profit or loss. Transaction costs are recognised when these are incurred, unless they relate to the issue of debt or equity instruments. The transfer sum includes no amount for settling existing account balances. Such amounts are generally recognised in the statement of profit or loss. The fair value of a contingent payment is recognised on the date of acquisition. If this conditional payment is classified as equity, it is not subsequently remeasured. Instead, the settlement figure is recognised in equity. In other cases, adjustments after initial recognition are recognised in profit or loss.

(4b) Joint ventures and associates (equity method)

A joint venture is a joint arrangement in which the Group has joint control together with other parties, and has a right to the net assets of the joint venture. The parties involved have agreed contractually that control is shared and that decisions concerning relevant activities require unanimous approval from the parties having joint control over the joint venture. A joint venture is recognised from the date on which the Group shares control until the date on which this ceases.

An associate is an entity over which the Group has significant influence, but cannot exercise control.

Significant influence is presumed to exist when the Group holds 20% or more of the voting rights. An associate is recognised from the date on which the Group has significant influence until the date on which this ceases. Joint ventures and associates are recognised in accordance with the equity method and are initially recognised at acquisition cost. The investments of the Group include the goodwill determined during acquisition. The consolidated financial statements include the Group's proportionate share of the comprehensive income determined in accordance with the Group's accounting policies. If the Group's share of the losses is greater than the value of the interest in a joint venture or associate, the value of the interest is written down to nil. No further losses are then recognised except insofar as the Group has made a commitment or intends to recognise the losses.

(4c) Joint operations (proportional consolidation)

Joint operations are arrangements over which the Group exercises control jointly with third parties. For its share in a joint operation, the Group recognises its assets (including its share of the assets held jointly), liabilities (including its share of the liabilities incurred jointly), revenue (including its share of the revenue from the output of the joint operation) and expenses (including its share of the expenses incurred jointly). In practice, the method for recognising joint operations is comparable to that used for proportional consolidation.

(4d) Elimination of transactions on consolidation

Intragroup balances and any unrealised income and expense arising from intragroup transactions are eliminated when preparing the consolidated financial statements.

Unrealised income from transactions with associates, joint ventures and joint operations are eliminated in proportion to the Group's interests in the entities concerned.

(5) Foreign currency

(5a) Transactions in foreign currency

Transactions in foreign currency are translated into euros at the exchange rate prevailing on the transaction date. Foreign currency balances, as well as assets acquired and liabilities paid in foreign currencies, are translated at the corresponding exchange rates prevailing on the closing

date. Foreign currency differences resulting from translation are recognised in the statement of profit or loss.

(5b) Financial statements of foreign operations denominated in foreign currency

The assets and liabilities of foreign operations are translated into euros at the exchange rate prevailing on the closing date. The revenues and expenses of foreign operations are translated into euros at average exchange rates.

Foreign currency exchange rate differences arising from the translation of a net investment in foreign operations and the associated hedging transactions are recognised as other comprehensive income that after initial recognition is possibly reclassified to the statement of profit or loss. When an investment is disposed of, the amount transferred to equity is recognised in the statement of profit or loss.

All foreign currency differences arising from foreign operations are presented as separate equity components.

(6) Financial instruments

(6a) Derivative financial instruments

The Group may use interest rate swaps, cross-currency swaps and inflation hedges to hedge its interest rate, currency and inflation risk exposures arising from corporate and project financing activities. Commodity hedges may also be used in specific cases. In accordance with its treasury policy, the Group does not hold derivatives for trading purposes. Interest-rate swaps, cross-currency swaps and inflation hedges are measured at fair value.

The fair value of interest rate and inflation swaps is calculated as the present value of the estimated future cash flows. The fair value of forward currency contracts is determined using the forward foreign exchange rates as at the closing date.

(6b) Non-derivative financial instruments

Non-derivative financial instruments consist of investments in shares and bonds, trade and other receivables, cash and cash equivalents, loans and other financing liabilities, trade payables and other payable items. These instruments are recognised initially at fair value, plus - for instruments that are not recognised at fair value when

their gains or losses are recognised in the statement of profit or loss - all directly attributable transaction costs. Thereafter, the current non-derivative financial instruments are measured at amortised cost, using the effective interest method, less impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the contractual rights to the cash flows arising from those financial assets expire, or if the Group transfers the financial asset to another party without retaining control or without substantially retaining all the risks and rewards of the asset. The normal purchase and sale of financial assets are accounted for on the trading date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's commitments specified in the contract expire or are discharged or cancelled.

(7) Hedges

In principle, hedge accounting is applied to derivative financial instruments, subject to the cash flow hedging guidelines.

The Group may use derivatives to hedge its interest-rate, currency and inflation risks. Changes in the fair value of the derivatives that are classified as cash flow hedges are recognised directly as other comprehensive income that after initial recognition may be reclassified to the statement of profit or loss, to the extent that the hedge can be shown to be effective. To the extent that the effectiveness of the hedge cannot be demonstrated, changes in fair value are recognised under the item Finance income and expense in the statement of profit or loss.

When the hedging instrument is sold or expires, or when the transaction no longer meets the effectiveness criterion, the cumulative gains or losses previously recognised in equity remain there. This amount is amortised over the original term, unless there is no longer an expectation that the hedged future interest and currency payments will occur. In that case, the above-mentioned cumulative gains and losses will be immediately recognised in the statement of profit or loss as a component of finance income and expense.

(8) Revenue

(8a) Sales of goods - mainly residential property and land

Revenues from the sales of goods - mainly residential property and land - are carried at the fair value of the payment received or due to be received. Revenues from the sales of goods are recognised in the statement of profit or loss if the significant risks and rewards of ownership have been transferred to the buyer, it is probable that the amount receivable will be collected, the associated costs can be reliably estimated, there is no continued management involvement with the goods and the amount of the revenues can be reliably determined.

The transfer of risks and rewards varies depending on the conditions in the associated sales contract. The sale of residential construction projects generally involves the transfer of risks and rewards when the purchase or contracting agreement is signed, and subsequently in proportion to progress with the construction work. Revenues from these residential construction projects are recognised in the statement of profit or loss in proportion to the extent of project completion (see accounting policy 15b). Expected losses are recognised immediately in the statement of profit or loss.

(8b) Work in progress - projects

The revenue and costs agreed in relation to work in progress are recognised in the statement of profit or loss in proportion to the stage of completion of the project. The stage of completion is assessed by reference to the proportion of costs recorded in relation to the total expected costs. If the results from a contract cannot be determined reliably, contract revenue is only recognised insofar as it is probable that the costs incurred can be covered by revenue. Expected project losses are recognised immediately in the statement of profit or loss.

Revenue from additional work is included in the overall contract revenue if the client has accepted the sum involved in any way. Claims and incentives are recognised in the amount for work in progress where it is probable that they will lead to revenue and can be reliably measured.

(8c) Rental income

Rental income from an investment property is recognised in the statement of profit or loss in proportion to the term of the lease.

(8d) PPP contracts

Revenues from Public-Private Partnership (PPP) contracts concern revenues from construction and operation. Revenues from construction are recognised in the same way as revenues from work in progress (see accounting policy 8b). Revenues from operations are recognised when the related services are delivered.

(8e) Services

Revenues from services are recognised in the statement of profit or loss in proportion to the stage of completion of the transaction on the reporting date. The stage of completion is determined from assessments of the work already carried out.

(9) Other operating income

Grants

Grants that compensate the Group for expenses incurred are always recognised as revenue in the statement of profit or loss in the same period in which the corresponding expenses are recognised.

(10) Expenses

(10a) Selling expenses

Costs of sales are the costs of sales that are not charged to projects.

(10b) Administrative expenses

The administrative expenses represent general expenses that are not costs of sales and are not charged to projects.

(10c) Lease payments under operating leases

Lease payments made under operating leases are recognised in the statement of profit or loss, evenly spread over the term of the lease.

(10d) Lease payments under finance leases

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the total lease term so as to produce a constant periodic rate of interest over the remaining term of the liability.

(10e) Finance income and expense

Net financing costs comprise interest payable on borrowings and finance lease commitments, dividends on cumulative preference shares B, interest receivable on funds invested, dividend income, and foreign currency exchange gains and losses, as well as gains and losses on hedging instruments that are recognised in the statement of profit or loss (see accounting policy 7).

Financing expenses that can be directly allocated to the acquisition, construction or production of an asset are capitalised as part of the costs of that asset during the period that the asset is under development.

The interest component of a finance lease payment is recognised in the statement of profit or loss and is calculated using the effective interest method.

(11) Income tax

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the values used for taxation purposes. A deferred tax asset or liability is not recognised for non-deductible goodwill, assets and liabilities whose initial recognition does not affect accounting or taxable profit, or differences relating to investments in subsidiaries to the extent that these will probably not reverse in the foreseeable future. The amount of the deferred tax assets and liabilities is based on the manner in which the expected asset and liability carrying amounts will be realised or settled, based on the income tax rates that have been enacted or substantively enacted on the closing date.

Deferred tax assets and liabilities are set off against each other if there is a right enforceable by law to set them off, and if these tax assets and liabilities are associated with income tax levied by the same tax authority on the same taxable entity, or on different taxable entities that intend to set them off or that will be realising the tax assets at the same time as the tax liabilities.

Income tax recognised in the statement of profit or loss during the financial year comprises the income tax owed or refundable over the reporting period and the deferred income tax. The income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In that case, the relevant portion of the income tax is recognised in other comprehensive income.

The income tax owed or refundable over the financial year

is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted on the closing date, as well adjustments to tax payable in respect of previous years.

A deferred tax asset (net of any deferred tax liability) is recognised only to the extent that it is probable that future taxable profits will be available that can be utilised towards realising the deferred asset. The amount of the deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend is recognised.

(12) Property, plant and equipment

(12a) Assets in ownership

Items of property, plant and equipment are measured at cost or estimated cost less accumulated depreciation (see below) and impairments (see accounting policy 20). Cost includes costs that can be directly allocated to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs, financing costs and any other costs that can be directly allocated to making the asset ready for use, as well as any costs of dismantling and removing the asset and restoring the site where the asset is located. The costs of self-constructed assets and acquired assets include (i) the initial estimate at the time of installation of the costs of dismantling and removing the assets and restoring the site on which the assets are located and (ii) changes in the measurement of existing liabilities recognised in relation to the costs identified in (i) above.

If elements of an item of property, plant or equipment have different useful lives, the component method is applied.

(12b) Leased assets

Leases for which the Group takes on nearly all the risks and rewards of ownership are classified as finance leases. The leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see below) and impairments (see accounting policy 20).

(12c) Expenses after initial recognition

The Group includes the cost of replacing part of an asset in the carrying amount of items of property, plant and equipment when the cost is incurred. This occurs if it is likely that the future economic benefits of the asset will accrue to the Group and the cost price of the asset can be reliably determined. All other expenses are taken to the statement of profit or loss when these are incurred.

(12d) Depreciation of property, plant and equipment

Depreciation is recognised in the statement of profit or loss using the straight-line method over the estimated useful life of each part of an item of property, plant or equipment. The residual values are reassessed on an annual basis. Depreciation is not applied to land. The estimated useful lives are as follows:

- Buildings: main building structures and roofs: 30 years
- Buildings: technical equipment: 15 years
- Buildings: interior walls: 10 years
- Office equipment: 3 - 10 years
- Machines: 5 - 10 years
- Installations: 5 - 10 years
- Large-scale equipment and other capital assets: 3 - 10 years

(12e) Investment property

Given its marginal importance, investment property (property held for its rental income and/or increase in value) is recognised under property, plant and equipment. Investment property is measured at cost, less accumulated depreciation and impairment losses. Cost includes costs that can be directly allocated to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs, financing costs and any other costs that can be directly allocated to making the asset ready for use, as well as any costs of dismantling and removing the asset and restoring the site where the asset is located. Rental income from investment property is accounted for as described in principle 8.

(13) Intangible assets

(13a) Goodwill

All business combinations are recognised using the acquisition method. Goodwill is the amount that arises from the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the net fair

value of the identifiable assets and liabilities at the time of acquisition. An impairment test is carried out every year (see accounting policy 20).

Negative goodwill arising from an acquisition is recognised directly in the statement of profit or loss.

(13b) Other intangible assets

The intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated depreciation and accumulated impairments.

(13c) Amortisation

Regarding goodwill, an impairment test is systematically performed every year at the closing date to determine whether there are any impairments. The other intangible assets are amortised through the statement of profit or loss on a straight-line basis over the expected useful lives of the intangible assets, and undergo periodic impairment testing (see accounting policy 20). The estimated useful lives of the intangible asset categories are as follows:

- Customer base: 5 - 20 years
- Order book: 4 years
- Sand quarry concession: 5 - 15 years
- Brand: 5 - 10 years

(13d) Expenses after initial recognition

Expenditure on intangible assets, other than goodwill, is only capitalised after initial recognition if it is expected to increase the future economic benefits that are inherent in the specific asset to which the expenditure relates. All other items of expenditure are recognised as costs in the statement of profit or loss when these are incurred.

(14) Other investments

Other investments are measured at amortised cost using the effective interest method, less impairments.

(15) Inventories

(15a) Strategic land portfolio

The strategic land portfolio represents the reported land holdings that are managed centrally in the Company's strategic land portfolio. These holdings are acquired and held for future property development. The interest and development costs for land portfolios that are under development are capitalised. Land and holdings are measured at cost or net realisable value if lower.

(15b) Residential property in preparation or under construction

Sold

Residential construction projects where the buyer only has limited influence on the main elements in the design of the assets are recognised under inventory. Contracts with buyers concern purchase/contracting agreements that have been formulated in a way that the land is initially bought after which the building is constructed. By accession, everything that is built on the land is the property of the purchaser. Moreover, the purchase price is fixed in advance, so that the economic risk of an increase or decrease in value is borne by the buyer. The transfer of risks and benefits therefore occurs continually during the progress of the project. Revenue and results are thus accounted for in proportion to project progress - in accordance with IFRIC 15 - and measured in the same way as for construction work in progress (see accounting policy 16). Progress is measured according to billing progress, as this is linked to previously established phases.

Unsold

Unsold residential properties in preparation and under construction are measured at cost, or at net recoverable value if lower. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Development and construction rights are also recognised under residential property in preparation or under construction.

(15c) Other inventories

Other inventories includes land and premises for sale, raw materials and consumables, inventories in production and finished products.

Inventories is measured at cost, or at net realisable value if lower. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is based on the first-in, first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, the production or conversion costs, and the other costs incurred in bringing the inventories to its current location and current condition. The cost of inventories includes an appropriate share of production overheads based on normal operating capacity, as well as the attributable financing expenses. Land and property held for sale are also recognised under inventories. This concerns land and premises that have

been technically delivered as developed but which on the closing date were not sold to third parties. The inventories of land and premises for sale is valued at cost (including interest and allocated overhead costs), less any write-downs relating to a lower net realisable value as a consequence of the risk of inability to sell or rent.

(16) Work in progress

Construction work in progress concerns projects commissioned by third parties. These are measured at cost plus profit recognised to date (see also accounting policy 8), in proportion to the progress of the project, less expected losses and invoiced instalments. Total expected project losses, if any, are directly recognised as expenses in the relevant period. Cost includes all costs that relate directly to the projects.

Revenue from additional work is included in the overall contract revenue if the client has accepted the sum involved in any way. Claims and incentives are recognised in the amount for work in progress where it is probable that they will lead to revenue and can be reliably measured.

Interest and development costs for construction work in progress are only capitalised if the asset is under construction. If no construction activities are carried out over an extended period, the interest and development costs are no longer capitalised.

The preparation costs and the design and development costs of major projects are capitalised as work in progress if the following conditions are met:

- the costs can be separately identified;
- the costs can be reliably determined;
- it is probable that the project will be awarded; and
- there is no longer any competition as regards the awarding of the project.

If any of these requirements is not fulfilled, the costs are charged to the result for the period in which they are incurred. Costs, once expensed in the statement of profit or loss in the period in which they are incurred, are not subsequently capitalised if the project is awarded.

The profit capitalised on work in progress is based on the estimated final result, taking into account the percentage of progress on this specific work. The progress percentage is calculated as the ratio between the costs incurred to date and the total expected costs, on a project-by-project basis.

(17) Trade and other receivables

Trade and other receivables are estimated at amortised cost less impairment losses due to the risk of non-collection.

(18) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other call deposits with an original term of a maximum of three months. Current account overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(19) Assets held for sale and discontinued operations

Non-current assets (or groups of assets and liabilities that are to be disposed of), for which it is expected that the carrying amount will probably be realised within one year mainly by means of a sale transaction and not through continued use, are classified as held for sale (or held for distribution), after it is established that the relevant conditions have been met. Immediately preceding this classification, the assets (or the components of a group of assets to be disposed of) are measured again in accordance with the Group's accounting policies. The assets or group of assets to be disposed of are generally measured at the carrying amount or the fair value less sale costs, if lower. Any impairment loss on a group of assets held for sale is first allocated to goodwill and then pro rata to the remaining assets and liabilities, subject to the restriction that impairment losses are not allocated to inventories, financial assets, deferred tax assets or employee benefits, all of which are measured in accordance with the Group's accounting policies. Impairment losses arising from the initial classification as held for sale or distribution and gains or losses on revaluation arising after initial recognition are recognised in the statement of profit or loss. If the gain concerned exceeds the accumulated impairment loss, the difference is not recognised.

A discontinued operation is an element of the Group's operations that represents a separate significant business activity or separate significant geographical business area that has been disposed of or is held for sale or distribution, or a subsidiary that has been acquired solely for the purpose of resale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria for classification as held for sale, if

earlier. If an operation is designated as a discontinued operation, the comparative figures in the statement of profit or loss have been restated as if the operation had been discontinued from the beginning of the comparative period.

(20) Impairments

The carrying amounts of the Group's assets, excluding work in progress (see accounting policy 16), inventories (see accounting policy 15) and deferred tax assets (see accounting policy 11), are reviewed each closing date to determine whether there is any indication of impairment. If there are such indications, an estimate is made of the recoverable amount of the asset concerned.

For goodwill, intangible assets with an unlimited useful life, and intangible assets that are not yet ready for use, the recoverable amount is estimated at the closing date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

(20a) Determination of recoverable amount

The recoverable amount of an asset is equal to the higher of its net selling price and its value in use. To determine the value in use, the discounted value of the estimated future cash flows is calculated using a discount rate that reflects current market rates as well as the specific risks associated with the asset. For any asset that does not generate cash inflows and is largely independent of other assets, the recoverable amount is determined on the basis of its cash-generating unit.

(20b) Reversal of impairments

An impairment loss relating to securities held to maturity or assets measured at amortised cost is reversed if the increase in fair value subsequent to recognition of the loss can be objectively linked to an event that occurred after the impairment loss was recognised.

Impairment losses in respect of goodwill are never reversed.

In respect of other assets, impairments recognised in other periods are reversed if there is an indication that the impairment no longer exists or has decreased and if there has been a change in the estimates used to determine the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

(21) Share capital

(21a) Costs of issuing ordinary shares

Costs directly attributable to the issuing of ordinary shares are charged to equity, after deduction of any tax effects.

(21b) Repurchase of own shares

If shares representing capital that is recognised as equity in the balance are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(21c) Dividends

Dividends are recognised as a liability in the period in which these are declared.

(22) Interest-bearing loans

(22a) Financing of preference share capital

Preference share capital is classified as a liability because the dividend payments are not discretionary. Dividends on preference share capital are recognised as interest expense in the statement of profit or loss.

(22b) Loans

Interest-bearing loans are initially recognised at fair value less attributable transaction costs. Any difference between the amortised cost and the redemption amount calculated by the effective interest method is recognised in the statement of profit or loss over the term of each such loan.

(23) Employee benefits

(23a) Defined contribution plans

Commitments for contributions to defined-contribution pension plans are recognised as an expense in the statement of profit or loss when they are due.

(23b) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future pension benefit that employees have earned in return for their service in the reporting period and in previous periods. The discounted present value of these pension benefits is determined, and is reduced by the fair value of the plan assets. The discount rate is the yield at the closing date on high-quality corporate bonds that have terms to maturity approximately the same as the terms of the Group's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method. This method takes into account future salary increases resulting from employee career opportunities and general salary increases, including adjustments for inflation.

If the entitlements under a plan are changed, or a plan is curtailed, the resulting change in entitlements relating to past service, or the gain or loss on the closure, as the case may be, is recognised directly in the statement of profit or loss.

Actuarial gains and losses are recognised directly as other comprehensive income that will never be reclassified to the statement of profit or loss.

If the result of the calculation is a potential asset for the Group, recognition of the asset is limited to the present value of the economic benefits available as possible future refunds from the plan or lower future contributions. When calculating the present value of the economic benefits, possible minimum financing obligations that apply are taken into account.

(23c) Long-term employee benefits

The Group's net liability in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have accrued in return for their service in the reporting period and in previous periods, such as long-service payments, bonuses and incentives. The liability is calculated using the projected unit credit method and is discounted to determine its

present value. The discount rate is the yield at the closing date on high-quality corporate bonds that have terms to maturity approximately the same as the terms of the Group's liabilities. Actuarial gains and losses on these benefits are recognised in the statement of profit or loss.

(23d) Severance payments

Severance payments are recognised as an expense if the Group has shown that it is committed to terminating the employment contract of an employee or group of employees before the normal retirement date, by producing a detailed, formal plan, without there being a realistic option of the plan being withdrawn.

(24) Provisions

A provision is recognised in the statement of financial position if the Group has a present legal or actual liability that is the result of a past event and it is probable that its settlement will require an outflow of funds. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where necessary, the risks specific to the liability. The accrued interest on provisions is treated as a financing charge.

(24a) Warranties

A provision for warranties is recognised after the underlying products or services have been sold and delivered. The provision is made for costs that must be incurred to correct deficiencies that appear after delivery but during the warranty period.

(24b) Restructuring

A restructuring provision is recognised (i) when the Group has approved a detailed and formal restructuring plan and (ii) the restructuring has either commenced or been publicly announced.

(24c) Environment

A provision for restoration of contaminated land is formed in accordance with the Group's environmental policy and applicable legal requirements.

(24d) Onerous contracts

A provision for onerous contracts is recognised if the benefits that the Group expects to receive from a contract are lower than the unavoidable costs of meeting the

contractual obligations. Provisions are valued at the lower of the present value of the expected costs of terminating the contract and the present value of the expected net costs of continuing the contract. Where appropriate, the Group recognises impairment losses on any assets associated with the contract prior to forming the provision.

(25) Trade and other payables

Trade and other payables are recognised at amortised cost.

(26) Statement of cash flows

The statement of cash flows is prepared using the indirect method. The liquidity item in the statement of cash flows comprises cash and cash equivalents after deduction of current-account overdrafts that are repayable on demand.

(27) Segment reporting

A segment is a clearly distinguishable operation of the Group. The segments are identified in accordance with the classification used by the Executive Board when taking operational decisions. The Group distinguishes the following segments: Property Development, Residential Building, Non-Residential, and Infrastructure. Residential and Non-Residential Building will be brought under unified control and integrated in the course of 2018 into a new segment of Building & Technology (Dutch name: Bouw & Techniek).

6. Segment reporting

x € 1.000

6.1 Segment reporting

x € 1.000

The Group distinguishes the following segments: Property Development, Residential Building, Non-Residential, and Infra, in line with the management conducted by the Executive Board. Residential and Non-Residential Building will be integrated and brought under unified control in the course of 2018 into a new segment of Building&Technology (Dutch name: Bouw&Techniek). The operations in Germany and Belgium, which as at year-end 2016 were recognised in the statement of financial position as assets and liabilities held for sale, were sold in 2017 and have been included in the statement of profit or loss as discontinued operations. The condensed statements of profit or loss for these operations are presented as separate segment information. The segments are managed primarily on the basis of operating results. In accordance with IFRS 8, the segment figures represent data that can be allocated to a segment either directly or on reasonable grounds.

Condensed statement of profit or loss by business segment

2017 Business segments	Property Develop- ment	Residential Building	Non- Residential	Eliminations	Building & Technology	Infra- structure	Other	Discontinued operations	Eliminations	Total
Revenue										
Third parties	391.004	102.735	235.625		338.360	669.366	3.484	85.060		1.487.274
Intercompany	-	194.488	4.780	-416	198.852	10.405	750	0	-210.007	0
Total revenue	391.004	297.223	240.405	-416	537.212	679.771	4.234	85.060	-210.007	1.487.274
Operating result	10.542	5.022	-9.151		-4.129	25.238	-17.321	30.994	-	45.324
Finance income										2.236
Finance expense										-10.968
Share in results of joint ventures and associates	1.848	0	-1.515		-1.515	-15.745	742	0		-14.670
Result before tax										21.922
Income tax										-2.380
Result after tax										19.542

2016 Business segments	Property Develop- ment	Residential Building	Non- Residential	Eliminations	Building & Technology	Infra- structure	Other	Discontinued operations	Eliminations	Total
Revenue										
Third parties	331.951	132.215	293.105		425.320	608.725	3.684	514.111		1.883.791
Intercompany	-	164.112	21.941	-1.085	184.968	11.885	0		-196.853	0
Total revenue	331.951	296.327	315.046	-1.085	610.288	620.610	3.684	514.111	-196.853	1.883.791
Operating result	-7.574	4.001	-6.894	-	-2.893	-81.897	-12.093	10.470	-	-93.987
Finance income										4.822
Finance expense										-12.597
Share in results of joint ventures and associates	1.671	0	-9.266		-9.266	2.854	79	2.622		-2.040
Result before tax										-103.802
Income tax										-6.692
Result after tax										-110.494

x € 1.000

Condensed statement of financial position and analysis by business segment

2017 Business segments	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Other	Discontinued operations	Eliminations	Total
Assets	304.141	103.851	136.624	240.475	291.496	311.091	-	-409.341	737.862
Not allocated									32.941
Total assets	304.141	103.851	136.624	240.475	291.496	311.091	-	-409.341	770.803
Liabilities	267.299	98.704	133.919	232.623	258.965	161.449	-	-409.341	510.995
Not allocated									97.631
Total liabilities	267.299	98.704	133.919	232.623	258.965	161.449	-	-409.341	608.626
Equity									162.177
Total equity and liabilities									770.803
<i>Property, plant and equipment</i>									
Depreciation	38	46	-	46	3.747	7.005	923	-	11.759
Investments	241	-	-	-	1.635	2.069	-	-	3.945
<i>Intangible assets</i>									
Amortisation	-	-	1.021	1.021	891	-	8	-	1.920
<i>Joint ventures and associates</i>									
Carrying amount	57.662	-	2.720	2.720	4.207	1.768		-	66.357

x € 1.000

2016 Business segments	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Other	Discontinued operations	Eliminations	Total
Assets	327.952	94.747	153.322	248.069	211.557	403.884	282.586	-448.320	1.025.728
Not allocated									30.440
Total assets	327.952	94.747	153.322	248.069	211.557	403.884	282.586	-448.320	1.056.168
Liabilities	303.950	93.955	149.626	243.581	250.838	206.690	214.648	-519.154	700.553
Not allocated									213.717
Total liabilities	303.950	93.955	149.626	243.581	250.838	206.690	214.648	-519.154	914.270
Equity									141.898
Total equity and liabilities									1.056.168
<i>Property, plant and equipment</i>									
Depreciation	38	134	-	134	4.467	6.703	5.588	-	16.930
Investments	-	60	-	60	1.751	5.795	7.380	-	14.986
<i>Intangible assets</i>									
Amortisation	-	-	1.021	1.021	569	-	-	32	1.622
<i>Joint ventures and associates</i>									
Carrying amount	57.150	-	734	734	5.714	2.198	-	-	65.796

Transactions between business segments are conducted on arm's length terms that are comparable to those for transactions with third parties. Assets not allocated mainly concern deferred tax assets. Unallocated liabilities mainly concern interest-bearing loans and other financing commitments.

By the nature of its operations, the Infrastructure segment is highly dependent on public sector contracts.

External revenues breakdown by country as follows:

	2017	2016
Netherlands	1.402.214	1.369.680
Belgium	50.008	230.467
Germany	35.052	283.644
Total	1.487.274	1.883.791

Non-current assets (including those held for sale) breakdown by country as follows:

	2017	2016
Netherlands	281.815	290.464
Belgium	123	18.191
Germany	271	59.337
Total	282.209	367.992

x € 1.000

Underlying EBITDA by business segment

2017 In € millions	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Other	Discontinued operations	Total
Underlying EBITDA	19,9	5,3	-6,0	-0,7	15,9	-5,2	0,9	30,8
EBITDA of joint ventures	-3,1		0,9	0,9	16,4	-0,2		14,0
Property write-downs	-6,2							-6,2
Reorganisation costs		-0,2	-3,0	-3,2	-2,8	-2,0		-8,0
Soil remediation						-3,0		-3,0
Gains on sale of investees					0,4		31,0	31,4
Total exceptional items	-9,3	-0,2	-2,1	-2,3	14,0	-5,2	31,0	28,2
EBITDA	10,6	5,1	-8,1	-3,0	29,9	-10,4	31,9	59,0
Depreciation and amortisation	-0,1	-0,1	-1,0	-1,1	-4,7	-6,9	-0,9	-13,7
Operating result	10,5	5,0	-9,1	-4,1	25,2	-17,3	31,0	45,3

2016 In € millions	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Other	Discontinued operations	Total
Underlying EBITDA	14,7	4,1	-14,1	-10,0	-72,8	-5,2	26,4	-46,9
EBITDA of joint ventures	-3,4		9,0	9,0	-1,7	0,2	-3,8	0,3
Property write-downs	-18,8			0,0				-18,8
Reorganisation costs			-0,8	-0,8	-2,3	-0,4	-0,4	-3,9
Gains on sale of investees				0,0			-6,1	-6,1
Total exceptional items	-22,2	0,0	8,2	8,2	-4,0	-0,2	-10,3	-28,5
EBITDA	-7,5	4,1	-5,9	-1,8	-76,8	-5,4	16,1	-75,4
Depreciation and amortisation	-0,1	-0,1	-1,0	-1,1	-5,1	-6,7	-5,6	-18,6
Operating result	-7,6	4,0	-6,9	-2,9	-81,9	-12,1	10,5	-94,0

With underlying EBITDA, the Group is referring to earnings before interest, tax, depreciation and amortisation (equal to the operating result before depreciation/amortisation) adjusted for the EBITDA from joint ventures, property write-downs, reorganisation costs, gains and losses on the sale of entities, impairment losses on goodwill and other non-operating results considered exceptional by the Group that are relevant in the above statement. The soil remediation costs in 2017 relate to industrial sites sold off as part of the restructuring. The underlying EBITDA is also used as the basis for calculation for covenant reporting to the bank consortium.

x € 1.000

6.2 Discontinued operations

On 17 January 2017, Heijmans sold its subsidiary Franki to PORR Deutschland GmbH. The purchase price of €14 million was paid in cash on 16 January 2017. In 2016, Franki generated a result after tax of approximately €0.4 million (before write-downs of goodwill and property, plant and equipment). The book loss of €6.1 million connected with this disposal was recognised in 2016. €2.0 million of the loss was treated as an impairment of intangible assets and €4.1 million as an impairment of property, plant and equipment, before being reclassified under assets held for sale. The amount of cash included in the sale was nil.

On 25 April 2017, Heijmans sold all the shares of its Belgian companies Heijmans Bouw, Heijmans Infra, Van den Berg and Heijmans (B) NV to BESIX. The net cash proceeds for Heijmans (selling price of €95 million less cash of €55 million included in the sale) amounted to €40 million. The book profit on the disposal was €14 million. In the period prior to the date of disposal, these Belgian entities generated a combined result after tax of €0.5 million.

On 21 April 2017, Heijmans sold all the shares of Heijmans Oevermann GmbH to PORR Deutschland GmbH. The net cash proceeds for Heijmans (selling price of €58 million less cash of €15 million included in the sale) amounted to approximately €43 million. The book profit on the disposal was €17 million. In the period prior to the date of disposal, Oevermann reported a loss after tax in 2017 of approximately €2.5 million.

In the statement of profit or loss, the above results on disposal have been accounted for in discontinued operations.

As at year-end 2016, the entities were recognised in the statement of financial position as assets and liabilities held for sale.

The cash flows from discontinued operations (in 2017 up to the date of disposal) amounted to:

In € millions	2017	2016
Cash flows from discontinued operations		
Cash flow from operating activities	-44	-1
Cash flow from investing activities	11	-7
Cash flow from financing activities	-24	-1
	-57	-9

Prior to the disposal of the Belgian entities, there were a number of intercompany payments that have been included in the cash flow from investing activities and the cash flow from financing activities.

x € 1.000

6.3 Other operating income

Other operating income from continuing operations	2017	2016
Gain on sale of non-current assets	572	138
Miscellaneous	1.934	583
	2.506	721

The gain on the sale of non-current assets relates to the sale of machinery and equipment.

6.4 Staff costs, depreciation, and research and development expenses

Staff costs included under continuing operations in the statement of profit or loss are broken down as follows:

Staff costs	2017	2016
Wages and salaries	-266.773	-272.204
Compulsory social insurance contributions	-41.110	-42.046
Defined contribution plans	-29.313	-29.840
Defined benefit plans and long-service payments	-568	-554
	-337.764	-344.644

The income statement includes an amount of approximately €8 million (2016 €4 million), of which €7 million (2016: €4 million) relates to reorganisation provisions and €1 million (2016: €0 million) to wholly or partly vacant property and other expenses deemed directly involved in the reorganisation.

The number of employees at year-end 2017 was 4,554 in the Netherlands (2016: 4,716).

x € 1.000

Depreciation and amortisation relating to continuing operations recognised in the statement of profit or loss is broken down as follows:

Depreciation	2017	2016
Depreciation of property, plant and equipment	-10.836	-11.342
Amortisation of intangible assets	-1.912	-1.590
	-12.748	-12.932

Depreciation of property, plant and equipment is included in the cost of sales and administrative expenses.

Amortisation of intangible assets is recognised under other operating expenses.

The costs for research and development relating to continuing operations recognised in the statement of profit or loss are:

Costs for research and development	2017	2016
	-2.841	-2.675

Project work also involves research and development activities, which are reflected in the cost of sales. The costs relating to these activities are not included in the figures stated above.

6.5 Other operating expenses

Other operating expenses for continuing operations are broken down as follows:

Other operating expenses for continuing operations	2017	2016
Amortisation of intangible assets	-1.912	-1.590
	-1.912	-1.590

The amortisation of intangible assets includes the customer base and concessions for sand quarries.

x € 1.000

6.6 Finance income and expense

The net financing expense for continuing operations is broken down as follows:

Finance income and expense	2017	2016
Interest income	1.702	2.482
Finance income	1.702	2.482
Interest expense	-13.399	-13.097
Loan impairment reversal	1.100	0
Capitalised financing costs	1.496	1.820
Finance expense	-10.803	-11.277
	-9.101	-8.795

The cumulative finance expense for 2017 amounts to €9.1 million, which is €0.3 million higher than the €8.8 million for 2016.

The interest and development costs for land portfolios that are under development are capitalised. The interest rate used for determining the financing costs to be capitalised is 4.20% for 2017 (2016: 4.20%).

The finance expense in 2017 includes the reversal of an impairment loss previously recognised on an outstanding loan to a previously sold associate.

The average interest rate in 2017 was higher than in 2016, primarily as a consequence of the increased interest margin on the syndicate loan contracted as part of the refinancing operation at the start of 2017. The effect was mitigated by a reduction in the average level of debt, chiefly as a consequence of the disposal of entities outside the Netherlands. For a summary of the interest rates, see note 6.20.

x € 1.000

6.7 Income tax

Recognised in the statement of profit or loss	2017	2016
Current tax charges or credits		
Current financial year	-225	-4.640
Prior financial years	-2.155	250
Amount of the positive effect of losses not previously recognised, receivables or temporary differences used to reduce the current tax charges	-	-261
	-2.380	-4.651
Deferred tax charges or credits		
Relating to temporary differences and losses recognised in the current financial year	-1.590	24.294
Relating to the write-off of a deferred tax asset (charge) or to the reversal of a write-off (credit)	1.590	-26.755
Relating to adjustments for prior years	0	420
	0	-2.041
Total tax charge/credit in the statement of profit or loss	-2.380	-6.692

For 2017, the tax charge relating to continuing operations is €0 million (2016: charge of €0.3 million).

x € 1.000

Analysis of the effective tax rate	2017		2016	
	%	€	%	€
Result before tax		21.922		-103.802
Based on local tax rate	25,0%	-5.481	25,0%	25.950
Effect of foreign tax rates	0,5%	-113	-1,3%	-1.320
Non-deductible expenses	9,0%	-1.970	-1,6%	-1.629
Non-taxable revenue in results of investees	14,5%	-3.185	-2,6%	-2.746
Non-taxable proceeds from sale of investees	-39,8%	8.727	0,0%	0
Losses not recognised in current financial year and other deferred tax assets and the reversals thereof	0,0%	0	-25,8%	-26.755
Effect of utilising losses available for set-off	-7,2%	1.590	0,2%	250
Effect of adjustments to estimates for prior years	8,9%	-1.948	-0,4%	-442
Overall tax burden	10,9%	-2.380	-6,4%	-6.692

The effective tax rate for 2017 is 10.9% (2016: -6.4%).

The main differences between the profit calculated for reporting purposes and that for tax purposes concern the non-deductible interest expenses relating to the cumulative preference financing shares B, general limits on expense deductions in the various jurisdictions, the exempt results under the substantial-holding privilege, the exempt results on disposal and the non-deductible selling costs connected with the disposal of the international operations and non-recognition or reversal of losses in the Netherlands.

x € 1.000

6.8 Income tax assets and liabilities

Geographical segment	31 december 2017		31 december 2016	
	Receivables	Liabilities	Receivables	Liabilities
Netherlands	38	109	38	65
Belgium	-	-	-	-
Germany	-	-	-	-
	38	109	38	65

Income tax assets relate to outstanding income tax claims for financial years that have not yet been settled and for which excessive provisional assessments were paid. Income tax liabilities relate to outstanding income tax payments for financial years that have not yet been settled, supplemental to income tax assessments already paid, and taking account of prospective and retrospective loss relief rules.

x € 1.000

6.9 Property, plant and equipment

Cost	Land and buildings	Machinery, installations and large-scale equipment	Other capital assets	Operating assets under construction	Total
Balance at 01 January 2016	84.969	148.335	67.695	4.898	305.897
Investments	654	4.851	5.111	4.370	14.986
Disposals	-10.723	-14.723	-12.956	0	-38.402
To assets held for sale	-19.145	-64.430	-10.558	-3.396	-97.529
Reclassifications	0	2.051	2.142	-4.193	0
Balance at 31 December 2016	55.755	76.084	51.434	1.679	184.952
Balance at 1 January 2017	55.755	76.084	51.434	1.679	184.952
Investments	373	1.434	1.219	919	3.945
Disposals	-441	-4.724	-11.361	0	-16.526
Reclassifications	135	994	631	-1.760	0
Balance at 31 December 2017	55.822	73.788	41.923	838	172.371

x € 1.000

Depreciation and impairment losses	Land and buildings	Machinery, installations and large-scale equipment	Other capital assets	Operating assets under construction	Total
Balance at 01 January 2016	53.004	112.117	50.848	-	215.969
Depreciation	2.930	8.588	5.412	-	16.930
Disposals	-9.388	-9.988	-12.475	-	-31.851
Impairments of assets held for sale	-	4.065	-	-	4.065
To assets held for sale	-10.586	-55.154	-8.928	-	-74.668
Balance at 31 December 2016	35.960	59.628	34.857	0	130.445
Balance at 1 January 2017	35.960	59.628	34.857	-	130.445
Depreciation	2.231	3.438	5.167	-	10.836
Disposals	-296	-4.208	-10.981	-	-15.485
Balance at 31 December 2017	37.895	58.858	29.043	0	125.796
Carrying amount					
At 1 January 2016	31.965	36.218	16.847	4.898	89.928
At 31 December 2016	19.795	16.456	16.577	1.679	54.507
At 01 January 2017	19.795	16.456	16.577	1.679	54.507
At 31 December 2017	17.927	14.930	12.880	838	46.575

As at year-end, the contractual obligations relating to the acquisition of property, plant and equipment amounted to €0.5 million.

Since the beginning of 2015, given the limited importance, investment property (property held for its rental income and/or increase in value) has been recognised as other capital assets, rather than as a separate item in the statement of financial position. The carrying amount of investment property was €2.0 million at year-end 2017 (2016: €1.9 million).

x € 1.000

6.10 Intangible assets

Intangible assets consist of goodwill and other identifiable intangible assets.

Cost	Goodwill	Identifiable intangible assets	Total
Balance at 01 January 2016	183.576	48.359	231.935
To assets held for sale	-26.970	-500	-27.470
Balance at 31 December 2016	156.606	47.859	204.465
Balance at 1 January 2017	156.606	47.859	204.465
Balance at 31 December 2017	156.606	47.859	204.465

Impairment losses and amortisation	Goodwill	Identifiable intangible assets	Total
Balance at 01 January 2016	86.552	32.970	119.522
Amortisation	-	1.622	1.622
Impairments of assets held for sale	2.029	0	2.029
To assets held for sale	-	-327	-327
Balance at 31 December 2016	88.581	34.265	122.846
Balance at 1 January 2017	88.581	34.265	122.846
Amortisation	-	1.912	1.912
Balance at 31 December 2017	88.581	36.177	124.758

Carrying amount	Goodwill	Identifiable intangible assets	Total
At 1 January 2016	97.024	15.389	112.413
At 31 December 2016	68.025	13.594	81.619
At 01 January 2017	68.025	13.594	81.619
At 31 December 2017	68.025	11.682	79.707

x € 1.000

The composition of the carrying amount for goodwill and other intangible assets at year-end 2017 is as follows:

Acquisition	2017		2016	
	Goodwill	Identifiable intangible assets	Goodwill	Identifiable intangible assets
IBC (NL-2001)	21.207	-	21.207	-
Burgers Ergon (NL-2007)	31.107	9.234	31.107	10.255
Other	15.711	2.448	15.711	3.339
Carrying amount at 31 December	68.025	11.682	68.025	13.594

Other mainly refers to the cash-generating unit Infrastructure (€15 million).

For further details on the impairment of assets held for sale in 2016, refer to note 6.2.

The remaining amortisation term for the intangible asset that was part of the Burgers Ergon acquisition is 9 years.

The remaining intangible assets of the other acquisitions relate mainly to concessions for sand quarries. The amortisation of the other intangible assets is recognised in the statement of profit or loss under other operating expenses. Goodwill is tested annually for impairment, based on the relevant cash-generating unit. For an explanation of the calculation of the recoverable amount, reference is made to the accounting policies.

The impairment tests are based on the value in use calculated by means of the discounted cash flow method. The pre-tax WACC (weighted average cost of capital) used for this calculation was around 12% as in the preceding year, corresponding to a discount rate after tax of 9.5% (2016: 9.7%).

The value in use of the cash-flow generating business units is based on their expected future cash flows. The period adopted to determine the present value of cash flows is indefinite. In the determination of future cash flows, the medium to long-term planning for the relevant cash-flow generating unit is used. The assumptions underlying the medium to long-term planning are partly based on historical experience and external information sources. The medium to long-term planning generally covers a period of 5 years. Cash flows after 5 years are extrapolated using a growth rate of 1.5% (2016: 1.5%).

The recoverable amount calculated for the impairment test depends on the growth rate used and the period over which the cash flows are realised. Other important variables are the expected of revenue growth, probable margins and working capital requirements.

The expected cash flows are discounted using a pre-tax WACC of around 12%. If the pre-tax WACC were 1 percentage point higher, this would not result in an impairment. Cash flows after five years are extrapolated using growth rates not exceeding 1.5%. If this maximum were 1 percentage point lower, this would not result in an impairment.

x € 1.000

The cash-flow generating unit Non-Residential - to which the goodwill and other intangible assets of Burgers Ergon and the majority of the goodwill for IBC is allocated, totalling €60 million (2016: €61 million) - is sensitive to changes in the assumptions, with the possibility that the recoverable amount could become lower than the carrying amount of €58 million (2016: €45 million). According to the impairment test, the recoverable amount of the cash-flow generating unit Non-Residential is currently some €20 million (2016: €50 million) higher than the carrying amount. One significant factor in this context is the change in the EBIT (earnings before interest and tax) margin. For the purposes of the test, revenue has been assumed to rise to a level of around €430 million in 2020 (2017: €241 million actual revenue), partly on the back of developments providing mass-produced affordable housing. A key assumption is that the EBIT margin grows to 1.9% (2016: 4.0%) of revenue. If the EBIT margin is only 1.2% (2016: 2.0%), the recoverable amount is equal to the carrying amount.

6.11 Joint ventures and associates

The interests in joint ventures and investments in associates included in the statement of financial position breaks down as follows:

	2017	2016
Joint ventures	62.048	61.595
Associates	4.309	4.201
	66.357	65.796

Joint ventures

Together with 3i Investments plc. (formerly Barclays Infrastructure Funds Management), Heijmans has been participating since June 2013 in the joint venture Heijmans Capital B.V. for the financing of DBFMO (design, build, finance, maintain, operate) projects. The focus of the collaboration is on sharing the risk-bearing capital and knowledge required for such projects, from the tendering phase onwards. The project for the National Military Museum was transferred to the joint venture at the time of establishment. In 2014, Heijmans took on part of the funding for the projects A9-Gaasperdammerweg, RIVM-Utrecht Science Park/De Uithof and A12-Veenendaal-Ede-Grijsoord. Then in 2016, Heijmans also took on part of the funding of the A27/ A1 Hart van Zuid projects. The share of 3i Investments plc. in Heijmans Capital B.V. is 80% and Heijmans' share in the company is 20% (2016: 20%).

The figures presented below were extracted from the financial statements of Heijmans Capital, prepared in accordance with the Group's accounting policies. Also shown below is the reconciliation of the Group's interest with equity.

x € 1.000

	2017		2016	
Revenue	6.946		27.030	
Operating result	-474		-1.799	
Finance income	6.806		6.832	
Finance expense	-5.104		-5.054	
Share in results of joint ventures	2.389		842	
Result before tax		3.617		821
Income tax		-356		51
Result after tax		3.261		872
Unrealised changes in the fair value of cash flow hedges		1.763		-2.841
Comprehensive income		5.024		-1.969
20% share of result after tax		652		174
20% share of other comprehensive income		353		-568
Non-current assets		107.912		110.664
Cash and cash equivalents	11.600		6.815	
Other current assets	27.537		32.036	
Total current assets		39.137		38.851
Non-current financial liabilities	124.816		128.162	
Other non-current liabilities	1.400		105	
Total non-current liabilities		126.216		128.267
Current financial liabilities	4.232		4.885	
Other current liabilities	8.890		12.639	
Total current liabilities		13.122		17.524
Net amount		7.711		3.724
20% share of equity		1.542		745

In 2017 Heijmans Capital distributed €198,000 to the Group in dividend (2016: nil). The amount of this dividend distribution received in 2017 was €28,000, the remainder of €170,000 becoming payable in 2018.

x € 1.000

The reconciliation of the Group's interests in joint ventures, as recognised in the statement of financial position, including equity is shown below.

	2017	2016
Interest in the capital of Heijmans Capital	1.542	745
Interest in the capital of Property Development joint ventures	57.662	57.150
Interest in the capital of other joint ventures	-8.226	-6.300
	50.978	51.595
Negative asset values recognised in other provisions	11.070	10.000
	62.048	61.595

The amounts presented below are the Group's shares in the results of joint ventures, with respect to the continuing operations.

	2017	2016
Share of the net result of Heijmans Capital	652	174
Share of the net result of Property Development joint ventures	1.848	1.671
Share of the net result of other joint ventures	-17.857	-8.100
	-15.357	-6.255

The Property joint ventures in which the group participates achieved revenue of €24 million in 2017 (2016: €42 million). In total, they have inventories of €99 million (2016: €107 million), mainly in the form of a strategic land portfolio. The aforementioned amounts relate to Heijmans' share.

Included in the 'other joint ventures' are projects carried out on a consortium basis.

In a number of joint ventures, there are limits on the payout of dividends, often depending on the preference specified for repayment of the debts of the joint ventures concerned.

The group has undertaken commitments to joint ventures totalling €4 million (2016: €2 million) relating to the granting of subordinated loans if certain conditions are met. Apart from the commitments and contingent liabilities disclosed in notes 6.25, 6.26 and 6.27, the Group has no commitments or contingent liabilities relating to joint ventures.

Associates

The amounts shown below concern the interests of the Group in the equity and results of associates:

	2017	2016
Interests in the equity of associates	4.309	4.201
Interests in the net results of associates	688	1.593
Share of other comprehensive income of associates	0	-218

x € 1.000

6.12 Other investments

	2017	2016
Long-term loans	29.507	33.361
Other long-term lending and investments	124	254
Balance at 31 December	29.631	33.615

The long-term loans mainly concern loans granted to property development joint ventures. An amount of €16 million of this item falls due within one year, with €14 million maturing after more than 5 years. The weighted average interest rate is approximately 3.5%. The loans are repayable and are secured by pledged assets and in other ways and by cash flows from projects being carried on by the joint ventures concerned.

6.13 Deferred tax assets and liabilities

The net amount of the deferred tax assets and liabilities relating to temporary differences between the carrying amounts for tax purposes and for reporting purposes of items on the statement of financial position, together with recognised tax-loss carryforwards, can be broken down as follows:

	Receivables 31 december		Liabilities 31 december		Net amount 31 december	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	-	-	259	510	-259	-510
Intangible assets	-	-	2.987	3.291	-2.987	-3.291
Employee benefits	-	-	3.206	2.473	-3.206	-2.473
Provisions	33	90	-	-	33	90
Recognised tax-loss carryforwards	35.629	35.521	-	-	35.629	35.521
Deferred tax assets and liabilities	35.662	35.611	6.452	6.274	29.210	29.337
Set-off of deferred tax assets and liabilities	-5.845	-5.665	-5.845	-5.665	-	-
Net deferred tax assets and liabilities	29.817	29.946	607	609	29.210	29.337

x € 1.000

The movement in the statement of financial position of the deferred tax assets and liabilities in 2017 breaks down as follows:

	Net amount at 1 January 2017	Recognised in income tax	Recognised in other comprehen- sive income	Net amount at 31 December 2017
Property, plant and equipment	-510	251		-259
Intangible assets	-3.291	304	-	-2.987
Employee benefits	-2.473	-606	-127	-3.206
Provisions	90	-57	-	33
Recognised tax-loss carryforwards	35.521	108	-	35.629
Total	29.337	0	-127	29.210

The movement in the statement of financial position of the deferred tax assets and liabilities in 2016 breaks down as follows:

	Net amount at 01 January 2016	Recognised in income tax	Recognised in other comprehensive income	To assets/ liabilities held for sale	Net amount at 31 December 2016
Property, plant and equipment	-1.071	105	-	456	-510
Intangible assets	-7.968	-479	-	5.156	-3.291
Work in progress	-888	1.019	-	-131	0
Employee benefits	-6.479	15	4.316	-325	-2.473
Provisions	-817	323	-	584	90
Other items	904	0	-	-904	0
Recognised tax-loss carryforwards	40.756	-3.024	-	-2.211	35.521
Total	24.437	-2.041	4.316	2.625	29.337

x € 1.000

Measurement of deferred tax assets

At year-end 2017, the recognised loss carry forward was €35.6 million, which relates to the loss carryforward of the Dutch tax group. This loss carryforward has been set off against the tax group's deferred tax liabilities.

The losses of the Dutch tax group are subject to a loss carryforward period of 9 years. A deferred tax asset is recognised to the extent that it is probable, based on forecasts, that sufficient future taxable profits will be available that can be utilised towards realising the deferred asset. A relatively small number of large problem projects produces the losses, Measures have been taken to prevent such losses. Most of the activities perform according to plan. The forecasts are based on the order book, the 2018 business plan, and the long-term forecast. These also underlie the measurement of the recoverable amount of goodwill (for impairment tests). For the long-term forecast, the average EBIT margin of the Dutch tax group is assumed to grow to approximately 3% of revenue. The remaining settlement term of 9 years is longer than the period currently used until 2022. A factor inherent in the measurement of the deferred tax assets is that the utilisation of losses depends on the realisation of the 2018 business plan and the long-term forecasts, which are the Group's best estimates. Based on the projected results for the years 2018–2022 and the current tax rate of 25%, there will be sufficient taxable profits over the next few years to enable the tax asset recognised as at 31 December 2017 to be realised.

Measurement of deferred tax liabilities

For determining the amount of the deferred tax liabilities, the value for tax purposes of the construction work in progress in the Netherlands (including residential building projects) is largely treated as being equal to the value under IFRS.

Deferred tax assets or liabilities are recognised for any temporary differences originating at subsidiaries, joint operations or joint ventures. No deferred tax assets or liabilities have been recognised for temporary differences arising from investments in associates in view of their relative insignificance.

The majority of the deferred tax liabilities have a term of more than one year.

Tax losses not recognised in the statement of financial position

At year-end 2017, the tax-deductible losses of the Heijmans NV tax group amounted to €261.3 million (2016: €266.3 million). An analysis of this figure shows that €44.9 million relates to 2012, €69.6 million to 2014, €43.0 million to 2015, and €103.8 million to 2016. Out of the total, €119 million has not been recognised. At year-end 2017, the other tax losses not recognised in the statement of financial position amounted to €40.9 million (2016: €41.3 million). This relates to one German and two Belgian subsidiaries that conduct no operations.

x € 1.000

6.14 Inventories

	31 december 2017	31 december 2016
Strategic land holdings	150.043	146.974
Residential property in preparation or under construction	27.040	58.156
Raw materials and consumables	8.769	9.216
Finished products	1.341	2.088
Total	187.193	216.434
Carrying amount of inventories pledged as security	75.588	3.082
Inventories amount recognised as a charge in the period	384.521	352.533
Finished products measured at net realisable value	1.313	3.066

Strategic land portfolio

The strategic land portfolio comprises land holdings that are measured at cost or net realisable value if lower. The net realisable value of these holdings may be either the direct realisable value or the indirect realisable value. The recognised net realisable value depends on the expected manner and time horizon of realisation and in most cases, therefore, is measured using an indirect realisable value method. The indirect realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, the expected cash flows usually being discounted to net present value using a discount rate of 6% unless a different rate has been agreed, for example on the basis of favourable financing arrangements available within a joint undertaking. In fixing the discount rate, account is taken of the expected capital structure, operational risks and specific circumstances affecting Heijmans or the project concerned.

Determining the indirect realisable value involves the use of judgements and estimates. The strategic land portfolio is affected by several elements of uncertainty, such as demographic changes, location, and details and implementation of development plans and administrative decisions, with as local a focus as possible. For each site, this results in projections for land and house prices and for other variables that ultimately have a bearing on the indirect realisable value. The Group makes a comprehensive internal assessment of the value of its land holdings twice a year.

x € 1.000

In general, the risk of deviations from the judgements and estimates is greater for strategic land holdings without planning permission than for those with. Moreover, this risk keeps increasing the longer the expected delay is before the start of development.

The net realisable value of the strategic land portfolio was calculated in 2017 and compared with the carrying amount. This led to a write-down of €5.2 million and a write-down of €1.0 million concerning a joint venture (2016: write-downs totalling €17.6 million and a reversal of an earlier write-down of €1.2 million concerning a joint venture). The decreases in value are partly due to specific local conditions that have adversely affected the success of projects, time to completion, expected margins and the number of homes completed.

In principle, the term of the strategic land portfolio is more than 12 months after the closing date (mostly 5 to 10 years). Residential property in preparation or under construction usually has a term of 3 to 5 years as from the closing date. The other items in principle have a term of less than 12 months.

For more information on the pledging of land portfolios in connection with the new financing agreements, refer to note 6.20.

Residential property in preparation or under construction

Residential property in preparation or under construction can be analysed as follows:

	2017	2016
Unsold residential properties:		
Costs less provisions for losses and risks	36.307	57.147
Sold:		
Costs less provisions for losses and risks, plus profits based on percentage of completion	305.995	312.784
less: less: Invoiced instalments	-315.262	-311.775
Total residential property in preparation or under construction	27.040	58.156

Revenue from sales of residential property in preparation and or under construction recognised in the reporting period amounted to €0.4 billion (2016: €0.3 billion). The amounts in question relate to continuing operations.

x € 1.000

6.15 Work in progress

	31 december 2017	31 december 2016
Costs less provisions for losses and risks, plus profits based on percentage of completion	1.789.727	1.683.259
less: Invoiced instalments	-1.857.428	-1.741.144
Balance of work in progress	-67.701	-57.885
Positive balance of work in progress (recognised under current assets)	61.264	60.196
Negative balance of work in progress (recognised under current liabilities)	-128.965	-118.081
Balance of work in progress	-67.701	-57.885

A periodical assessment of the carrying amount of work in progress is made for each project by the project owner and the management of the unit concerned. This assessment is essentially performed on the basis of the figures in the project files, the project accounts and the knowledge and experience of those involved. Inherent in this process and the project-related activities is that estimates have to be made and that the Group is involved in negotiations and discussions concerning the financial progress of projects, such as contract savings or extras, claims, incentives and penalties, completion dates and the quality standard of the work. It may turn out at a later stage that actual results differ from the estimates. This will be so particularly for long-term projects that include considerable customisation. It can also occur if there are unsettled claims or discussions with clients about additional work that are still continuing on the closing date. For further details on a number of specific projects, refer to note 6.29.

The degree of uncertainty surrounding these estimates becomes greater the more, for example:

- types of contract and associated specific agreements involve increased risks for the Group. In a DC contract, for example, the Group assumes the design risk (as well as construction). DBMO contracts also include responsibility for maintenance and operation;
- projects are still at the design stage. It is possible for substantial changes to occur in the process of turning a provisional design into the final design, leading to adjustments both up and down compared with the initial projection.

For example there may be extra work, claims or unforeseen circumstances with a potential cost to the Group. For example there may be extra work, claims or unforeseen circumstances with a potential cost to the Group.

Revenue from additional work is included in the overall contract revenue if the client has accepted the sum involved in any way. Claims and incentives are recognised in the amount for work in progress where it is probable that they will lead to revenue and can be reliably measured. In determining the amount to be recognised, account is taken of specific contractual agreements and the legal framework in the country where the project is being carried out.

x € 1.000

For claims and penalties imposed by contractors against Heijmans, because of construction overruns for example, are recognised if it is likely that they will have an adverse effect.

Bonuses are recognised as revenue from work in progress if the project is far enough advanced and it is probable that the performance indicators specified will be met, and the bonus amount can be reliably determined. If the bonus can only be received after expiry of a predetermined period following completion of the project, then that bonus is only recognised when it is sufficiently probable that the bonus will be received.

The positive balance of work in progress represents all the projects in progress for third parties where the incurred costs plus the capitalised profit, less the recognised losses, are greater than the invoiced instalments.

The negative balance of work in progress represents all the projects in progress for third parties where the incurred costs plus the capitalised profit, less the recognised losses, are less than the invoiced instalments.

Revenue from work in progress carried out for third parties and from service activities recognised in the reporting period amounted to €1.0 billion (2016: €1.0 billion). The amounts in question relate to continuing operations.

Work in progress generally has a term of less than 12 months.

6.16 Trade and other receivables

	31 december 2017	31 december 2016
Trade receivables	120.304	115.963
Amounts still to be invoiced	15.146	23.604
Receivables from joint operations	5.016	7.065
Prepayments	10.642	12.848
Other receivables	14.554	16.591
Total trade and other receivables	165.662	176.071

Trade receivables are presented after deduction of impairment losses. The write-down for expected bad debts is recognised in the statement of profit or loss under administrative expenses. At year-end 2017, a provision of €4.1 million was formed for impairment of trade receivables (2016: €4.8 million).

Trade and other receivables are mainly short-term.

x € 1.000

6.17 Cash and cash equivalents

	31 december 2017	31 december 2016
Bank balances	69.172	28.414
Cash in hand	0	1
Funds in blocked accounts	5.265	1.834
Total cash and cash equivalents	74.437	30.249

Of the total cash and cash equivalents, €48 million (2016: €24 million) is held by joint ventures. This increase is an effect of the strategic decision to undertake large-scale integrated projects to an increasing extent on a partnership basis. These cash and cash equivalents are exclusively available in consultation with the joint venture partners concerned.

The funds in blocked accounts mainly relate to the obligatory G accounts (guarantee accounts) under the Dutch Wages and Salaries Tax and Social Security Contributions (liability of Subcontractors) Act.

Cash is utilised to reduce the Group's financing to the extent contractually and practically permitted, for example, by making the balances concerned part of notional cash pool arrangements.

6.18 Equity

Paid-up and called-up share capital In thousands of ordinary shares	2017	2016
Outstanding at 1 January	21.407	21.407
Share Matching Plan	2	-
Outstanding at 31 December	21.409	21.407

Refer to statement 2b for disclosures on the changes in equity, and to the Company financial statements for disclosures on the authorised share capital, the statutory reserve for investees, the hedging reserve, the appropriation of results and other figures.

In April 2017, the Group issued 2,289 shares in connection with the vesting of deferred bonus shares awarded to members of the Executive Board in April 2014 under the Share Matching Plan (see note 6.28).

x € 1.000

6.19 Earnings per share

Basic earnings per ordinary share

The basic earnings per share in 2017 on the combined operations amounted to €0.91 (2016: loss of €5.16) and, on continuing operations, to a loss of €0.44 (2016: €5.52 loss). The calculation is based on the result after tax attributable to the holders of ordinary shares or depositary receipts for ordinary shares and the weighted average number of ordinary shares that were outstanding during 2017.

	2017	2016
Result attributable to holders of ordinary shares (all operations)		
Result attributable to holders of ordinary shares after tax	19.542	-110.494
Weighted average number of ordinary shares In thousands of shares		
	2017	2016
Ordinary shares outstanding on 1 January	21.407	21.407
Effect of shares issued under the Share Matching Plan on 28 April 2017	1	-
Weighted average number of ordinary shares at 31 December	21.408	21.407

Diluted earnings per ordinary share

The calculation of the diluted earnings per share in 2017 is based on the weighted average number of ordinary shares during the year, which was 21,408,000. The calculation of the 2016 figures included the dilution effect related to the award of deferred bonus shares under the Bonus Investment Share Matching Plan (see note 6.28).

x € 1.000

6.20 Interest-bearing loans and other financing liabilities

The breakdown of interest-bearing loans and other financing liabilities is shown below.

31 December 2017	Non-current portion	Current portion	Total
Cumulative financing preference shares	45.100	-	45.100
Syndicated bank financing	-	-	-
Project financing	67	267	334
Other non-current liabilities	9.370	4.834	14.204
Current account overdrafts with credit institutions	-	1.128	1.128
Total liabilities	54.537	6.229	60.766

31 December 2016	Non-current portion	Current portion	Total
Cumulative financing preference shares	45.100	-	45.100
Syndicated bank financing	-	105.000	105.000
Project financing	521	517	1.038
Other non-current liabilities	12.784	9.222	22.006
Current account overdrafts with credit institutions	-	3.891	3.891
Total liabilities	58.405	118.630	177.035

Cumulative financing preference shares

At year-end 2017, 4,510,000 cumulative financing preference shares B were outstanding at €10 a share. The annual amount of the interest payable on these shares, with effect from 1 January 2014, is 7.9% and is payable annually, 14 days after the General Meeting of Shareholders. The dividend will be reviewed on 1 January 2019 and every 5 years thereafter. The Group has the right to repurchase or cancel these preference shares before their maturity date in case of an interest rate change or at any other time subject to payment of compensation. There is no repayment obligation.

Syndicated bank financing

The total committed amount of the syndicated bank facility as at year-end 2017 was €155.9 million. This facility was refinanced at the start of 2017 with a maturity date of 30 June 2019. Efforts made to achieve more robust balance sheet ratios, resulting in a gradual reduction in the facility from €256 million to €122 million by mid-2019 (year-end 2018: €145 million). With the disposal of the operations outside the Netherlands and the improvement in the cash flow from operating activities, the Group was able to bring about a reduction in the facility to the current figure of €155.9 million by the end of October 2017, which was eight months ahead of the agreed schedule. On 31 March 2017, Deutsche Bank left the syndicate as planned, and it has since been made up of Rabobank, ING Bank, ABN AMRO Bank and KBC. The further reduction in the facility to €122 million anticipates the agreed exit of KBC from the banking syndicate as from mid-2019.

The interest rate payable to the banking syndicate is 4%. A cut in the interest rate to 3% comes into effect as soon as the amount of the facility has been reduced to €125 million. Collateral security has been provided for the facility. This is predominantly in the form of pledging of trade receivables and bank balances as well as a first mortgage on land holdings recognised at a combined carrying amount of approximately €75 million.

As a consequence of the substantial project losses incurred in Q4 2016, a different regime was applicable in 2017 for testing compliance with the financial covenants. As regards the tests as at 30 June 2017, 30 September 2017 and 31 December 2017, minimum levels for EBITDA and solvency were agreed. The applicable minimum EBITDA (cumulative as from 1 January 2017) was €0 million for the first half of 2017, €5 million for the first three quarters of 2017 and €20 million for the whole of 2017. The solvency ratio minimums were 16% on 30 June 2017, 18% on 30 September 2017 and 20% on 31 December 2017. The solvency ratio calculation involves dividing the capital base by total assets, the capital base being made up of equity plus the cumulative financing preference shares B. Heijmans operated within the agreed covenants throughout the year. With the disposal of the non-Dutch businesses, which produced a book profit and a reduction in the size of the balance sheet, there was a structural improvement in the solvency ratio of approximately 10 percentage points, meaning that the agreed levels were comfortably achieved.

From 2018 onwards, the financial covenants from prior to 2017 become effective again and, if they are not satisfied, the facility can in principle be called in immediately. This concerns an interest cover ratio of a minimum of level 4, to be complied with at the end of each quarter, a senior debt cover ratio of a maximum of 3 on a six monthly basis and an average leverage ratio of a maximum of 2.5, to be complied with quarterly as from 30 June 2018. Satisfying the covenants is actively monitored within Heijmans. Based on the 2018 business plan, together with the already achieved quarterly figures during 2017, the Group expects to be able to continue operating within the covenants in the year ahead, the relevant parameters here being the development in EBITDA and net debt. Changes in the net debt position are a function of fluctuations in working capital, behind which lie seasonal effects and fluctuations due to specific projects in particular. During the course of the year, the working capital requirement is traditionally higher than at year-end, leading to an increase in net debt by as

much as €50-100 million. The syndicated loan, which was not drawn on at all as at year-end 2017, is available to fund fluctuations in working capital.

The leverage ratio is obtained by dividing net debt by EBITDA (earnings before interest, tax, depreciation and amortisation). The interest cover ratio is calculated as EBITDA divided by net interest expense. The definitions of these items include several adjustments to the reported figures, as agreed with the bank consortium in the credit agreement. The main adjustments compared with the net debt for accounting purposes are an increase in respect of the net debt from joint ventures and a decrease in respect of the amount of the cumulative financing preference shares B in issue and certain specific project financing arrangements where there is no right of recourse against Heijmans. The main adjustments compared with the accounting EBITDA concern the capitalised interest, results relating to business units that have been sold off, fair value adjustments, reorganisation costs and EBITDA results from joint ventures. The main adjustments to the reported net interest expense concern the exclusion of interest expense on non-recourse project financing and cumulative financing B preference shares.

Reconciliation between the underlying results, EBITDA, net debt and net interest expense as reported and in accordance with the definitions agreed with the bank consortium, and the calculation of the 2018 ratios, is presented below. As can be seen, Heijmans would already have satisfied the financial covenants applicable with effect from 31 March 2018 at year-end 2017.

x € 1.000

Amounts x €1 million	note	2017	2016
Interest-bearing debt	6.20	60,8	177,0
Interest-bearing debt held for sale		0,0	1,3
Interest-bearing debt	6.20	60,8	178,3
Cash and cash equivalents	6.17	74,4	30,2
Cash and cash equivalents held for sale		0,0	48,0
less: Cash and cash equivalents	6.17	74,4	78,2
Net debt		-13,6	100,1
<i>Adjustments for:</i>			
Net debt of Joint Ventures	6.11	89,2	84,7
Non-recourse net debt for project financing		-95,0	-92,6
Cumulative financing preference shares B	6.20	-45,1	-45,1
Other		5,3	2,0
Covenant net debt (A)		-59,2	49,1
Reported EBITDA	6.1	59,0	-75,4
EBITDA of joint ventures	6.1	-14,0	-0,2
Exceptional expenses	6.1	-14,2	28,7
Underlying EBITDA		30,8	-46,9
Adjustments for:			
Capitalised interest	6.6	1,5	1,8
EBITDA for projects with non-recourse financing		-5,2	-3,6
Other		-1,3	-0,6
Covenant EBITDA (B) - Interest Cover		25,8	-49,3
EBITDA attributable to disposals		0,9	0,0
Covenant EBITDA (C) - Leverage Ratio		24,9	-49,3
Net interest expense		11,3	9,6
<i>Adjustments for:</i>			
Joint venture net interest expense		1,1	2,1
Non-recourse project financing interest expense		-2,8	-3,0
Interest on cumulative financing preference shares B	6.20	-3,6	-3,6
Other		-2,7	-0,8
Net covenant interest expense (C)		3,3	4,3
Leverage ratio (A/C) <3		-2,4	-1,0
Interest cover ratio (B/D) >4		7,7	-11,5

x € 1.000

Project financing

Project financing arrangements have been entered into in connection with specific real estate and other projects. The project financing repayment schedules are usually related to the progress on projects. Project financing generally expires no later than the date of completion and/or sale of the projects. Recourse is limited to project assets only, including future positive cash flows from these projects, as well as the contracts and mortgage collateral related to the project / project company in most cases. Heijmans N.V. has guaranteed the repayment of principal and/or payment of interest up to an amount of €0.3 million (2016: €0.6 million) of the total project financing. Heijmans N.V. and its group companies did not have any non-recourse financing arrangements (2016: €0.4 million).

Other liabilities

The other liabilities concern financing arrangements provided by parties involved in a number of specific investments in land. As security for this finance, amounting to €14.2 million (2016: €22.0 million), Heijmans has provided guarantees in respect of repayments/payment of interest.

Average interest rate	2017	2016
Cumulative financing preference shares	7,9%	7,9%
Syndicated bank financing*	4,9%	3,3%
Project financing	1,6%	2,9%
Other bank financing	4,5%	2,5%
Other non-current liabilities	3,1%	2,9%

* The disclosed percentage is exclusive of amortised refinancing costs. Including amortised refinancing costs, the figure is 7.3% (2016: 3.7%).

Movements in interest-bearing liabilities

The movements in 2017 in the interest-bearing liabilities were as follows:

	2017	2016
Opening balance	177.035	135.105
Recognised liabilities	-	68.818
Repayments	-116.269	-25.589
To liabilities held for sale		-1.299
Closing balance	60.766	177.035

x € 1.000

6.21 Employee benefits

Movement in the liability for defined benefit plans and long-service payments

	Liability		Fair value of assets		Net asset relating to vested pension rights and jubilee payments	
	2017	2016	2017	2016	2017	2016
Balance at 1 January	427.891	394.715	437.966	407.190	-10.075	-12.475
<i>Recognised in profit or loss</i>						
Service cost	282	487	-	-	282	487
Interest expense/income	7.455	9.698	7.575	10.048	-120	-350
Settlements and curtailments	-87	501	-	-	-87	501
Administrative and other expenses	-	-	-580	-489	580	489
<i>Recognised in other comprehensive income</i>						
Actuarial result, experience	-729	6.968	-	-	-729	6.968
Actuarial result, indexing	3.398	-	-	-	3.398	-
Actuarial result, discount rate	-6.769	50.072	-	-	-6.769	50.072
Actuarial result, return on investments	-	-	-3.505	39.840	3.505	-39.840
<i>Contributions and benefits</i>						
Employer contributions	-	-	2.814	2.912	-2.814	-2.912
Pension and long-service payments	-14.271	-14.197	-14.271	-14.197	-	-
To assets/liabilities held for sale	-	-20.353	-	-7.338	-	-13.015
Total at 31 December	417.170	427.891	429.999	437.966	-12.829	-10.075

The pension and long-service payments in 2018 will amount to approximately €15 million. Over the next few years, this amount should not change significantly.

x € 1.000

The total liability arising from defined benefit pension plans and long-service payments is recognised in the statement of financial position as follows:

	31 december 2017	31 december 2016
Non-current employee benefits	15.298	12.333
Current employee benefits	1.995	2.703
Employee-related receivable	-30.122	-25.111
	-12.829	-10.075

The employee-related receivable concerns a plan that, in accordance with the Pensions Act funding rules as specified in the Financial Assessment Framework, has a policy funding ratio of 102.6% (2016: 99.4%). (See Stichting Pensioenfonds Heijmans N.V. below.) The receivable is based on the assumption that this plan, which is now closed, will gradually wind down, and on the conclusion that the Group, as the employer, will eventually be the sole remaining stakeholder and therefore logically entitled to the final balance. However, it is expected that new IFRS rules (a proposed amendment to IFRIC 14 not yet issued, curtailing refunds from a defined benefit plan) could lead to this asset ceasing to be recognised. The pension fund trustees and the Group are currently engaged in discussions regarding reinsurance of either part or all of the plan. If it is decided to go ahead with either partial or complete reinsurance, this could mean the amount of the receivable from the pension plan becomes smaller. In either situation this would, for example, have a negative impact on the Group's solvency ratio amounting to several percentage points.

Liability for defined benefit plans in the Netherlands

The liability for defined benefit plans concerns the liabilities recognised for one company pension fund and approximately 15 plans placed with insurance companies.

Stichting Pensioenfonds Heijmans N.V.

No new members will be admitted to the Pensioenfonds Heijmans plan. Pension rights are currently being accrued at an insurer on the portion of salary that exceeds the maximum salary threshold of the industry-wide pension fund. This plan came into effect on 1 January 2012 for new employees. As of 1 January 2013, existing employees have also been accruing pension rights under this plan. (This concerns employees who have been with the Company since before 1 January 2012 and were accruing supplementary pension rights with Pensioenfonds Heijmans.) The plan is an average pay scheme with conditional indexation and qualifies as a defined contribution plan. The pension accrual of employees who became members of the supplementary plan before the end of 2012 remains guaranteed by Stichting Pensioenfonds Heijmans N.V.. While employees stay with Heijmans, the pensions they accrued up to the end of 2012 are subject to conditional annual increase. Heijmans pays a contribution each year to cover the costs of this. Approximately 23% of the members in the new plan were members of the former plan who are still employed by Heijmans, and accordingly have a conditional right to indexation, depending on the salary increase in accordance with the collective employment agreement for the Construction Industry for a maximum of 4% a year. For the rest, 52% are former employees and 25% are pensioners. The average term of the pension liabilities is approximately 16 years. Because of the funding deficit in the former plan, Heijmans made an additional contribution of €5 million in 2012 and a further €3 million in 2013. Heijmans is under no obligation to make

x € 1.000

any further contributions. The pension contributions and required buffers are calculated in accordance with the rules stated in the Pensions Act. In accordance with these rules, the contributions are cost effective, and the funding ratio set by the pension fund policy needs to be 108% at year-end 2017 (2016: 109%). The actual policy funding ratio as at 31 December 2017 was 102.6%. The pension fund capital is expected to reach the required level by the set date and no further measures should be necessary. The pensions regulator is De Nederlandsche Bank (DNB), the Dutch central bank. The Board of Trustees of the fund comprises representatives of the employer, employees and pensioners.

Insured plans

Heijmans has some 15 insured pension plans in the form of guarantee contracts. Other than the costs of indexation, Heijmans is not liable for payments due to aggravated mortality assumptions. The risks inherent in the plan of these being necessary are largely borne by the insurers. It is a responsibility of the insurers to hold sufficient funds to pay out all benefits. Again, regulatory responsibility lies with DNB. The amount of the additional contribution required to meet annual increases is calculated on the basis of the assumptions contained in the insurance contract. The average term of the pension liabilities is approximately 15 years.

Industry-wide pension funds

The majority of the pensions have been placed with industry-wide pension funds, the main ones being the Pension Fund for the Construction Industry (Bouwnijverheid) and the Pension Fund for the Engineering, Mechanical and Electrical Contracting Sector (Metaal en Techniek). Both these funds operate average pay plans with annual increases. The funding ratio set by the policy of the Collective Pension Fund for the Construction Industry was 115.2% at year-end 2017 (year-end 2016: 105.4%). The policy funding ratio for the Engineering, Mechanical and Electrical Contracting Sector stood at 100.6% at year-end 2017 (year-end 2016: 92.8%). These funding ratios have been calculated on the basis of the actuarial assumptions used by the various industry-wide pension funds, in accordance with the Pensions Act and the Financial Assessment Framework.

Since their funding ratios have only a marginal effect on the contribution adjustments, these plans qualify as defined benefit pension plans. Despite this, they are treated as defined contribution plans because the administration of the industry pension funds is not designed to supply the required information.

With regard to these plans, Heijmans is only required to pay the predetermined contributions. The Group has no obligation to make up any deficit, other than through future contribution adjustments. Heijmans has no claim to any surplus in the funds.

Long-service payments

The long-service payments are a month's salary, or a portion thereof, for employment periods of 25 and 40 years.

x € 1.000

Income and expense items recognised in connection with defined benefit plans and long-service payments for continuing operations	2017	2016
Service cost	-282	-261
Interest expense	-7.368	-9.395
Expected return on assets	7.575	10.029
	-75	373
Administrative and other expenses	-580	-489
Settlements and curtailments	87	-438
Total expense for defined benefit plans and long-service payments	-568	-554

The principal actuarial assumptions as at year-end are:

	31 december 2017	31 december 2016
Discount rate	1,85%	1,75%
Expected return on plan assets	1,85%	1,75%
Future wage inflation	2,25%	2,25%
Future pay increases	0-1,5%	0-1,5%
Future annual increase	0-1,00%	0-0,75%
Staff turnover	7,0-16,0%	7,0-16,0%
Life expectancy	AA Forecast Table 2016 0/0	AA Forecast Table 2016 0/0

The discount rate is based on high-quality corporate bonds adjusted for the term of the payment obligation. This also applies to the expected yield.

The annual increase for the supplementary plan that is administered by Stichting Pensioenfonds Heijmans N.V. tracks wage inflation.

x € 1.000

Financing liability for defined benefit plans and long-service payments	31 december 2017	31 december 2016
Defined benefit plans:		
- Funded plans	412.287	422.736
- Unfunded plans	-	-
Long-service payments (unfunded)	4.883	5.155
Liability for defined benefit plans and long-service payments at 31 December	417.170	427.891

Breakdown of plan assets as a percentage of the total	31 december 2017	31 december 2016
Equities	10%	8%
Fixed-income securities	40%	41%
Liquid assets	0%	0%
Other/insured plans	50%	51%

Stichting Pensioenfonds Heijmans N.V. assets

At Stichting Pensioenfonds Heijmans N.V, approximately 85% of the interest-rate risk associated with the liabilities is hedged using a liability-matching portfolio. Of the total plan assets, valued at €215 million, €172 million is in fixed-income securities, €43 million in equities and €0 million in liquid assets and current receivables. The fixed-income securities as well as the equities are listed and these assets are measured at quoted price. No investments are made in Heijmans shares.

Reasonably possible changes in one of the relevant actuarial assumptions on the reporting date, with the other assumptions remaining unchanged, could potentially affect the liabilities associated with the vested pension rights to the extent shown below.

x €1 million	2017		2016	
	Increase	Decrease	Increase	Decrease
Change of 0.50 %-points in discount rate	-32,3	36,6	-34,5	39,1
Change of 0.25 %-points in wage and price inflation and rate of annual increase	10,7	-4,2	11,6	-4,7
Change of 1 year in life expectancy	16,2	-16,4	16,9	-17,1

The above effects were determined by the actuary who performed the calculations. The combined effect of changes to more than one of the assumptions can be different from the sum of the corresponding individual effects owing to interactions.

The effects presented apply only to the liabilities and not to the fair value of the investments. For a plan in the form of an insurance contract, the effect of a change in the discount rate is largely mitigated by an equal but opposite effect on the plan investments. This is because of the guarantee provided by the insurer.

Heijmans expects to contribute approximately €2 million in 2018 to its defined pension plans and approximately €30 million to defined contribution plans. The expected contributions in subsequent years are likely to be in line with those expected for 2018, depending on changes in the above-mentioned actuarial assumptions.

6.22 Provisions

General

Provisions for warranty obligations, restructuring costs and environmental risks are recognised if Heijmans has an existing obligation and it is probable that an outflow of economic benefits will occur. The amount of each provision can be reliably estimated. The provisions are stated at face value, unless the time value of money is material.

	01 January 2017	Reversal of unused amounts	Additions to provisions	Provisions used	31 December 2017
Warranty obligations	1,299	0	237	0	1,536
Restructuring costs	3,451	-519	6,172	-6,189	2,915
Environmental risks	579	0	3,000	-9	3,570
Provision for loss-making interests	10,000	0	12,009	-10,939	11,070
Other provisions	2,401	0	2,435	-441	4,395
Total provisions	17,730	-519	23,853	-17,578	23,486

Ageing of provisions	31 december 2017	31 december 2016
Non-current portion	1,949	2,364
Current portion	21,537	15,366
Total	23,486	17,730

Provision for warranty obligations

The provisions relate to complaints and deficiencies that become apparent after the delivery of projects and that fall within the warranty period. The magnitude of the costs provided for is dependent partly on the estimated allocation of the claim to the related construction partners. It is expected that most of the obligations will materialise in the next two years.

x € 1.000

Provision for restructuring costs

The provision for restructuring costs relates to the expected severance costs related to organisational changes. Most of the provision will be used in 2018 and the remainder in the years 2019 and 2020.

Provision for environmental risks

This item represents possible site reinstatement costs. The costs have been estimated by site, based on government regulations concerning the clean-up method and soil investigation. The periods within which restoration needs to take place vary by site. In the event that the restoration does not have to take place for another few years, there is an obligation to monitor the pollution. The expected monitoring costs have also been included in the provision.

Provision for loss-making interests

As at year-end 2017, the provision for loss-making interests amounted to 11,1 million (2016: €10 million). The provision relates to joint ventures in which the Group's share is negative.

Other provisions

The other provisions include lawsuits, amounting to €2.2 million (2016: €0.3 million), quarry site reinstatement obligations of €1.3 million (2016: €1.2 million) and property vacancy amounting to €0.1 million (2016: €0.3 million). Among the remainder is a provision for potential expenses in connection with occupational disability.

6.23 Trade and other payables

Trade and other payables	31 december 2017	31 december 2016
Suppliers and subcontractors	220.160	228.331
Invoices due for work in progress	23.892	18.418
Invoices due for work completed	28.822	31.398
Pension obligations	3.400	2.400
Staff costs payable	14.795	13.413
VAT payable	36.149	36.005
Wage tax and social security contributions payable	13.763	13.429
Administrative expenses and costs of sales payable	2.520	3.194
Interest payable	5.252	4.826
Other liabilities	28.647	19.652
Total trade and other payables	377.400	371.066

The trade and other payables are predominantly of a short-term nature.

x € 1.000

6.24 Financial risks and risk management

General

In the normal course of business, Heijmans is exposed to various financial risks, including credit, liquidity, market, price and interest-rate risks.

This section describes the degree to which these risks manifest themselves, the objectives set regarding the risks and the policy and procedures for measuring and managing them, as well as the management of capital.

The risk policy is focused on the identification and analysis of the risks to which the Group is exposed and the setting of acceptable limits.

The risk policy and systems are assessed on a regular basis and then modified if necessary for changes in market conditions and the operations of the Group. The objective is to create a disciplined and constructive approach to risk management, with the aid of training, standards and procedures whereby all employees are aware of their roles and responsibilities.

The Audit Committee periodically reviews the risk management policy and procedures. In addition, the Committee reviews the risk policy used in the light of the risks to which the Group is exposed.

Credit risk

Credit risk is the risk that the Group will be exposed to financial loss if a party against which Heijmans has a claim fails to meet its contractual obligations. Credit risks arise primarily from receivables due from customers and consortium partners.

The credit risk associated with residential property development is limited, as future residents can only take possession of the new home once they have met all their obligations and there is pre-financing during the construction stage. The creditworthiness is assessed in transactions involving the development of commercial property, construction contracts and infrastructure projects, with additional collateral possibly being requested. Additional forms of security are particularly important in the case of turnkey projects (paid for on completion), although normally there is pre-financing of transactions of this kind as well. Where Infrastructure and Non-Residential Building are concerned in particular, Heijmans carries out many assignments for public authorities, for which the credit risk is considered extremely limited. In these areas of the business, Heijmans will be part of consortiums working on various large-scale, integrated projects. The more specific the expertise of a consortium partner, the greater the importance that is attached to the creditworthiness of that partner. In such cases, a poor credit rating is grounds for not going into partnership, since financial guarantees are not worth anything if essential know-how is lost.

The assessment of creditworthiness is part of the standard procedure. Credit risk is mitigated by pre-financing arrangements and payments in instalments. Risks are insured with a credit insurer if considered necessary.

The large number of clients, a substantial proportion of which are private individuals and public authorities, means there is no concentration of credit risk.

x € 1.000

The cash and cash equivalents are held at different banks that are assessed as regards creditworthiness. The credit risk is further mitigated by concentrating the cash as far as possible in cash pools, the cumulative balance of which is predominantly negative over the year.

A provision for doubtful receivables is recognised following an assessment of the potential risks for each individual receivable. Doubtful receivables are subjected to an impairment test and written down as necessary to the present value of the future cash flows if lower.

The carrying amount of the financial assets exposed to credit risk can be analysed as follows:

	31 december 2017	31 december 2016
Other investments	29.631	33.615
Cash and cash equivalents	74.437	30.249
Trade and other receivables	165.662	176.071
Total	269.730	239.935

Other investments are mainly loans granted by the Group to joint arrangements in which it participates.

Age analysis of outstanding trade receivables without impairment, from due date:

	31 december 2017	31 december 2016
< 30 days	12.760	16.993
30-60 days	1.314	4.238
60-90 days	1.094	555
> 90 days - ≤ 1 year	1.202	9.245
> 1 years	6.097	5.878
Total	22.467	36.909

Including accounts not yet due and accounts for which an impairment has been recognised, the balance of trade receivables at year-end 2017 was €120 million (2016: €116 million).

The due dates of the other financial assets have not been exceeded.

Trade receivables are reported after deduction of impairment losses relating to doubtful receivables. The movement in the provision was as follows:

x € 1.000

	2017	2016
Balance at 1 January	4.759	9.227
Additions	0	118
Withdrawals	-525	-2.862
Release	-101	-152
To assets held for sale	-	-1.572
Balance at 31 December	4.133	4.759

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations at the time it is required to do so. See also note 6.20, Interest-bearing loans. The liquidity-risk management assumption is that sufficient liquidity levels will be maintained to meet current and future financial obligations, in both normal and exceptional circumstances, without incurring unacceptable risks and without endangering the reputation of the Group.

Weekly 3-month rolling and monthly 12-month rolling liquidity forecasts are among the tools used to determine whether the Group has sufficient liquidity available. In addition, the availability of credit, including in the form of contingency funding available from credit insurers or providers of guarantees, is continuously monitored by regularly making projections of the score in relation to financial covenants and engaging in an active dialogue with all financial stakeholders. Based on this forecast, the Group considers that sufficient liquidity is available to conduct operations.

To secure the availability of financial resources for both the long term and the short term, Heijmans has access to the following facilities:

- €45 million in cumulative financing preference shares B without a repayment obligation;
- (year-end 2017) €156 million committed syndicated bank financing, €25 million of which is in the form of a committed overdraft facility linked to a cash pool. This is being reduced in stages to €122 million by 30 June 2019 (see note 6.20). The remaining reduction should essentially be achieved by using the spare cash provided by current cash flow trends;
- project financing for which committed financing is available for most of the anticipated principal sum and duration of the project in question; and
- various operating leases.

In order to satisfy clients' requirements for bank guarantees, Heijmans has access to guarantee facilities with various institutions. These facilities are uncommitted. Every two weeks, a projection is made of the use of the available bank guarantee facilities, based on current tenders and expectations regarding the discharge of existing bank guarantees. Based on these projections, Heijmans believes that the present extent of the facilities is adequate.

At year-end 2017, the bank guarantee facilities totalled € 286 million (2016: € 505 million) provided by a total of 10 parties. The lower figure was in line with expectations, as a large part of the bank guarantee facilities was held in Belgium and especially in Germany. As at year-end 2017, there remained €1 million in guarantees relating to the international activities, with the rest exclusively concerning guarantees for projects associated with operations in the Netherlands.

x € 1.000

The contractual maturity dates of the financial obligations, including interest payments for continuing operations, are as follows:

31 december 2017	Carrying amount	Contractual cash flow	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Cumulative financing preference shares	-45.100	-62.915	-3.563	-	-3.563	-10.689	-45.100
Syndicated bank financing	-	-	-	-	-	-	-
Project financing	-334	-334	-138	-133	-63	-	-
Other non-current liabilities	-14.204	-15.784	-229	-42	-9.690	-2.315	-3.508
Current account overdrafts with credit institutions	-1.128	-1.128	-1.128	-	-	-	-
Trade and other payables	-377.400	-377.400	-377.400	-	-	-	-
Total	-438.166	-457.561	-382.458	-175	-13.316	-13.004	-48.608

31 december 2016	Carrying amount	Contractual cash flow	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years
Cumulative financing preference shares	-45.100	-62.915	-3.563	-	-3.563	-10.689	-45.100
Syndicated bank financing	-105.000	-105.071	-105.071	-	-	-	-
Project financing	-1.038	-1.071	-147	-143	-718	-63	-
Other non-current liabilities	-22.006	-24.672	-691	-4.894	-444	-14.978	-3.665
Current account overdrafts with credit institutions	-3.891	-3.891	-3.891	-	-	-	-
Trade and other payables	-371.066	-371.066	-371.066	-	-	-	-
Total	-548.101	-568.686	-484.429	-5.037	-4.725	-25.730	-48.765

For the cumulative financing preference shares B, the nominal value has been taken into account on the maturity date and on the interest rate repricing date. The cumulative financing preference shares B do not have a repayment obligation. In the liquidity analysis, the nominal value of the loan has been included in the period > 5 years.

Market risk

Market risk is the risk that the income of the Group or the value of financial instruments is adversely affected by changes in market prices, for example, due to movements in exchange rates, interest rates and share prices. The objective of managing market risk is to keep the market risk position within acceptable limits while achieving optimum returns.

To manage market risk, derivatives may be bought and sold, and financial commitments may be undertaken. Transactions of this nature are carried out within established guidelines.

x € 1.000

Price risk

Price risk associated with the purchase of raw materials and consumables as well as with outsourced work, is mitigated by making price indexation agreements with clients, or where possible by making price agreements with suppliers at an early stage. If necessary, derivatives may be used occasionally to hedge the price risk of procuring raw materials.

Interest-rate risk

The interest rate policy at Heijmans is directed towards limiting the impact of changes in interest rates on the Group's results. For the majority of the project financing arrangements, fixed interest rates are preferred, giving greater certainty with respect to results on the various projects. Where the syndicated loan is used, financing is at a variable rate. Since this involves financing of working capital, which is generally not required at the end of the year, there is currently nothing to be gained from having interest rates fixed for an extended period. The present negative Euribor rate is another factor here. This policy is subject to constant evaluation.

If the interest rate for 2017 had been 2 percentage points higher on average, the result before tax based on the average level of debt would have been approximately €1.1 million lower (2016: €2.9 million lower). The effect of a 2 percentage point difference in interest rates on the Group's equity (assuming all other variables remained constant) would have been a decrease of €0.9 million (2016: decrease of €2.2 million).

The table below shows the periods in which interest rates for interest-bearing financial assets and financial liabilities are reviewed:

	Note	31 december 2017					
		Total	0-6 months	6-12 months	1-2 year	2-5 year	> 5 year
Other investments	6.12	29.631	3.664	60	14.233	10.430	1.244
Cash and cash equivalents	6.17	74.437	74.437	-	-	-	-
Cumulative financing preference shares	6.20	-45.100	0	-	-45.100	-	-
Syndicated bank financing	6.20	-	-	-	-	-	-
Project financing	6.20	-334	-334	-	-	-	-
Other non-current liabilities	6.20	-14.204	-30	-9.450	-	-1.844	-2.880
Current account overdrafts with credit institutions	6.20	-1.128	-1.128	-	-	-	-
Total		43.302	76.609	-9.390	-30.867	8.586	-1.636

x € 1.000

	Note	Total	31 december 2016				
			0-6 months	6-12 months	1-2 year	2-5 year	> 5 year
Other investments	6.12	33.615	19.025	-	12.486	860	1.244
Cash and cash equivalents	6.17	30.249	30.249	-	-	-	-
Cumulative financing preference shares	6.20	-45.100	0	-	-	-45.100	-
Syndicated bank financing	6.20	-105.000	-105.000	-	-	-	-
Project financing	6.20	-1.038	-1.038	-	-	-	-
Other non-current liabilities	6.20	-22.006	-437	-18.689	-	-	-2.880
Current account overdrafts with credit institutions	6.20	-3.891	-3.891	-	-	-	-
Total		-113.171	-61.092	-18.689	12.486	-44.240	-1.636

As at the closing date, 82% (2016: 30%) of the interest-bearing debt had been negotiated at a fixed rate of interest, and 18% (2016: 70%) at a floating rate. Due to seasonal effects, the average debt during the year is higher than the debt at the closing date. The portion of the gross debt subject to a floating interest rate is also higher during the year. The gross floating rate interest debt is offset by items such as cash and cash equivalents, which are also subject to floating rate interest.

The average weighted term to maturity of the project financing is 0.2 years (2016: 0.2 years).

The interest-bearing loans are measured at amortised cost rather than at fair value. The carrying amount of the loans is therefore not affected by changes in interest rates.

Currency risk

The currency risk on sales, purchases and loans is extremely limited for Heijmans, since by far the greater part of the cash flows within the Group are in euros.

Fair values

The table below shows the fair values and the carrying amounts of the financial instruments. The fair values are allocated to different levels of the fair-value hierarchy, depending on the inputs used to determine the measurement methods. The levels are defined as follows:

- level 1: quoted (unadjusted) market prices available to the Group on the measurement date, in active markets for identical assets or liabilities.
- level 2: input that is not a quoted market price at level 1 but is obtainable for the asset or liability concerned, either directly (as a price) or indirectly (derived from a price).
- level 3: input for the asset or liability not based on data available in a market (unobservable input).

Heijmans has no financial assets or liabilities measured at fair value.

x € 1.000

			31 december 2017		31 december 2016	
			Carrying value	Fair value	Carrying value	Fair value
Note	Level	Loans and receivables				
6.12	2	Other investments	29.631	29.593	33.615	34.154
6.16	*	Trade and other receivables	165.662	165.662	176.071	176.071
6.17	*	Cash and cash equivalents	74.437	74.437	30.249	30.249
6.20	*	Current account overdrafts with credit institutions	-1.128	-1.128	-3.891	-3.891
6.20	2	Cumulative financing preference shares	-45.100	-49.987	-45.100	-51.169
6.20	2	Syndicated bank financing	-	-	-105.000	-105.000
6.20	2	Project financing	-334	-334	-1.038	-1.038
6.20	2	Other non-current liabilities	-14.204	-14.520	-22.006	-22.515
6.23	*	Trade and other payables	-377.400	-377.400	-371.066	-371.066
			-168.436	-173.677	-308.166	-314.205

* The carrying amount is a reasonable approximation of the fair value.

The above values are based on the present value of future cash flows. The loans with a fixed interest rate are discounted using the yield curve for 31 December 2017, plus the relevant risk mark-up.

All loans with a variable interest rate are assumed to have a fair value equal to their carrying amount.

Capital management

The policy has been designed to achieve a sound capital position with sufficient availability of credit to be able to ensure continuity for stakeholders. A sound long-term capital structure is based on operating with sufficient headroom within the limits of the covenants, in particular the leverage ratio. This means net interest-bearing debt after deduction of cumulative preference finance shares plus non-recourse finance divided by EBITDA not exceeding 3.0 and an interest cover ratio of at least 4.0 (see also note 6.20 for a description of the financial ratios in the conditions agreed with the banks).

x € 1.000

6.25 Rental and operating lease contracts

	31 december 2017	31 december 2016
Rental contracts		
Instalments due within 1 year	10.096	11.774
Instalments due between 1 and 5 years	26.286	26.254
Instalments due after 5 years	24.958	6.148
Total	61.340	44.176
Lease contracts		
Instalments due within 1 year	19.980	20.392
Instalments due between 1 and 5 years	33.382	32.353
Instalments due after 5 years	790	1.015
Total	54.152	53.760

A charge of €22 million for operating leases was recognised in the statement of profit or loss for 2017 (2016: €24 million). A charge of €12 million for rental costs was recognised in the statement of profit or loss for 2017 (2016: €14 million).

The lease commitments primarily relate to future instalments on leases for vehicles and equipment. The rental commitments are for the lease of company buildings. The joint ventures in which Heijmans participates have undertaken neither rental commitments nor lease commitments.

Approximately 3,300 assets (2,340 cars, 840 vans, and 80 trucks) are leased in the Netherlands on operating lease terms. In 2017, an umbrella agreement covering the cars and vans was signed with the main leasing company for a term of 4.5 years. The individual contracts covered by the agreement have periods varying from 12 months to 72 months. These contracts can only be cancelled on payment of the difference between the market value and the carrying amount (if the market value is lower) and for that portion of the lease payments representing the management fee or administrative expenses and interest. For trucks, the maximum lease period is usually 120 months.

The above amounts relate to continuing operations.

x € 1.000

6.26 Investment commitments

	31 december 2017	31 december 2016
Contractual commitments for:		
- acquisition of property, plant and equipment	500	500
- acquisition of land	72.830	92.797
	73.330	93.297

There are no Group guarantees for the capital expenditure commitments (2016: none).

In general, the contractual commitments to purchase land will materialise in 1 to 10 years.

Of the investment commitments, €8 million (2016: €6 million) was undertaken by joint operations in which Heijmans participates. The amount presented is Heijmans' share of the commitments undertaken by the joint operations.

The joint ventures in which Heijmans participates have undertaken investment commitments of €3 million (2016: €1 million), this amount being Heijmans' portion.

The above amounts relate to continuing operations.

6.27 Contingent liabilities

General

Contingent liabilities are potential liabilities resulting from events prior to the closing date. The liabilities are potential because the outflow of economic benefits depends on the occurrence of uncertain events in the future.

Contingent liabilities can be divided into bank guarantees, parent Group guarantees and other contingent liabilities. The following contingent liabilities relate to the continuing operations.

x € 1.000

Bank and Group guarantees	31 december 2017	31 december 2016
Bank guarantees relating to:		
Execution of projects	179.632	185.803
Tenders	5.250	2.174
Other	13.179	23.366
	198.061	211.343
Group guarantees relating to:		
Execution of projects	378.331	298.478
Contingent liabilities	0	427
Credit and bank guarantee facilities	29.287	27.788
	407.618	326.693
Total	605.679	538.036

The Group guarantees associated with financing facilities have been provided in connection with project financing, bank guarantees and credit facilities applying to foreign subsidiaries, joint operations and joint ventures. Heijmans has guaranteed its share of the debt of various joint operations and property joint ventures, which amounts to €29 million (2016: €28 million).

The Group guarantees issued for divested operations (Leadbitter) are not included in the above table. They amount to €68 million (2016: €78 million). With regard to work completed and work in progress, the guarantees will be taken over by the buyer if possible. Where this is not possible, the buyer has provided a bank or corporate guarantee.

Other contingent liabilities

The other contingent liabilities of continuing operations with a significant cash impact as at year-end 2017 amount to €17 million (2016: €26 million) and those with a limited cash impact €97 million (2016: €120 million), making a total of €114 million (2016: €146 million). Of the total amount, €18 million (2016: €19 million) is recognised under joint operations. This relates mainly to commitments to acquire land when the building permit is obtained and/ or a certain sales percentage is achieved. No Group guarantees were issued in respect of this in 2017 (2016: none).

At year-end 2017, the joint ventures in which Heijmans participates had contingent liabilities with significant cash impact amounting to €3 million (2016: €3 million), and with a limited cash impact amounting to €4 million (2016: €4 million), making a total of €7 million (2016: €7 million). This relates mainly to commitments to acquire land when the building permit is obtained and/ or a certain sales percentage is achieved. The aforementioned amounts relate to Heijmans' share in the joint ventures.

6.28 Related parties

Related parties for Heijmans can be divided into subsidiaries, associates, joint arrangements (joint ventures and joint operations), a company pension fund, the members of the Supervisory Board and the members of the Executive Board. Transactions with related parties are conducted at arm's length, on terms comparable to those for transactions with third parties.

Transactions with subsidiaries, associates, joint ventures and joint operations

Heijmans undertakes a number of operating activities together with related parties, including in the form of joint ventures. Significant transactions in this context are the contribution of land holdings to joint arrangements and/or their financing. In addition, large and complex projects are carried out in partnership with other companies.

There are no transactions with the organisation's management, with the exception of the remuneration discussed below. For information on the relationships with joint ventures and associates, see note 6.11.

The Group's share in the revenue and total assets of joint operations relating to continuing operations is analysed by segment below:

2017 Business segments in € millions	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Eliminations	Total
Revenue	32,2	16,0	28,2	44,2	118,8	-8,4	186,8
Costs	-26,0	-14,0	-26,7	-40,7	-110,0	8,4	-168,3
Non-current assets	4,0	0,0	0,0	0,0	0,7	0,0	4,7
Current assets	55,8	7,0	8,7	15,7	55,6	0,0	127,1
Total assets	59,8	7,0	8,7	15,7	56,3	0,0	131,8
Non-current liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Current liabilities	9,8	5,3	11,7	17,0	48,9	0,0	75,7
Total liabilities	9,8	5,3	11,7	17,0	48,9	0,0	75,7
Equity	50,0	1,7	-3,0	-1,3	7,4	0,0	56,1

2016 Business segments in € millions	Property Development	Residential Building	Non- Residential	Building & Technology	Infra- structure	Eliminations	Total
Revenue	28,0	15,6	19,3	34,9	33,5	-17,4	79,0
Costs	-27,2	-13,7	-18,4	-32,1	-32,0	17,4	-73,9
Non-current assets	4,0	0,2	0,0	0,2	0,8	0,0	5,0
Current assets	55,6	4,0	4,2	8,2	22,2	0,0	86,0
Total assets	59,6	4,2	4,2	8,4	23,0	0,0	91,0
Non-current liabilities	0,2	0,1	0,0	0,1	0,0	0,0	0,3
Current liabilities	11,1	3,1	5,2	8,3	21,8	0,0	41,2
Total liabilities	11,3	3,2	5,2	8,4	21,8	0,0	41,5
Equity	48,3	1,0	-1,0	0,0	1,2	0,0	49,5

Company pension fund

Heijmans is affiliated with Stichting Pensioenfonds Heijmans N.V. The principal function of this company pension fund is to operate pension plans for Heijmans' current and former employees and retired staff.

In 2017, some €2.1 million (2016: €1.5 million) in pension contributions was paid by Heijmans to the above-mentioned company pension fund. Heijmans also made additional contributions of €5 million in 2012 and €3 million in 2013 because of a prior funding deficit. No additional contributions were made after these. Heijmans is under no obligation to make any further contributions.

Remuneration of Supervisory Directors

None of the Supervisory Directors hold depositary receipts for shares in Heijmans N.V, nor have they been allocated any options or depositary receipts for shares. All Supervisory Directors receive a fixed annual fee that is not dependent on the results in any single year. They also receive a fixed or variable expense allowance. None of the Supervisory Directors has any other business links to Heijmans from which they could derive personal gain.

The total payments granted to Supervisory Directors in 2017 and 2016 were as follows:

in €	2017	2016
Sj.S. Vollebregt – voorzitter*	47.723	43.973
A.A. Olijslager**	-	13.390
Drs. P.G. Boumeester***	37.723	37.723
Ing. R. van Gelder BA****	42.723	42.723
Drs. S. van Keulen*****	42.723	42.723
R. Icke RA*****	37.723	37.723
Totaal	208.615	218.255

*Supervisory Director since 15 April 2015 and Chairman since 13 April 2016

**Supervisory Director from 18 April 2007 to 13 April 2016

*** Supervisory Director since 28 April 2010

**** Supervisory Director since 1 July 2010

***** Supervisory Director since 18 April 2007

***** Supervisory Director since 9 April 2008

Remuneration of members of the Executive Board

The composition of the remuneration paid to each member of the Executive Board is as follows:

in €		Gross fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Severance payment	Pension contributions	Expense allowances	Total
							including reimbursement of car expenses, long-service bonus and costs of the Share Matching Plan	
AGJ. Hillen *	2017	500.000	345.868	-102.050	-	200.273	43.463	987.554
	2016	414.470	-	-95.780	-	116.917	45.048	480.655
J.G. Janssen**	2017	74.053	-	-	-	14.667	9.059	97.779
	2016	-	-	-	-	-	-	-
R.F. Majenburg ***	2017	331.409	248.557	-64.484	404.563	72.822	34.304	1.027.171
	2016	386.903	-	64.484	-	85.135	40.445	576.967
L.J.T. van der Els ****	2017	115.954	-	-	-	28.671	14.892	159.517
	2016	496.906	-98.753	-246.882	-	102.160	47.123	300.554
M.C. van den Biggelaar *****	2017	68.209	-	-	-	11.870	9.372	89.451
	2016	406.907	-79.132	-197.831	-	73.059	53.512	256.515
Total	2017	1.089.625	594.425	-166.534	404.563	328.303	111.090	2.361.472
	2016	1.705.186	-177.885	-476.009	0	377.271	186.128	1.614.691

* Chairman of the Executive Board since 1 December 2016 and member of the Executive Board since 18 April 2012

** Member of the Executive Board since 30 October 2017

*** Member of the Executive Board from 13 April 2016 to 26 October 2017

**** Member of the Executive Board from 28 April 2010 to 13 April 2017 and Chairperson of the Executive Board from 18 April 2012 to 1 December 2016

***** Member of the Executive Board from 1 September 2009 to 1 March 2017

The members of the Executive Board have been awarded short-term variable remuneration for 2017 equal to 85% of Mr Hillen's basic salary and 75% of Mr Majenburg's basic salary in view of the achievement of targets set for 2017. For more information, refer to the section on remuneration in the directors' report.

The members of the Executive Board have been awarded conditional short-term variable remuneration for 2015 equal to 20% of their respective basic salaries. A reserve of €79,132 has been formed for Mr Hillen, charged to the result for 2015. This award has not yet become vested and therefore not released to income in 2017.

A reserve of €0 million has been formed for the variable remuneration to the current members of the Executive Board for the periods 2016-2018 and 2017-2019 (2016: €0.2 million for the periods 2015-2017 and 2016-2018). Specifically, €0 has been reserved for Mr A.G.J. Hillen (2016: €102,050) and nil for Mr Janssen (2016: nil).

In order to bind directors to the Company for the long term and to encourage a focus on long-term value creation, with effect from 2010 a Bonus Investment Share Matching Plan has been applicable under which directors can opt to use part of their variable short-term remuneration to purchase Heijmans shares.

In April 2014, Mr van der Els used 50% of the net short-term bonus awarded to him for 2013 to purchase shares in Heijmans. Similarly, Mr van den Biggelaar and Mr Hillen each used 20% of their net short-term bonuses for the same purpose. For each share purchased - in total 2,289 shares - one share is conditionally allocated under the Share Matching Plan. The allocation becomes vested after three years, following which a mandatory lock-up period of two years comes into effect. The total expense relating to the allocation of shares is determined at the time of allocation and is recognised on a time-proportionate basis in the statement of profit or loss over the period until the allocated shares become vested. The 2017 statement of profit or loss includes an amount of €3,210 (2016: €9,629) as a charge relating to the shares awarded in April 2011. In April 2017, 2,289 shares became vested. The Group issued 2,289 shares in April 2017, granting them to the existing and former members of the Executive Board concerned. These shares must be held for a minimum of two years.

The pension plan for Mr Hillen is arranged through the industry-wide pension fund and the directly insured average pay plan. He also receives compensation in respect of termination of the early retirement plan. This compensation is currently €34,021 (2016: €33,600) and is increased in line with pay increases under the collective labour agreement. In addition, Mr Hillen received compensation of €97,188 in 2017 (2016: €65,638) for the loss of pension accrual on his salary above €100,000 and compensation of €50,232 (2016: nil) for the loss of annual increases on the Delta Lloyd average-pay plan. Mr Majenburg receives a fixed amount in the form of pension contributions. In 2017, this was €72,822 (2016: €85,135) for his tenure as member of the Executive Board. Mr Janssen receives a fixed amount in the form of pension contributions. In 2017, this was € 14,667.

The pension charge is calculated in accordance with accounting policy 23.

As at year-end 2017, the members of the Executive Board owned a total of 11,971 depositary receipts for Heijmans shares. The ownership of these shares is partly a consequence of the Share Matching Plan as described above and partly the result of the purchase of shares by members of the Executive Board. The ownership of depositary receipts for Heijmans shares by the individual members of the Executive Board at year-end 2017 is as shown below:

Shares owned on 31 December	2017
A.G.J. Hillen - Chairman	11.971
J.G. Janssen	0
Total	11.971

Remuneration of former members of the Executive Board

An amount of €180,000 has been recognised in the statement of profit or loss for 2017 (2016: €180,000) in respect of the fees that Mr Witzel, a former member of the Executive Board, receives under his management agreement that came into effect on 1 November 2014. Mr Witzel's activities comprise consulting and managing large projects. In the statement of profit or loss for 2017, an amount of €177,785 has been recognised in respect of the remuneration received by Mr Van den Biggelaar, who was a member of the Executive Board until 1 March 2017. At the request of the Executive Board, Mr Van den Biggelaar performed consultancy activities until 1 July 2017. Also recognised in the statement of profit or loss for 2017 is an amount of €151,320 in respect of the remuneration received by Mr Majenburg, who was a member of the Executive Board until 26 October 2017. Mr Majenburg is performing consultancy activities at the request of the Executive Board.

6.29 Management estimates and judgements

The accounting information in the financial statements is partly based on estimates and assumptions. The Group makes these estimates and makes assumptions about future developments, based on factors such as experience and expectations about future events that may reasonably be expected to occur given the current state of affairs. These estimates and assumptions are continually reassessed.

Revisions of estimates and assumptions, or differences between estimates and assumptions and actual outcomes, may lead to material adjustments to the carrying amounts of assets and liabilities.

Supplementary to the estimates already described in the accounting policies (section 5) and the explanatory notes (6.1 to 6.28), the key elements of estimation uncertainty are explained below.

Measurement of projects

For more information on the key assumptions used in the measurement of projects, refer to note 6.15, Work in progress. A higher estimation uncertainty applies for the Wilhelminasluis Zaandam project. With this project, there is a difference of opinion with the principal mainly concerning the design of the lock chamber. The Construction Industry Arbitration Board gave its interim decision on this matter in October 2017. The interim decision provides a sufficient basis for completing the project together. Talks are ongoing with the principal concerning the amount of compensation payable in the light of the interim decision, a final settlement being the subject of arbitration, and it is expected that this will be decided in 2018. Given the fact that the compensation has not yet been legally finalised, any estimate of the amount concerned is still subject to uncertainty. The Group therefore continues to work on the basis of a bandwidth of approximately €10 million up or down, as disclosed in the previous year's report.

Financing

Note 6.20 discloses the conditions attached to the financing in greater detail. An important condition is the reduction of the facility (in stages) to €122 million in 2019. Of major importance to the reduction in debt is the effective management of project risks. This applies equally to the fulfilment of the 2018 business plan and the long-term forecast, especially as regards achieving the EBITDA and cash flows and satisfying the covenants.

Pensions

The key actuarial assumptions for the calculation of the pension obligations are outlined in note 6.21.

Deferred tax assets

For more information on the key assumptions used in the measurement of deferred tax assets, refer to note 6.13 Deferred tax assets and liabilities.

Strategic land holdings

For more information on the key assumptions used in the measurement of the strategic land portfolio, refer to note 6.14 Inventories.

Intangible assets

For the main principles used in the annual determination of the recoverable amount of intangible assets, refer to note 6.10 Intangible assets.

7. Subsidiaries and joint operations

The following entities were included in the consolidation in 2017. Wholly owned entities are subsidiaries. The remaining entities are joint operations. For practical reasons, entities of only minor significance are not included in this list. A complete list of the subsidiaries included in the consolidation is deposited with the Trade Register at the Chamber of Commerce in Eindhoven. For significant joint ventures and associates in which the Group participates, see note 6.11. For the discontinued operations, see note 6.2.

	31 december 2017	31 december 2016
Heijmans Nederland B.V., Rosmalen	100%	100%
Heijmans Vastgoed B.V., Rosmalen	100%	100%
Heijmans Vastgoed Deelnemingen B.V., Rosmalen	100%	100%
V.O.F. Gasthuiskwartier, Rosmalen	50%	50%
V.O.F. Mondriaanlaan, Utrecht	35%	35%
Heijmans Woningbouw B.V., Rosmalen	100%	100%
Heijmans Huizen B.V., Huizen	100%	100%
Bouwcombinatie Westergouwe V.O.F., Rosmalen	50%	-
Heijmans Utiliteit B.V., Rosmalen	100%	100%
Heijmans Utiliteit Metaal B.V., Rosmalen	100%	100%
Hart van Zuid V.O.F., Nieuwegein	50%	50%
Heijmans Infrastructuur B.V., Rosmalen	100%	100%
Heijmans Infra B.V., Rosmalen	100%	100%
Heijmans Wegen B.V., Rosmalen	100%	100%
Heijmans Civiel B.V., Rosmalen	100%	100%
Sanders & Geraedts B.V., Koningsbosch	100%	100%
Brinck Amersfoort B.V., Zeewolde	100%	100%
Brinck Meter Control Services B.V., Zeewolde	100%	100%
Brinck Technology B.V., Zeewolde	100%	100%
A4All V.O.F. Rotterdam	45%	45%
Waterdunen V.O.F., Amsterdam	40%	40%
3Angle EPCM V.O.F., Hoofddorp	50%	50%
Sas van Vreeswijk V.O.F., Barendrecht	33%	33%
ZuidPlus V.O.F., Amstelveen	15%	-
De Stichtse Kraan V.O.F., Rosmalen	67%	67%
Heijmans Facilitair Bedrijf B.V., Rosmalen	100%	100%
Heijmans Materieel Beheer B.V., Rosmalen	100%	100%
Heijmans International B.V., Rosmalen	100%	100%

8. Company financial statements

x € 1.000

8.1 General

The company financial statements are part of the 2017 financial statements of Heijmans N.V.

Please refer to the notes to the consolidated statement of profit or loss and statement of financial position for items in the company statement of profit or loss and statement of financial position for which no additional explanations are provided.

8.2 Accounting policies for measuring assets and liabilities and the determination of results

For determining the accounting policies to use for measuring the assets and liabilities and the determination of results of its separate financial statements, Heijmans N.V. makes use of the option provided in Section 362, subsection 8 of Book 2 of the Dutch Civil Code. This means that the basis for measuring assets and liabilities and the determination of results (accounting policies) applied in the separate financial statements of Heijmans N.V. are the same as those applied in the consolidated EU-IFRS financial statements. Investees over which significant control is exercised are recognised using the equity method. Heijmans N.V. is registered with the Chamber of Commerce under number 16004309.

The share in the result of participating interests consists of the share of Heijmans N.V. in the result of these participating interests. Results from transactions where there is a transfer of assets and liabilities between Heijmans N.V. and its investees or between investees themselves are not recognised insofar as they can be deemed to be unrealised.

For details of the remuneration of the members of the Supervisory Board and the Executive Board, see note 6.28 to the consolidated financial statements.

x € 1.000

8.3 Company statement of profit or loss for 2017

	2017	2016
Administrative expenses	-1.898	-2.534
Operating result	-1.898	-2.534
Finance income	24.771	29.885
Finance expense	-15.070	-14.221
Result before tax	7.803	13.130
Income tax	-1.241	-31.103
Share in profit or loss of investees	12.980	-92.521
Result after tax	19.542	-110.494

The employee benefits for the members of the Supervisory Board, the Executive Board and the Board's Secretariat are recognised in the company financial statements (see note 6.28 to the consolidated financial statements).

x € 1.000

8.4 Company statement of financial position at 31 December 2017 (before appropriation of result)

Assets	31 december 2017	31 december 2016
Non-current assets		
Intangible assets	21.207	21.207
Financial assets	40.351	11.732
Deferred tax asset	34.605	8.154
	96.163	41.093
Current assets		
Receivables	404.293	451.871
Cash and cash equivalents	0	0
	404.293	451.871
	500.456	492.964
Equity and liabilities		
Equity		
Issued capital	6.423	6.423
Share premium reserve	242.680	242.680
Hedging reserve	160	-193
Reserve for actuarial results	-27.584	-27.965
Reserve for Bonus Investment Share Matching Plan	242	239
Statutory reserve for investees	64.559	58.959
Retained earnings	-143.845	-27.751
Result after tax for the current financial year	19.542	-110.494
	162.177	141.898
Non-current liabilities	45.100	45.100
Current liabilities	293.179	305.966
	500.456	492.964

x € 1.000

8.5 Notes to the company statement of financial position

Intangible assets (goodwill)	2017	2016
Carrying amount		
Balance at 1 January	21.207	21.207
Balance at 31 December	21.207	21.207
Financial assets	2017	2016
Investments in Group companies		
Balance at 1 January	-146.713	-67.042
Share in results of investees after tax	12.980	-92.521
Dividends received from investees	-3.154	-4.101
Capital contributions	88.181	30.566
Changes in cash flow hedges	353	-568
Changes in actuarial results relating to employee-benefits	381	-13.047
Balance at 31 December	-49.972	-146.713
Set off against receivables from Group companies	-90.323	-158.445
Recognised under financial assets	40.351	11.732

The share in results of investees after tax includes the gains on the sale of investees. The investments in Group companies are direct or indirect interests in them. The principal Group companies are listed in Chapter 7.

x € 1.000

Receivables	31 december 2017	31 december 2016
Group companies	403.623	451.462
Other receivables	670	409
	404.293	451.871

The receivables fall due within one year.

The comparative figures for classification purposes have been restated.

Cash and cash equivalents

Cash balances are at the free disposal of the Company.

Equity

2017	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for investees	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January	6.423	242.680	-27.965	-193	239	58.959	-27.751	-110.494	141.898
Share issue	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	5.600	-5.600	0	0
Bonus Investment Share Matching Plan	0	0	0	0	3	0	0	0	3
Appropriation of result for 2016	0	0	0	0	0	0	-110.494	110.494	0
Comprehensive income	0	0	381	353	0	0	0	19.542	20.276
Balance at 31 December	6.423	242.680	-27.584	160	242	64.559	-143.845	19.542	162.177

2016	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for investees	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January	6.423	242.680	-14.918	375	229	42.059	16.407	-27.258	265.997
Share issue	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	16.900	-16.900	0	0
Bonus Investment Share Matching Plan	0	0	0	0	10	0	0	0	10
Appropriation of result for 2015	0	0	0	0	0	0	-27.258	27.258	0
Comprehensive income	0	0	-13.047	-568	0	0	0	-110.494	-124.109
Balance at 31 December	6.423	242.680	-27.965	-193	239	58.959	-27.751	-110.494	141.898

Authorised share capital

Composition of the authorised share capital is as follows:

Authorised share capital in €	31 december 2017
35,100,000 ordinary shares, each with a nominal value of €0.30	10.530.000
7,000,000 cumulative financing preference shares B, each with a nominal value of €0.21	1.470.000
8,000,000 protective preference shares, each with a nominal value of €1.50	12.000.000
	24.000.000

As at 31 December 2017, the number of ordinary shares issued was 21,409,169. All the outstanding shares are paid up, which represents a value of €6,422,751 (at €0.30 per share). Depositary receipts are issued for ordinary shares. Holders of depositary receipts have the option to convert these into shares under certain conditions. This option has been exercised for 7 depositary receipts. The holders of ordinary shares or their depositary receipts are entitled to dividend and have the right to exercise 30 votes per share at meetings of the Company's shareholders.

Refer to section 6.20 of the consolidated financial statements for the notes on the rights and obligations relating to the cumulative financing preference shares B.

Share premium reserve

The share premium reserve consists of the capital paid up in excess of the nominal value.

Reserve for actuarial results

The reserve for actuarial results represents the actuarial results on employee-benefits (see note 6.21 to the consolidated financial statements).

Hedging reserve

The hedging reserve represents the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to hedged transactions that have not yet occurred. This reserve is not freely distributable.

Reserve for Bonus Investment Share Matching Plan

For information on the reserve for the Bonus Investment Share Matching Plan, see note 6.28 to the consolidated financial statements.

Reserve for investees

The statutory reserve for investees represents the difference between the retained earnings and the direct changes in equity as calculated using the parent company's accounting policies on the one hand and that portion for which the parent company can determine distribution on the other hand. The statutory reserve is determined for each investee individually. This reserve is not freely distributable.

x € 1.000

Result appropriation

It is proposed to add the result after tax of approximately €20 to the reserves.

Liabilities	31 december 2017	31 december 2016
Non-current liabilities		
Financing preference shares	45.100	45.100
Syndicated bank financing	0	0
	45.100	45.100
Current liabilities		
Group companies	283.332	162.554
Dividend payable on financing preference shares	3.522	3.522
Banks	3.672	29.789
Syndicated bank financing	0	105.000
Tax and social security contributions	0	4.166
Other liabilities	2.653	935
	293.179	305.966

x € 1.000

8.6 Liabilities not disclosed in the statement of financial position

Contingent liabilities	31 december 2017	31 december 2016
Bank guarantees	198.061	211.343
Group guarantees to clients	378.331	298.905
Group guarantees to credit institutions	29.287	27.788
	605.679	538.036

For information on the guarantees, see note 6.27 to the consolidated financial statements.

Joint and several liability, and guarantees

With the exception of Heijmans Deutschland B.V. and Heijmans Technology B.V, statements of joint and several liability as referred to under Section 403(1)(f) of Book 2 of the Dutch Civil Code have been filed with the Trade Register of the respective Chambers of Commerce for all the Dutch wholly owned subsidiaries included in the consolidated figures.

Tax group

Together with its Dutch subsidiaries, Heijmans N.V. forms a tax group for the purposes of corporate income tax and value added tax. In accordance with the standard applicable conditions, each company is jointly and severally liable for the tax liabilities of every company that forms part of the tax group.

Share in results of investees

This is the company's share in the results of its investees, all of which are Group companies.

x € 1.000

Auditors' fees

The following fees for Ernst & Young Accountants LLP have been charged to the Company, its subsidiaries and other companies included in the consolidated figures. These are disclosed in accordance with the provisions in Section 382a Book 2 of the Dutch Civil Code.

x € 1.000	2017		
	Ernst & Young Accountants LLP	Other EY network firms	Total EY
Examination of the financial statements	1.630	-	1.630
Other audit engagements	77	9	86
Tax consultancy services	-	-	0
Other non-audit services	-	-	0
	1.707	9	1.716

In addition to performing the audit of the financial statements required by law, Ernst & Young Accountants LLP provided the following permitted services: assurance report relating to the sustainability information contained in the directors' report, in particular agreed activities with respect to the 'Compliance Certificate' for the banking group and various specific declarations concerning revenue, key figures and projects. The costs relating to the examination of the financial statements for the foreign subsidiaries are billed directly by Ernst & Young Accountants LLP.

x € 1.000	2016		
	Ernst & Young Accountants LLP	Other EY network firms	Total EY
Examination of the financial statements	1.613	-	1.613
Other audit engagements	104	-	104
Tax consultancy services	-	-	0
Other non-audit services	-	-	0
	1.717	0	1.717

Events after balance date

In the period prior to signing, no significant events occurred that would have an effect on these financial statements other than those explained in the consolidated financial statements.

Rosmalen, 23 February 2018

De leden van de raad van bestuur

A.G.J. Hillen
J.G. Janssen

De leden van de raad van commissarissen

Sj. S. Vollebregt
P.G. Boumeester
R. van Gelder
R. Icke
S. van Keulen

Result appropriation

In accordance with Article 31 of the Articles of Association, profit is distributed as follows:

- Subject to the approval of the Supervisory Board, the Executive Board transfers as much of the profit to reserves as it deems necessary;
- Insofar as the profit is not transferred to reserves, it is available to the General Meeting of Shareholders in whole or in part for transfer to the reserves or in whole or in part for distribution to the holders of ordinary shares in proportion to the number of ordinary shares owned.

Subject to approval by the Supervisory Board, the Executive Board has decided to add the result after tax, amounting to € 20 million, to the reserves. In view of the importance of the recovery of the balance sheet, the company proposes to refrain from paying out a dividend on (depository receipts for) ordinary shares.

Dividend policy

Heijmans N.V. maintains a dividend policy whereby, except in special circumstances, the pay-out ratio amounts to 40% of the profit from ordinary business operation after tax.

Independent auditor's report

To: The shareholders and supervisory board of Heijmans N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Heijmans N.V. (also referred to as 'the company'), based in Rosmalen. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Heijmans N.V. as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The company financial statements included in this annual report give a true and fair view of the financial position of Heijmans N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017;
- The following statements for 2017: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended;
- The notes comprising a summary of the significant accounting policies applied and other explanatory information.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2017;
- The company statement of profit or loss for 2017;
- The notes comprising a summary of the significant accounting policies applied and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Heijmans N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 7 million (2016: € 9,4 million)
Benchmark applied	0.5% of the revenues for the financial year from continued operations
Explanation	Profit before tax is generally considered as the most appropriate basis for determining the materiality. However, the results in recent years were negative or slightly positive and not at a level that represents the size of the company. Therefore we consider the revenues to provide a more stable basis for determining the materiality. The decline of revenues, and by that the materiality, compared to 2016 is the result of the sale of the foreign companies in 2017. The percentage used is at the lower end of the range.

We have also taken misstatements and/or possible misstatements into account that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 350,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Heijmans N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heijmans N.V.

Our group audit mainly focused on the operating segments, of which Infra is the largest. We performed the audit procedures at those segments ourselves. We also used the work of other EY and non-EY auditors when auditing a number of partnerships. Where we used the work of other auditors, we have provided instructions and

were closely involved during the execution of the audit and reporting by these auditors.

In all, these audit procedures nearly represent the group's entire revenues, results and assets.

By performing the procedures mentioned above at (group) entities, together with additional procedures carried out at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter Disposal program that we included last year, is not included because there is no longer a specific reason for inclusion due to the completion of the sale of the foreign companies early 2017. No new key audit matters have been introduced.

Risk	Our audit approach	Significant observations
Recognition of project results and the valuation of work in progress (see notes 6.15 and 6.29)		
<p>The valuation of work in progress is affected by subjective elements such as estimates of costs and expected (additional and less) revenue, the technical progress and (potential) claims and penalties.</p> <p>This is partly due to the nature of the operations, which may be affected by the complexity of projects, the level of estimations in the tender process and developments during the realization of a project. The process of revenue and result recognition, including cut-off, the valuation of receivables and (potential) claims, as well as all the completeness of obligations and provisions related to the projects, require the Executive Board to make significant estimates and therefore have a significant impact on our audit.</p>	<p>We have performed audit procedures on project management and estimates related to project results, including the expected costs and revenue based on contractual conditions and (potential) claims and disputes. We also performed substantive audit procedures with respect to project calculations and the Executive Board's estimates thereof. We discussed the estimates with various representatives and audited the evidence of these estimates, including an assessment of the outcome of previous estimates. We also assessed the disclosure notes of the work in progress and the related estimates. We paid specific attention to the Wilhelminasluis project, as the estimates in the position taken involve higher levels of estimation uncertainty.</p>	<p>It is our opinion that the Executive Board has chosen appropriate accounting policies for the recognition of project results and that these have been applied consistently. We have determined that the estimates and assumptions used by the Executive Board are within a reasonable range and that the disclosure provided is adequate.</p>

Risk	Our audit approach	Significant observations
Funding and covenants (see notes 6.20 and 6.29)		
<p>The availability of sufficient funding to meet the company's liquidity requirements, the safeguarding of sufficient guarantee facilities, as well as compliance with financing covenants are significant to our audit. Our audit of this is primarily based on the Executive Board's expectations and estimates in this respect. The assumptions applied are affected by subjective elements, such as the estimate of expected future cash flows based on forecasts for revenue, margins and other results from the company's operational activities. The estimates are based on assumptions, including expectations of future economic and market developments.</p>	<p>We paid specific attention to the assumptions applied and the forecasts prepared by the Executive Board in its Business Plan 2018. This includes assumptions applied with respect to future revenue and result, including the backlog, as well as the potential impact of the realization of a number of significant projects, to assess whether the company will be able to continue to meet its liquidity requirements and the conditions of the covenants in the year ahead. We also assessed the disclosure notes prepared by the Executive Board, as included in the financial statements.</p>	<p>In our opinion the Executive Board's estimates with respect to the availability of sufficient funding are adequate and expectations and estimates are within a reasonable range. We also determined that the disclosure notes related to available funding and the prevailing covenants are adequate.</p>
Valuation of intangible fixed assets (see note 6.10)		
<p>The intangible fixed assets mainly comprise goodwill. The Executive Board conducts an annual impairment test on these assets. This test is mainly based on the Executive Board's expectations and estimates with respect to future results and cash flows. The goodwill related to the business units Non-Residential and Infra is the most significant due to its size. The testing is significant to our audit given the complexity of the estimation process, including the potential developments on a number of significant projects. The recoverable value is based on the net present value of future cash flows.</p>	<p>We paid specific attention to the expected results and cash flows, as included in the Business Plan 2018 prepared by the Executive Board. We also assessed the realization of the Business Plan prepared in the previous year, as this gives an indication of the quality of the estimates made. Supported by our own valuation experts, we focused our work primarily on the parameters that have the greatest impact on the determination of the recoverable value of goodwill, such as the discount rate, revenue volume and EBIT margin. We also assessed whether the disclosure notes contain sufficient information and provide sufficient insight into the chosen assumptions and the sensitivity of the valuation.</p>	<p>In our opinion the Executive Board's estimates with respect to potential impairments are adequate and the parameters and expectations used are within a reasonable range. We would like to point out that on the basis of the impairment test carried out, the company concluded that there is limited headroom at the Non-Residential business unit. We also determined that the disclosures provided is adequate.</p>

Risk	Our audit approach	Significant observations
Valuation of strategic land positions and land in-use (see note 6.14)		
<p>The valuation of strategic land positions and land in-use is strongly affected by market developments in the Dutch housing market and other subjective elements. The land positions are generally only taken into development after a long period of time, partly under influence of changes in the area of land-use planning within provinces and municipalities.</p> <p>The company runs an impairment test on these assets semi-annually. This test is significant for our audit, given the nature of the activities, the complexity of the estimation process, the assumptions applied in these estimates and the level of subjectivity involved. The estimation process requires the Executive Board to make significant estimates. The net recoverable value is based on the expected future cash flows, which depend among other things on the estimated likelihood of realization, the expected timing of the realization and the estimated sales prices and construction costs.</p> <p>This valuation is evidenced using qualitative descriptions and key figures. The calculation models for the land holdings are also updated each year.</p>	<p>We performed audit procedures with respect to the estimates related to the valuation of strategic land positions and land in-use. This involved, among other things, assessing whether the correct source data was used and whether the calculation models applied were used correctly.</p> <p>In our audit we made use of our own valuation specialists. We discussed the estimates with various representatives and assessed the substantiation of these estimates, including an assessment of the outcome of previous estimation processes. We also paid specific attention to the assumptions that have the greatest impact on the determination of the net recoverable value, such as the design and execution of development plans and the expected development of land and house prices.</p> <p>We also assessed whether the disclosure notes given provide sufficient information and provide sufficient insight into the assumptions chosen for the valuation.</p>	<p>It is our opinion that the Executive Board's estimates with respect to potential impairments are adequate and that the parameters and expectations they used are within a reasonable range.</p> <p>We also determined that the disclosure notes are adequate.</p>

Risk	Our audit approach	Significant observations
Valuation of deferred tax assets (see note 6.13)		
<p>A deferred tax asset is recognized for deductible tax losses in so far as it is probable that there will be sufficient future taxable profit to offset these losses. The assessment thereof is significant for our audit, because the estimation process is complex and is affected by Executive Board estimates. These estimates include expected operational and fiscal results that are partly based on assumed future economic and market developments.</p>	<p>We performed audit procedures with respect to, among other things, the assumptions in the forecast that have the greatest impact on the fiscal result, such as EBIT and non-deductible or deferred items. The Business Plan 2018 is also partly based on these forecasts. In the execution of our procedures, we made use of our own tax experts. We also assessed whether the disclosure notes provide sufficient information and provide sufficient insight into the assumptions made for the valuation.</p>	<p>In our opinion the Executive Board applied the accounting policies for the valuation of deferred tax assets appropriately. We determined that the assumptions and estimates used by the Executive Board are within a reasonable range and that the disclosure provided is adequate.</p>

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Executive Board;
- Other information shown in the list of contents, specifically, the Report of the supervisory board, Remuneration Report, and result appropriation.

On the basis of the procedures stated below, we consider that the other information:

- Is consistent with the financial statements and contains no material misstatements;
- Includes all the information required pursuant to Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The

scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for preparation of the other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Heijmans N.V. on 30 April 2014 as of the audit for the 2014 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board and the supervisory board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as Executive Board deems necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others things:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We

describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 23 February 2018

Ernst & Young Accountants LLP

Signed by: W.P. de Pater

Assurance report of the independent auditor

To: The shareholders and the supervisory board of Heijmans N.V.

Our conclusion

We have reviewed the sustainability information in the annual report for the year 2017 of Heijmans N.V. at Rosmalen. A review engagement is aimed at obtaining limited assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility;
- the thereto related events and achievements for the year 2017.

in accordance with the Sustainability Reporting Standards (Option Core) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the appendices 'Reporting Methodology' and 'KPI Table' of the annual report.

The sustainability information consists of the chapters Profile and business model, Strategy, People and organization, Sustainability achievements and Conduct, integrity and dilemmas of the annual report.

Basis for our conclusion

We have performed our review engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N "Assurance engagements relating to sustainability reports", which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of Heijmans N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limitations to the scope of our review engagement

Unexamined prospective information

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Unreviewed references to external sources

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory board for the sustainability information

The Executive Board is responsible for the preparation of the sustainability information in accordance with the Sustainability Reporting Standards (option Core of GRI and the applied supplemental reporting criteria as disclosed in the appendices 'Reporting Methodology' and 'KPI Table' of the annual report, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policy are summarized in the appendices 'Reporting Methodology' and 'KPI Table' of the annual report.

The Executive Board is also responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory board is responsible for overseeing the reporting process of Heijmans N.V.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the assurance engagement with a limited level of assurance in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review engagement performed by a multi-disciplinary team, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

The procedures of our review engagement consisted amongst others of:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues and the characteristics of the organization;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review engagement;
- Reconciling the relevant financial information with the financial statements;
- Identifying areas of the sustainability information where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:

- Interviewing the Executive Board and relevant staff responsible for the sustainability strategy, policy and results;
- Interviewing relevant staff responsible for:
 - Providing the information for,
 - Carrying out internal control procedures on, and
 - Consolidating the data in the sustainability information;
- Reviewing, on a limited test basis, relevant internal and external documentation; and
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Evaluating the presentation, structure and content of the sustainability information as a whole, including the disclosures, in relation to the reporting criteria used.

We communicate with the Supervisory board regarding, among other matters, the planned scope and timing of the review engagement and significant findings that we identify during our review engagement.

Rotterdam, 23 February 2018

Ernst & Young Accountants LLP

Signed by J. Niewold

Heijmans Share Administration Trust

The following report is presented in line with the best practice provisions 4.4.6 and 4.4.7 of the Corporate Governance Code.

Methods

To emphasise the independence of the Heijmans Share Administration Trust (hereinafter referred to as 'the SA Trust'), its Board of Trustees first meets in the absence of the members of the Company's Executive Board. The members of the Executive Board and the Chair of the Supervisory Board then join the meeting.

Number of shares for which depositary receipts have been issued

The SA Trust has issued depositary receipts for ordinary shares of Heijmans N.V. with the company's cooperation. The SA Trust is an independent legal entity, as defined in Section 5:71 (1)(d) of the Financial Supervision Act.

As at 31 December 2017, the SA Trust had ordinary shares with a nominal value of €6,422,748.60 in administration, for which 21,409,162 bearer depositary receipts with a nominal value of €0.30 had been issued.

Number of meetings of the Board of Trustees and most important agenda items

The Board of Trustees of the SA Trust met on three occasions during the year under review.

Meeting of 22 March 2017

The following subjects were discussed during this regular meeting of the Board:

- The 2016 annual report of Heijmans N.V. and the press release of 24 February 2017;
- Discussion of the items on the agenda for the General Meeting of Shareholders of Heijmans N.V. to be held on 12 April 2017;
- The annual report of the SA Trust for 2016;
- The evaluation of the Meeting of Depositary Receipt Holders of 18 November 2016;
- The appointment of a new trustee.

During the meeting, the SA Trust Board made a number of comments and asked questions of the chairman of the Executive Board with respect to subjects including:

- The financial bandwidth of the risk projects specifically mentioned in the annual report;
- The extent to which certain types of contract play a role in the risk profile of projects;
- The vision of the Executive Board on the Dutch market, the relationship between client and contracted party and in particular the distribution of risks;
- The consequences of (persistently) narrow margins in certain sectors of the construction industry for the strategic focus of the company.

In the spring of 2017, one trustee stepped down. The trustee in question was Mr W.M. van den Goorbergh. The Meeting of Depositary Receipt Holders did not submit a recommendation for the filling of this vacancy. The Board of Trustees made use of its discretionary power laid down in the Articles of Association to deviate from the maximum number of reappointments and appointed Mr. Van den Goorbergh for an additional four-year period. The Board took into consideration the importance of continuity within the Board, partly in view of the term in office of the other board members, and in view of the phase in which Heijmans currently finds itself. The Board also considered that the Chair could step down in the interim if this should prove necessary due to governance considerations.

Meeting of 13 September 2017

Subjects discussed in this regular meeting included:

- The 2017 half-year results of Heijmans N.V.;
- The resolution to hold a Meeting of Depositary Receipt Holders on 17 November 2017;
- The composition of the Board: Mr. J.J.G.M. Sanders will step down as of the spring meeting of 2018.

During the meeting, the SA Trust Board made a number of comments and asked questions of the chairman of the Executive Board and the Supervisory Board on subjects including:

- The poor performance of some large infrastructural works, the consequences of same and how these are managed;
- The results of the sale of the foreign subsidiaries;
- The situation in the sector;
- The results of the various business areas and their prospects.

Meeting of 17 November 2017

The extra board meeting focused on the preparations for the Meeting of Depositary Receipt Holders of 17 November 2017.

Participation SA Trust Board in the General Meeting of Shareholders of 12 April 2017

The Board of Trustees of the SA Trust was represented at the General Meeting of Shareholders on 12 April 2017 and voted in favour of all the resolutions that were put to a vote.

At the General Meeting of Shareholders, the SA Trust Board asked questions on subjects including the management of certain risk projects, in view of the bandwidth of around € 45 million provided in 2017 with respect to those projects in light of the ambition to realise EBITDA of at least € 20 million in 2017. The Board also asked how much capital Heijmans has available to absorb additional setbacks and to what extent the Executive Board itself took the decision to continue the less-profitable Dutch activities while selling the more profitable foreign operations. During the meeting, Mr. Van den Goorbergh also responded to a comment from a representative of the shareholders association VEB to the effect that a share administration trust always votes blindly in favour of resolutions. Mr. Van den Goorbergh pointed out that the Board of the Trust is guided by how the Supervisory Board and the Executive Board account for the supervision and management during the General

Meeting of Shareholders. The SA Trust decides on that basis which way it votes.

The SA Trust granted authorisation to holders of depositary receipts who attended the General Meeting of Shareholders in person or who were represented by a third party, to vote independently on the number of depositary receipts reported for shares prior to the meeting, with due observance of the Articles of Association and Trust Conditions.

As was the case in 2010 through 2016, in its convening notice for the General Meeting of Shareholders, the board of the SA Trust offered holders of depositary receipts who were unable to attend the shareholders meeting in person the opportunity to express their view on certain issues via e-mail or otherwise in writing. The SA Trust is thus able to take these views into consideration when determining how it will cast its vote. Once again, there was no response.

Votes cast at the General Meeting of Shareholders on 12 April 2017

Of the 21,406,873 (depositary receipts for) shares SA Trust had issued by 12 April 2017, 4,303,193 (depositary receipts) for shares were registered as present at the meeting (approximately 20.1%; 2016: approximately 22.7%). Of the total of 4,303,193, the holders of 1,466,181 (depositary receipts for) shares attended the Meeting, and the holders of another 2,830,455 had issued voting instructions to ABN AMRO. SA Trust therefore represented 17,110,237 (depositary receipts for) shares at the AGM, or approximately 80%.

Participation of the Board of Trustees of the SA Trust at the General Meeting of Shareholders of 17 October 2017

During this meeting, the Supervisory Board explained their intention to appoint Mr. J.G. Janssen as member of the Executive Board / CFO. This was the sole item on the agenda and not a voting issue. Mr. Van den Goorbergh represented the Trust Board at this meeting.

Meeting of Depositary Receipt Holders on 17 November 2017

During the Meeting of Depositary Receipt Holders on 17 November 2017, the Board of Trustees of the SA Trust gave an explanation of its policy, partly based on principle 4.4.6 and the corresponding best-practice provisions of the Dutch Corporate Governance Code. The holders of (depository receipts) for shares represented 5,990 shares/depository receipts. As at 17 November 2017, the SA Trust had issued a total of 21,409,162 shares or depository receipts for shares. This means that, rounded off, approximately 0% of the shares and depository receipts for shares issued by the SA Trust were represented at this meeting (in 2016, approximately 0.04%).

Activities

The activities related to the administration of the shares or depository receipts for shares are carried out by the administrator for the SA Trust, SGG Netherlands N.V. of Amsterdam.

Costs

The costs associated with the activities of the SA Trust are primarily related to the costs of administration (which are charged by SGG) and the fees charged by the auditor EY for the audit of the financial statements. There are also expenses relating to the remuneration of the trustees (see the section Board of Trustees and Remuneration).

External advice

The Board did not seek any external advice in 2017.

Board of Trustees and Remuneration

The Board of Trustees of the SA Trust consists of:

W.M. van den Goorbergh (Chair)

H. Hooghoudt

P.W. Moerland

J.J.G.M. Sanders

W.M. van den Goorbergh is Chair of the supervisory boards of NIBC Bank and Coöperatie DELA. Until 2002, Mr. Van den Goorbergh was Vice-Chair and CFO of the Executive Board of Rabobank Nederland.

P.W. Moerland is Chair of the Supervisory Board of Enexis N.V., member of the General Board of the Dutch Bach Association, Chair of Stichting Berenschot Beheer and Chair of the Board of Supervision of Stadhuismuseum Zierikzee. Prior to this, in the period 2003 to October 2013, he was a member of the Executive Board of Rabobank Nederland, for the last four years as Chair. Between 1980 and 2013, Mr. Moreland was Professor of Business Administration at the Royal University of Groningen and Professor of Business Finance, and from 1999 also Professor of Corporate Governance at the University of Tilburg.

H. Hooghoudt has been a lawyer since 1975 and a partner at NautaDutilh since 1983. In his law practice, he works primarily on mergers, acquisitions, IPOs, both nationally and internationally, as well as providing advice on corporate governance and corporate finance.

J.J.G.M. Sanders is Chair of the Supervisory Board of Bolsius N.V., Chair of the Stichting Evenementen Liliane Fonds, a member of the Supervisory Board of Greenchoice, Chair of the Advisory Board of Nemo Healthcare B.V. and a member of the Recommendation Committee of Voedselbank Eindhoven.

From 2010 to mid-2014, Mr. Sanders was Managing Director of PSV N.V. and prior to this he was, among other things, employed for 16 years at FrieslandCampina, for the last eight years as Chair of the Executive Board. Mr. Sanders was appointed as a trustee of SA Trust on 26 March 2014.

The remuneration of the Board of Trustees in 2017 amounted to €12,000 for the Chair and €10,000 for each other trustee.

Contact information

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The Heijmans Preference Share Trust

The Heijmans Preference Share Trust (hereinafter 'the Trust') is an independent legal entity as defined in Section 5:71 (1)(c) of the Financial Supervision Act.

As stated in its articles of association of 3 August 2013, the purpose of the Trust is:

- To promote the interests of Heijmans N.V. (the company) and of the business that is maintained by the company and the companies affiliated with the company in a Group, in such a way that the interests of the company and of that business and of all those involved are optimally safeguarded, and that influences that could compromise the independence and/or continuity and/or the identity of the company and of those businesses contrary to those interests, are defended against to the greatest extent possible, as well as to take any action connected with or possibly conducive to the above;
- The Trust endeavours to attain its goal by, among other things, acquiring and managing shares, in particular preference shares, in the capital of the Company and by exercising - in court proceedings or elsewhere - the rights granted to it pursuant to the law, articles of association or by virtue of agreement; and
- The Trust may dispose of the shares it has acquired or may pledge them, provided that the voting rights associated with the relevant shares do not transfer to the pledgee, or may otherwise encumber these shares, on the understanding that the Company's approval is necessary for any disposal of shares.

The Trust has the right (a call option) to acquire preference shares in the capital of Heijmans N.V. up to a maximum of almost 100% of the nominal value of the capital issued in ordinary shares and financing preference shares B.

The put option contract that Heijmans Preference Share Trust entered into with Heijmans N.V., whereby the Trust could purchase preference shares as soon as Heijmans N.V. issued them, was terminated in 2016.

The Trust was granted the right of inquiry in 2008.

During the board meeting of 29 March 2017, Mr. S.C.J.J. Kortmann was appointed as a board member of the Trust for a period of four years. At that same meeting, Mr. M.W. den Boogert stepped down in accordance with the retirement schedule and Mr. H.H. Meijer was appointed as Chair.

The composition of the Board of Trustees is:

Mr. H.H. Meijer (Chair as of 29 March 2017)
 Mr. F.J.G.M. Cremers
 Mr. S.C.J.J. Kortmann
 Mr. A. Westerlaken

Tax policy

Introduction

In this section, Heijmans explains its policy with respect to taxes. This explanation covers: the relationship with the tax authorities, the taxes Heijmans pays and the company's views of the current national and international discussion with respect to the tax policy of multinationals.

Relationship with the tax authorities

Heijmans believes that transparency is part of corporate social responsibility. This means Heijmans always operates with full transparency vis-à-vis the tax authorities and always shares all facts fully and completely. This also applies to the intended fiscal outcome of any potential points of discussion.

In the context of horizontal supervision, Heijmans has agreed a covenant with the Dutch Tax Inspectorate (Belastingdienst). Horizontal supervision equates to equal cooperation between the tax inspectorate and Heijmans on the basis of reciprocal trust and highly transparent communications. These premises are laid down in a covenant. The tax inspectorate enters into these covenants only if the company has an effective Tax Control Framework or seeks to realise same together with the tax inspectorate in the short term. This means the company has a solid grip on its fiscal position and fiscal risks and that the company's management also attaches great importance to same. As a result of the horizontal supervision, Heijmans has several consultations with the Tax inspectorate throughout the year.

Fiscal planning

National tax laws, international treaties and known jurisprudence outline which income is taxed and which costs are deductible. Individual taxable entities have no choice in this. In its business operations, Heijmans applies these rules fairly. The fair application of laws, regulations and jurisprudence is explicitly not aimed at artificially reducing the effective tax rate. A term such as 'fair application of the law' is obviously always open to discussion. Because what one considers fair does not go far enough for another. Heijmans will take into

consideration the views of the Tax Inspectorate when making definitive fiscal choices that involve potential discussion points.

Heijmans is frequently involved in alliances and complex projects that may result in complex financial transactions. These projects and/or transactions may be difficult to comprehend and the fiscal consequences can be substantial for the parties involved, depending on the interpretation of certain facts. In these projects or transactions, Heijmans' policy is to always act in line with the purpose or spirit of the prevailing fiscal legislation. This means therefore that certain, legally intended fiscal benefits are realised in such projects and/or transactions. However, Heijmans will not cooperate in transactions with the purpose of realising tax savings that are contrary to fiscal regulations.

Policy with respect to developing countries

Heijmans has no operational activities in developing countries. Heijmans therefore has no fiscal structures via developing countries that result in reduced tax payments. This also applies to fiscal structures in countries where (virtually) no taxes are levied (so-called tax havens). Heijmans has no companies in the Netherlands or abroad with the purpose of artificially reducing the tax rate within the group.

Policy with respect to clients and/or subcontractors

Heijmans believes that its clients and/or subcontractors bear responsibility for their own fiscal decisions. The company does, however, expect its clients and/or subcontractors to operate with integrity. Heijmans will never knowingly cooperate in setting up fiscal structures that contravene the purpose and spirit of the law in order to realise a reduction in taxes.

Tax policy of multinationals

There is growing public attention for both the national and international tax policy of multinationals. Multinationals use so-called fiscal planning to seek out

the limits of laws and regulations. They use a variety of structures to route their profits to countries with friendly tax rates and all in a legal manner. However, despite the legality of these constructions, they have prompted a broad social debate in the media about the tax planning of multinationals. This has resulted in various legislative initiatives on both a national and international level.

Heijmans acknowledges the importance of open and constructive discussion of tax ethics. Current laws and regulations and generally applicable and accepted principles of international tax law should be the basic premise in this. Heijmans believes that transparent communications, consideration of the intent of the legislator and a consistent application of the current tax policy should form the basis of this public discussion.

Tax rate (income tax)

The tax rate as shown in Heijmans' financial statements only refers to income tax, including Dutch corporate income tax. The nominal tax rate in the Netherlands is 25%. The other countries where Heijmans is liable for income tax are Belgium and Germany. The nominal rates in these countries are higher than in the Netherlands. In the first half of 2017, Heijmans sold the operational activities in Belgium and Germany. Fiscal profits result in the payment of income tax. Tax losses also have value provided certain conditions are met. These losses can be offset against fiscal profits from other years. In some instances, tax losses therefore may result in an asset. This asset is, in principle, recognised in Heijmans' statement of financial position. Heijmans has such losses from earlier years, which can be offset against future profits.

Explanation corporate income tax

Heijmans' financial statements are drawn up in line with IFRS. However, there are numerous differences between the accounting principles of IFRS and local tax regulations that apply to the calculation of the fiscal result. The differences between the various principles clearly have a significant impact on the income taxes Heijmans is liable to pay.

These rules are often prescribed and it is therefore not possible for a taxable entity to make choices in this. For instance, certain types of income are tax exempt under local fiscal legislation. And there are also operating expenses that are not tax-deductible. Heijmans aims for full transparency and therefore explains its tax position extensively in its financial statements. The profit shown in Heijmans' annual financial statements relates to all activities of the company (including the foreign activities). Heijmans files income tax statements in all the countries where it has operations. The fiscal policy premises are the same in these countries. This means there is no direct relationship between the corporate income tax Heijmans pays in the Netherlands and the group result as presented in the annual financial statements.

Other taxes

The effective tax rate included in the annual financial statements refers only to income taxes. In addition to income tax, Heijmans also pays other taxes, such as payroll tax, property transfer tax, value added tax (turnover tax), insurance tax and various municipal taxes. Heijmans has virtually no activities that are exempt from value added tax. This means that virtually all input tax can be settled against the value added tax Heijmans is due to pay. The amount of value added tax that cannot be offset is therefore very small.

Reporting methodology

Scope

In view of the divestment strategy, Heijmans is reporting key figures only for its Dutch activities in 2017. Combined projects have not been included in the non-financial information of the annual report, with the exception of safety-related information.

Information gathering and verification

Those involved in preparing the content and design of this report held regular consultations during the year. They organised a kick-off session in October at which they shared experiences from the previous year, together with targets and ambitions. Those involved reached agreements regarding content, ambition and planning. This formed the basis for the underlying report. The data used originate from the various administrations, systems and databases in the Heijmans organisation, including a number of management systems and the registration data on operating processes those systems produce. Examples include Prinsys for HRM-related aspects, energy management systems, as well as the likes of SMILE software for quality-related information and accident statistics. Information is also derived from other sources, such as the ERP systems and information from suppliers, including those supplying the company's vehicle fleet, companies providing timber and waste processing and energy companies. The environmental reporting of the asphalt plants is verified externally and the data are submitted to the competent authority.

Lastly, reporting also includes data originating from the certified management systems ISO 14001, ISO 9001 and VCA. Although we have implemented several procedures for the reporting of incidents and we have actually received reports of incidents, Heijmans cannot be entirely certain that every incident has been reported.

Reporting methodology

Sustainability-related disclosures are presented in line with the Global Reporting Initiative (GRI Standards, Core option). Where possible, Heijmans uses the same terminology used in ISO 26000 and the Integrated Reporting Framework of the International Integrated Reporting Council. The report covers the reporting period 01-01-2017 through 31-12-2017.

The Global Reporting Initiative GRI standards were used as a basis for the report. Heijmans also used the supplement for the Construction sector. With respect to the reporting on CO₂ emissions, we used the Greenhouse Gas Protocol. Information came from the consolidated data in the company's business systems. Heijmans assigned Ernst & Young Accountants LLP to provide limited assurance. The assurance report they issued has been included in this report.

EU Directive Non-Financial Information and Diversity information reference table

Topic	Subtopic	Included (yes/no)	Chapter / Page reference
Business model		Yes	Profile and Business model p. 21
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence.	Yes	People and Organisation p. 65
	The outcome of those policies.	Yes	People and Organisation p. 65
	Principle risks in own operations and within value chain.	Yes	Risk Management p. 97
	How risks are managed.	Yes	Risk Management p. 97
	Non-financial key performance indicators.	Yes	KPI dashboard p. 30 and People and Organisation p. 65
Relevant Environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence.	Yes	Sustainability achievements p. 73
	The outcome of those policies.	Yes	Sustainability p. 73
	Principle risks in own operations and within value chain.	Yes	Risk Management p. 97 and Sustainability achievements p. 73
	How risks are managed.	Yes	Sustainability p. 73 and Risk matrix p. 102
	Non-financial key performance indicators.	Yes	KPI dashboard p. 30 and Sustainability achievements p.
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due diligence.	Yes	Sustainability achievements p. 73, and section Human Rights p. 78
	The outcome of those policies.	Yes	Sustainability achievements p. 73, and section Human Rights p. 78
	Principle risks in own operations and within value chain.	Yes	People and Organisation p. 65, section Sustainable procurement policy p. 37, section Human Rights p. 78 and Risk matrix p. 102
	How risks are managed.	Yes	Risk Management p. 97, section Human Rights p. 78 and section Cooperation in the chain p. 37
	Non-financial key performance indicators.	Yes	Sustainability achievements p. 73, section Human Rights p. 78, KPI dashboard p. 30 and People and Organisation p. 65
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	Yes	Conduct, integrity and dilemmas p. 91, Fighting corruption and bribery p. 93
	The outcome of those policies.	Yes	Conduct, integrity and dilemmas p. 91, Fighting corruption and bribery p. 93
	Principle risks in own operations and within value chain.	Yes	Conduct, integrity and dilemmas p. 91, Fighting corruption and bribery p. 93
	How risks are managed.	Yes	Risk Management p. 97, Conduct, integrity and dilemmas p. 91 and Fighting corruption and bribery p. 93
	Non-financial key performance indicators.	No	Conduct, integrity and dilemmas p. 91, Fighting corruption and bribery p. 93
Insight into the diversity (executive board and the supervisory board)	A description of the policies pursued.	Yes	People and Organisation p. 65, section Diversity p. 67 and direct reference to Corporate Governance Statement 2017 on the Heijmans website
	Diversity targets	Yes	People and Organisation p. 65, section Diversity p. 67 and direct reference to Corporate Governance Statement 2017 on the Heijmans website
	Description of how the policy is implemented	Yes	People and Organisation p. 65, section Diversity p.
	Results of the diversity policy	Yes	People and Organisation p. 65, section Diversity p. 67

Specific remarks per KPI:

- Financial health. This includes financial base indicators according to the definitions in the IFRS accounting manual.
- Strategy and implementation. These indicators are included due to their high scores in the materiality matrix and because they provide insight into the number of improvement processes currently ongoing in the organisation, expenditure on innovation and the number of new patents applied for.
- Satisfied customers and end users. Client satisfaction is measured in a number of ways at Heijmans, which means there is no overall figure available. Components that contribute to client satisfaction are project evaluations, customer satisfaction measurements at residential building, number of snagging items.
- Health and Safety: this includes data about absenteeism, accidents and prevention agreements with subcontractors.
- Procurement and chain integration. This indicator is also an expression of the strategy aimed at operating in a more integrated manner with a smaller number of suppliers.
- 'Greenification' of internal business operations and chain. Aspects such as energy consumption at offices and the proportion of energy-efficient lease cars are measured as part of the total Heijmans CO₂ footprint. Data on waste are reported according to the ENCORD methodology.

Safety

The calculation method for these KPIs changed as of 2017, which means figures for 2016 and 2017 are not suitable for comparison.

- The IF figure for 2017 includes combined projects calculated pro rata.
- The IF figure for 2016 is exclusive of combined projects
- The number of accidents stated for 2017 includes combined projects, calculated pro rata
- The calculation of the number of accidents in 2016 includes 100% of combined projects, as far as accidents relating to those combined projects are concerned.

Transparency benchmark

This is an annual survey of the content and quality of CSR reporting at Dutch companies. In 2017, Heijmans ranked 17th in the total of more than 250 companies included in the survey, based on the survey of reporting on the 2016 financial year.

Disclosure and methodology for CO₂ calculation

Heijmans measures and reports its CO₂ emissions using the scopes classification of the Green House Gas (GHG) protocol.

- Scope 1 covers the emissions from the fuels we purchase and use ourselves (mainly gas, petrol and diesel)
- Scope 2 includes CO₂ emissions from electricity usage (this CO₂ is emitted by the energy company, not by Heijmans itself) and business traffic.
- Scope 3 (not included in this annual report) includes CO₂ emitted by commuter travel and public transport.

The primary focus is on scope 1, with a secondary focus on scope 2. These are the scopes that are the most directly influenced by taking measures. The majority of Heijmans' emissions occur in these scopes.

Footprint in the Netherlands

CO₂ emissions in the Netherlands amounted to 51,088 tonnes in 2017, a decrease of 2.8% compared to 2016 (52,563 tonnes).

Target for 2016-2020 in the Netherlands

Heijmans has set a target for the reduction of its CO₂ emissions in relation to revenue by at least 10% over four years, and uses 2016 as the reference year for both emissions and revenue. The new EMP (Energy Management Plan) 2017-2020 includes supplementary measures aimed at a further reduction in CO₂ emissions during this period. The main focus will be on reducing emissions from asphalt plants, projects and leased cars. We have included specific measures in the plan, which Heijmans will use to reduce energy consumption and thus CO₂ emissions in the coming years. In 2017, the entire Heijmans organisation was assessed against the criteria of the CO₂ performance ladder, with the purpose of gaining a CO₂-aware certificate for the entire group. This certificate will be issued in the course of 2018.

Heijmans uses the conversion factors from the www.co2emissiefactoren.nl website. The reporting methodology Heijmans uses means these are updated every four years. This update was implemented in 2017. This annual report is based on the updated conversion factors for the CO₂ figures from 2017. We have not adjusted the comparable figures for 2016 due to non-material differences.

Link between Sustainable Development Goals and Heijmans' activities

The United Nations' Sustainable Development Goals (SDGs) are a series of goals for future international development. The goals were drawn up by the United Nations and promoted as the worldwide targets for sustainable development. Heijmans contributes to the realisation of these goals through its activities. The table below shows the relationship between the SDGs that are the most relevant for Heijmans and the company's contribution. Heijmans' activities also have a negative impact and we have defined goals to mitigate that impact as much as possible.

SDG nr.	Description Sustainable Development Goal	Heijmans activity/goals
3.6	By 2020, halve the number of global deaths and injuries from road traffic accidents	Road construction and maintenance; see for instance BikeScout innovation for bicycle safety (Heijmans website)
5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	Heijmans HR policy on equality and anti-discrimination
6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Construction, management and maintenance of water management systems, sewage purification installations, such as the RWZI water purification plant in Utrecht (website Heijmans)
7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	Making energy systems sustainable; construction of biomass power stations, and the development of sustainable homes and areas such as Parijsch Culemborg
8.8	Protect labour rights and promote safe and secure working environments for all workers	Safety policy Heijmans (GO! programme) including measures, instructions and instruments such as the GO! app
9.1	Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all	Construction and maintenance of roads, maintenance of waterways and airports. More specifically, activities in previously run-down areas, such as Kanaleneiland and Katendrecht.
11.6	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Development of sustainable homes, neighbourhoods and areas, Heijmans waste management policy in the field of separation and reduction
12.2	By 2030, achieve the sustainable management and efficient use of natural resources	Construction of sustainable homes, free-of-gas building and the development of Heijmans' own sustainable procurement policy for materials and services
12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Heijmans' waste management policy in the field of separation and reduction of materials and the initiatives in the field of the circular economy
13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Climate-adaptive building, construction of water collection basins, dykes and barriers
15.2	By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	Heijmans directives for procuring timber only from sustainably managed forests and the contribution to the Construction and Timber covenant

KPI table

Key Performance Indicator	Score 2017	Score 2016	Target 2017	Target 2018 and after
Revenue NL (x bn)	1.402	1.370		
Order book NL (x bn)	1.898	1.863		
Net result (x mln)	20	-110		
Solvency	27%	18%		
Number of Lean projects	148	76		
Expenditure on innovation (x mln)	2.8	2.7		
Number of patents applied for	4	4		
Homes delivered with no snagging items	65.7%	54.3%	100%	100%
Client appreciation Ministry of Infrastructure and Water Management ¹	8.1	-	> 8	> 8
Client appreciation ProRail ¹	7.2	-	>8	>8
Client appreciation private residential building via SKB	7.17	6.69	7.5	7.5
Total absenteeism	4.22%	3.71%	< 4.0%	< 4.0%
Number of accidents: total including subcontractors	77	94	< 70	< 65
Number of fatal accidents	1	0	0	0
Accident incidence (IF figure)	3.7	3.6	< 2.5	< 2.5
Procurement spend by subcontractors with valid VCA certificate	97%	97%	100%	100%
Employees with education level 3+4 as a percentage of the total workforce	48%	47%	Increasing	Increasing
Procurement spend preferred suppliers	55%	51%	50%	50%
CO ₂ emissions scope 1+2 ²	51,088	52,563	10% reduction in 2020 compared to 2016	10% reduction in 2020 compared to 2016
Total amount residual materials ²	19,176	25,455	24,182	
Separation of residual materials at building site	75.4%	72.2%	70%	70%
Re-use residual materials after removal	91%	91%	90%	90%
Procurement spend with preferred suppliers with a framework contract and signed sustainability statement	94%	91%	100%	100%

Explanation specific KPIs

1: The indicator complaints received at NV level has been replaced with a more effective indicator directly related to larger clients

2: Total amount of waste material is a material aspect and is therefore reported in the annual report. It has not been possible to link this with concrete reduction targets for the past few years due to the strong dependence on the nature of contracts offered (including or excluding demolition). Through activities in LEAN design and circular building, Heijmans is already working towards high-grade processing of waste flows and on minimising waste in the design phase.

Toelichting/definitie	Bronnen
Income from realisation of projects (in proportion to the progress of the projects) and sales of goods (mainly homes and land)	Financial statements
The total portion of works in progress not yet completed and projects acquired but not yet in progress at reporting date	Finance & control
Result after tax	Financial statements
Capital base (equity plus the cumulative preference share capital) compared to total assets	Financial statements
Number of current Lean&sigma projects in the reporting year	Registration of Lean projects
Expenditure on innovation for group and business segments in EUR million	Finance & control
Number of applications submitted in reporting year	Registration of AOMB & reporting of quarterly meetings innovation - involving multiple business segments
Percentage of total number of homes delivered with zero snagging points in reporting year	SMILE
RWS score consisting of a weighted average from Q3 2016 - Q3 2017 on the basis of a methodology validated by them	RWS
ProRail score consisting of a weighted average from Q3 2016 - Q3 2017 on the basis of a methodology validated by them	ProRail
Score submitted to the SKB website by private home owners of delivered homes in the year in question	Stichting Klantgericht Bouwen (SKB) (BouwNu.nl from 2018)
Number of absentee days compared to available number of calendar days. Health and Safety Service guidelines for measuring absenteeism rates	Absenteeism registered in various countries, NL: ASC
All accidents at Heijmans projects. From 2017, the calculation method for these KPI has been changed, as a result of which the 2017-2016 figures are not comparable. For a full explanation of the calculation method, see the chapter Reporting Methodology in the annex to this report	IRES reporting
All accidents resulting in death at Heijmans projects (including subcontractors)	IRES reporting
Incidence Frequency IF: number of accidents resulting in absenteeism of at least one day per million hours worked. From 2017, the calculation method for these KPI has been changed, as a result of which the 2017-2016 figures are not comparable. For a full explanation of the calculation method, see the chapter Reporting Methodology in the annex to this report	IRES reporting
Percentage of total procurement spend at subcontractors with valid SCC certification	Esize, SAP/ERP
Training categories junior secondary vocational (LBO), pre-vocational secondary (VMBO), senior secondary vocational (MBO), higher professional (HBO) and university education (WO)	Staff records/business units (data recorded via Prinsys)
Percentage of procurement spend in 2017, no longer including the category non-procurement because procurement has no control in this respect (change compared to 2016).	Esize, SAP/ERP
SKAO CO ₂ performance ladder, GHG protocol ²	Various business segment administrations, SAP
ENCORD Construction Waste Measurement Guide for definitions (including industrial waste, but not excavated material), measured in tonnes	Sum of information from waste service providers
ENCORD Construction Waste Measurement Guide for definitions (including industrial waste, but not excavated material), measured in tonnes	Sum of information from waste service providers
Sustainable re-use means re-use as raw material or for generation of green energy. Based on waste profile of Van Gansewinkel; incl. amounts SITA and other waste processors. Based on tonnage	Sum of information from waste service providers
Percentage of total procurement spend at preferred suppliers with a framework contract, including a signed sustainability statement. NB: a sustainability statement is not the same as a code of conduct	Esize, SAP/ERP

Summary of stakeholder meetings

In 2017, Heijmans held a number of stakeholder meetings with a mix of representatives from stakeholder groups relevant to Heijmans. In these meetings, Heijmans discussed and assessed current and strategic themes relevant to the materiality analysis. We used a qualitative analysis method, which resulted in the following recommendations:

Residential Building

The meeting addressed a number of key aspects of the materiality analysis: sustainable mobility, energy transition and material innovations. Those present also discussed demands from customers and users and how to turn these into solutions. The participants recognised the themes in relation to the market and Heijmans and confirmed the prioritisation of the aspects in the materiality analysis. More specifically, the energy and material aspects stood out as key themes. With respect to these aspects, it was indicated the developer is expected to have a high level of knowledge on this front and expectations included continuous improvement of energy efficiency. There is demand for a comprehensive vision that combines sustainability aspects and energy efficiency. Another topic discussed at the meeting was the trend towards digitalisation, both in terms of sensors and smart technology and in terms of production methods that can be optimised using robotics. This would enable the company to structure processes differently, which would also improve the working method and transparency towards customers. This would also lead to different business models, which would in turn simplify developments such as energy sharing. Those present at the meeting see a clear relation between digitalisation and a sustainable, more circular economy.

Non-residential/company-wide

This meeting was held in the spring of 2017, and was attended by Heijmans' CEO, which prompted discussion of a number of company-wide themes.

In the meeting, participants discussed a number of themes from the materiality analysis, including safety and health in the workplace, a distinctive profile,

partnerships for innovation and co-creation, satisfied customers and knowledge intensity. Another topic of discussion was the trend towards digitalisation and smart buildings. These are buildings equipped with various integrated technologies that function more efficiently on the basis of connectivity and data collection, and increase comfort levels for users. Digitalisation is becoming an increasingly important theme in the materiality analysis, which was recognised and confirmed by those present. They indicated that this goes beyond technological developments and the aspects related to same, and includes aspects such as the people needed for it, learning potential, collaboration and contract forming in this new kind of business, as well as the handling of data in relation to ownership and privacy.

The conclusion was that Heijmans' Non-Residential business area can play an important role in the development and management of Smart Buildings. In addition to the hard side, this also demands clear vision on people and human capital in the broadest sense of the term. According to those present, this should be more prominent in the continued development of the 'contours of tomorrow' vision. Knowledge development and technology together should improve how people feel in their working environments.

Infra

In the Infra stakeholder meetings, the emphasis was on the theme of 'circularity'. This theme has major impact in the infra business, where Heijmans works with manufacturers and which is seeing increasingly high demands being set for materials and material uses. Heijmans assessed whether the group of stakeholders also see the importance of this aspect, how this perception is manifested, how they themselves are dealing with it and what they expect from a builder. Most (public/government-related) client groups recognise the theme and have set goals on this front. This pertains to the procurement of circular materials or striving to be energy neutral. A circular approach and developing circular solutions make an important contribution to this objective. In tenders and projects, principals and clients are already asking for

concrete solutions.

The group informed Heijmans that they are not seen as a frontrunner, but that an initiative and collaboration such as Madaster does show that Heijmans is taking the subject seriously and developing solutions. The conclusion of the meeting was that the circular proposition as a material aspect should be given a higher priority in the matrix, seeing as there is real demand for this in the market.

GRI Standards: General disclosures

Dis-closure		Reporting Requirements	Comment Heijmans
102-1	a	Name of the Organization	Title page
102-2	a	A description of the organization's activities	Profile and business model
	b	Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	Profile and business model
102-3	a	Location of the organization's headquarters.	Colophon
102-4	a	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Profile and business model/ operational performance
102-5	a	Nature of ownership and legal form.	Corporate Governance and share capital
102-6	a	Market served, including;	
	i	Geographic locations where products and services are offered	Profile and business model
	ii	sectors served	Profile and business model
	iii	types of customers and beneficiaries.	Profile and business model
102-7	a	Scale of the organization, including;	
	i	total number of employees	People and organisation
	ii	total number of operations	Operational performance
	iii	Net sales (for private sector organizations) or net revenues (for public sector organizations)	Financial performance
	iv	Total capitalization (for private sector organizations) broken down in terms of debt and equity.	Financial performance
	v	Quantity of products or services provided	Operational performance
102-8	a	Total number of employees by employment contract (permanent and temporary), by gender.	This breakdown is currently seen as too detailed in relation to materiality
	b	Total number of employees by employment contract (permanent and temporary), by region.	This breakdown is not relevant, as we are only active in the Netherlands
	c	Total number of employees by employment type (full-time and part-time), by gender.	This breakdown is currently seen as too detailed in relation to materiality
	d	Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	People and organisation
	e	Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries).	Not relevant for Heijmans
	f	An explanation of how the data have been compiled, including any assumptions made.	People and organisation and Reporting methodology
102-9	a	A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Chapters Strategy & Profile and business model and Reporting Methodology
102-10	a	Significant changes to the organization's size, structure, ownership or supply chain, including:	
	i	Changes in the location of, or changes in, operations, including facility openings, closings and expansions	Profile and business model & financial performance

Dis-closure	Reporting Requirements	Comment Heijmans
	ii Changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organizations)	Profile and business model & financial performance
	iii Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination	Cooperation in the chain & further professionalisation Procurement
102-11	a Whether and how the organization applies the Precautionary Principle or approach.	Chapters Strategy & Sustainability achievements
102-12	a A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Sustainability achievements
102-13	a A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Sustainability achievements
102-14	a A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Message from the Chairman
102-16	a A description of the organization's values, principles, standards, and norms of behavior.	Conduct, integrity and dilemmas
102-18	a Governance structure of the organization, including committees of the highest governance body.	Organisation Sustainability & Corporate Governance
	b Committees responsible for decision-making on economic, environmental, and social topics	Organisation Sustainability & Corporate Governance
102-40	a A list of stakeholder groups engaged by the organization.	Profile and business model
102-42	a The basis for identifying and selecting stakeholders with whom to engage.	Profile and business model
102-43	a The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Profile and business model & Summary of Stakeholder meetings (those not held specifically for the annual report)
102-44	a Key topics and concerns that have been raised through stakeholder engagement, including:	Profile and business model/ materiality analysis
	a.i How the organization has responded to those key topics and concerns, including through its reporting	Management Approach
	a.ii The stakeholder groups that raised each of the key topics and concerns.	Profile and business model/ materiality analysis
102-45	a A list of all entities included in the organization's consolidated financial statements or equivalent documents.	Financial statements
	b Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Reporting methodology
102-46	a An explanation of the process for defining the report content and the topic Boundaries.	Reporting methodology & Management Approach
	b An explanation of how the organization has implemented the Reporting Principles for defining report content.	Reporting methodology

Dis-closure	Reporting Requirements	Comment Heijmans
102-47	a A list of the material topics identified in the process for defining report content.	Profile and business model/ materiality analysis
102-48	a The effect of any restatements of information given in previous reports, and the reasons for such restatements.	There were no restatements
102-49	a Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Materiality analysis
102-50	a Reporting period for the information provided.	Reporting methodology
102-51	a If applicable, the date of the most recent previous report.	2016
102-52	a Reporting cycle.	Annual and Reporting methodology
102-53	a The contact point for questions regarding the report or its contents	Colophon
102-54	a The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either	
	a.i This report has been prepared in accordance with the GRI Standards: Core option'	Reporting methodology
	a.ii This report has been prepared in accordance with the GRI Standards: Comprehensive option	N.a.
102-55	a The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	Annex GRI
	b Or each disclosure, the content index shall include:-	Annex GRI
	b.i the number of the disclosure (for disclosures covered by the GRI Standards)	Annex GRI
	b.ii the page number(s) or URL(s) where the information can be found, either within the report or in other published materials	Annex GRI
	b.iii if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	Annex GRI
102-56	a A description of the organization's policy and current practice with regard to seeking external assurance for the report	Reporting methodology and Assurance statement
	b If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	Reporting methodology and Assurance report

GRI Standards: Management Approach

Material aspect and reference targets	Explanation material aspect	Scope and boundaries	Management of processes	Evaluation of processes
Being financially healthy (Chapter: Financial performance)	Stakeholders have indicated that a good price/quality is essential. This also adds economic value that provides employment and continuity	Scope is the Dutch market, in which Heijmans is often dependent on public tenders to win contracts. Many activities are also framed by legislation and regulations.	In the annual report, Heijmans reports extensively on the financial values and management processes within Heijmans for economic performance.	Evaluation by internal audit, external auditor, annual reporting and reporting to AGM.
Satisfied customers and users (Chapter: Strategy)	The client stakeholder group is of course crucial to Heijmans. In meetings, clients indicate that delivering added value for a good price creates satisfaction.	Most of Heijmans' clients are Dutch, and their users are almost entirely in the Netherlands. Heijmans mostly acquires projects through tenders for which the design and client specifications have already been established.	Heijmans measures customer satisfaction in different ways, but there is no uniform total figure available. Components that ensure customer satisfaction is measured are project evaluations, customer satisfaction measurements in residential building and delivery points.	As part of the ISO 9001 quality management system, Heijmans has implemented mechanisms for evaluation. Measurements are often very different per section. Infra and Residential Building are reported on the basis of the KPIs in this report.
Health and safety in the workplace (Chapter: People and organisation)	A safe workplace is one of Heijmans' key priorities. From the perspective of the stakeholder group, employees are of primary importance. Many construction activities are also dangerous due to large masses and numerous vehicles.	Heijmans operates almost exclusively in the Netherlands, which means that Dutch labour legislation governs the creation of a safe and healthy working environment.	Within Heijmans, employees are trained according to SCC methods. Subcontractors are also expected to have SCC or comparable certification. Heijmans also takes physical precautions on building sites to promote safety. Finally, Heijmans has a semi-internal health and safety service (ASC).	Evaluation is part of the SCC system. Different indicators are also measured by the specific organisation of Quality & Safety. KPIs include the number of accidents, subcontractors' SCC certification and the IF.
Strategy implementation (Chapter: Strategy)	The shareholder stakeholder group in particular believes that the communication and implementation of a strategy is important.	The strategy is aimed at the Dutch market. The speed at which the strategy is implemented is partly dependent on the financial health of the organisation.	Heijmans has reported (qualitatively) in various parts of the annual report on the progression of the strategy. It is aimed at improving and renewing the core activities and processes. It is expressed through reports from the LEAN system.	The strategy is evaluated in the quarterly reports of the various business units. Progress is also tested within the executive board and reports to the supervisory board.
Procurement and chain integration (Chapter: Strategy)	Procurement is an important aspect of business operations, because a large part of the revenue is procured in the form of materials and labour.	Procurement is handled per cluster. Suppliers are evaluated (administratively and on-site). The sourcing of foreign materials is only evaluated administratively, usually via certification and labels.	Heijmans has a procurement system, creates standardised contracts with larger parties in which sustainability aspects are also handled, and evaluates suppliers via an evaluation system.	The evaluation of procurement processes takes place within the ISO 9001/14001-certified system.

Material aspect and reference targets	Explanation material aspect	Scope and boundaries	Management of processes	Evaluation of processes
Increasing sustainability in business operations and chain (Chapter: Sustainability achievements)	Clients and the government have expressed a desire for more sustainability. This is expressed in targets with respect to Heijmans' business operations and those of its chain partners.	The scope of increasing sustainability is the built environment in the Netherlands and focuses on three priorities. The products/services we produce, our own business operations (NL only) and the initiatives in the chain for the most important procured materials.	Management of processes takes place within the framework of the certified management system and is reflected in various reports and KPIs.	The evaluation takes place within the ISO 9001/14001-certified management system.
Knowledge intensity (Chapter: People and organisation)	The nature of contracts are becoming more comprehensive and technologically complex. By responding to this with sufficient knowledge and expertise, the organisation is becoming increasingly knowledge intensive.	The scope of this aspect is the Dutch market, and is decided by the nature of the contracts on the market.	The regular HR processes of inflow, through-flow and outflow and participation in the knowledge platforms within the organisation stimulate the building of knowledge.	The evaluation takes place during project evaluations as part of the management system and during specific HR assessments.

GRI Standards: Specific Disclosures

Material aspects reference targets	GRI Standards	GRI Requirements	Reference
Being financially healthy	201-1 Economic performance: Direct economic value generated and distributed	<p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <ul style="list-style-type: none"> i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. 	Chapter: Financial performance and financial statements
	201-3 Economic performance: Defined benefit plan obligations and other retirement plans	<p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p> <p>b. If a separate fund exists to pay the plan's pension liabilities:</p> <ul style="list-style-type: none"> i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. the basis on which that estimate has been arrived at; iii. when that estimate was made. <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer.</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	Chapter: Financial performance and financial statements
Satisfied customers and users	418-1 Customer privacy: Substantiated complaints concerning breaches of customer privacy and losses of customer data	<p>The reporting organization shall report the following information:</p> <p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> i. Complaints received from outside parties and substantiated by the organization; ii. Complaints from regulatory bodies. <p>b. Total number of identified leaks, thefts, or losses of customer data.</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p>	Chapter: Strategy and chapter Integrity. <i>No complaints received</i>

Material aspects reference targets	GRI Standards	GRI Requirements	Reference
Health and safety in the workplace	403-2: Occupational Health & Safety: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<p>a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by:</p> <ul style="list-style-type: none"> i. region; ii. gender. <p>b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by:</p> <ul style="list-style-type: none"> i. region; ii. gender. <p>c. The system of rules applied in recording and reporting accident statistics.</p>	<p>Chapter: People and organisation, reporting methodology and KPI table</p> <p>As we only operate in the Netherlands, regional breakdown is not applicable. Safety administration does not register gender</p>
Strategy implementation	Geen GRI thema. Eigen ontwikkelde KPI's.		Chapter: Strategy
Procurement and chain integration	<p>308-1 Supplier environmental assessment: New suppliers that were screened using environmental criteria</p> <p>414-1 Supplier Social Assesments: suppliers that were screened using social criteria</p>	<p>a. Percentage of new suppliers that were screened using environmental criteria</p> <p>a. Percentage of new suppliers that were screened using social criteria.</p>	<p>Chapter: Sustainability achievements</p> <p>KPI dashboard</p>
Increasing sustainability in business operations and chain	305-1 Emissions: Direct (Scope 1) GHG emissions	<p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent. b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent.</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p>	<p>Chapter: Sustainability achievements</p> <p><i>Scope 1 and 2 are presented together in KPI table and KPI dashboard</i></p> <p><i>For part g: see also Reporting methodology/ KPI table</i></p>

Material aspects reference targets	GRI Standards	GRI Requirements	Reference
	305-2 Emissions: Energy indirect (Scope 2) GHG emissions	<p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>d. Base year for the calculation, if applicable, including:</p> <ol style="list-style-type: none"> the rationale for choosing it; emissions in the base year; the context for any significant changes in emissions that triggered recalculations of base year emissions. <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p>	<p>Chapter: Sustainability achievements</p> <p><i>Scope 1 and 2 are presented together in KPI table and KPI dashboard</i></p> <p><i>For part g: see also Reporting methodology/ KPI table</i></p>
	306-2 Effluents and Waste: Waste by type and disposal method	<p>b. Total weight of non-hazardous waste</p> <p>c. How the waste disposal method has been determined:</p> <ol style="list-style-type: none"> Disposed of directly by the organization, or otherwise directly confirmed Information provided by the waste disposal contractor Organizational defaults of the waste disposal contractor 	Chapter: Sustainability achievements, Reporting methodology and KPI table
Knowledge intensity	Geen GRI thema. Eigen ontwikkelde KPI's.		People and organisation

Glossary

All electric	This pertains to a neighbourhood heated and lit entirely by electricity, with no gas connections.
BeSense	This is a smart sensor system that provides insight into occupation, use and comfort of the work environment, and measures functionalities such as CO ₂ , temperature, light intensity and humidity. This data, which is acquired real-time, enables building managers to manage their buildings more efficiently and in a smarter fashion, and respond to comfort levels.
BikeScout	An intelligent system integrated into the road surface that makes drivers aware of approaching and crossing bicycle traffic.
Co-creatorship	Creating long-term relationships with a limited number of suppliers on the basis of reciprocal business trust. This applies to a far-reaching form of a long-lasting and intensive cooperation between a purchaser and supplier.
CO₂ emissions	CO ₂ (carbon dioxide) emissions measured over a certain period.
ERP	Enterprise Resource Planning (ERP) is aimed maximizing the productivity of organisations, controlling costs and meeting customer demands as optimally as possible. An ERP system encompasses all business processes.
Fit for Cash	An improvement programme designed to improve working capital management and create awareness of this topic.
GO!	An improvement programme designed to eliminate accidents and improve safety and safety awareness in the organisation.
GPR	GPR Building measures the sustainability performance of existing buildings, new-build and large-scale renovations of residential and non-residential construction. The GPR abbreviation stands for Municipal Practical Guideline (Gemeentelijke Praktijk Richtlijn).
Green deal	Green deals are agreements between organisations, citizens and public sector bodies to provide space for innovative initiatives from society to accelerate the transition to a sustainable economy.
Greenway LE	Greenway LE is an asphalt mixture produced at a lower temperature and containing a high proportion of recycled asphalt granulate.
Het Rompertje	'Het Rompertje' refers to a part of the Netherlands that largely corresponds with the regions that score the highest in terms of economic and demographic developments and outlook. This is generally taken to include most of the Randstad urban conurbation with the G4 cities (Amsterdam, Utrecht, Rotterdam and The Hague), plus the western part of the province of Gelderland and centre of the province of Brabant. The connection is obvious, as the accessibility of workplaces plays an important role in choosing a place of residence. And vice versa: companies like to locate their business in locations where they can recruit qualified (young) workers.
Procurement spend	Annual expenditure to suppliers.
Integrated dashboard	A way to combine all collected information and display it transparently by developing an integrated dashboard. Many organisations have different management reports and dashboards to monitor how the organisation is creating value for stakeholders.
Internet of Things	Internet of Things (IoT) represents (temporarily) connecting devices to the internet to exchange information. The expectation is that there will eventually be more smart devices than people on the internet. Examples are smart thermometers, fridges and sports clothing fitted with sensors.
Kaizen method	Kaizen is an improvement method that utilises five different pillars and has set out six different improvement steps.
Chain integration	Cooperation within and between the successive links within an organisation or business column, from suppliers right to the client.
Climate adaptive	Climate adaptation combats the effects of climate change and could help the Netherlands become resistant to climate change. Adaptation is made possible by setting climate buffers.
KPI	Key performance indicators are variables for analysing the performance of companies.
LEAN	LEAN is a business methodology designed to increase efficiency. Application of the LEAN methodology is used primarily to develop of flexible working practices, driven by customer demand and the maximum elimination of waste.
Peer group	A peer group is a group of people from society with comparable age, status and interests, and common behavioural codes.

Procurement	Procurement is the process of finding, agreeing on terms, and acquiring goods, services or works from an external source, usually through a tender or competitive bidding process. The process is used to ensure the purchaser gets the goods, services or works for the best possible price, when aspects such as quality, quantity, time and location are compared. Companies and government institutions often define processes that are intended to promote fair and open competition for their company or public sector body and at the same time minimise risks such as exposure to fraud.
Recoflex	Since 2015, it has been possible to use existing street surfaces as foundation for a new asphalt layer. Recoflex is an asphalt product that is flexible and strong and not sensitive to fatigue. It uses existing, stable foundations. Even heavy traffic can use streets with this asphalt.
Revolving credit facility	This is a banking term referring to agreements for a credit form in which the loan sum can be taken up wholly or partly over the term. Interest accrues over the outstanding balances of the credit.
Roadshow	A roadshow is a series of presentations in which a company explains the financial-economic and strategic aspects of their company, with the goal of increasing the publicity for the shares of the company and by doing support the share price.
Solar noise barrier	A Solar Noise Barrier combines the functions of noise reduction and energy generation.
Sourcing	Finding a good supplier for a certain product or service.
Toolbox meeting	A toolbox meeting is a meeting used to discuss a subject related to health, safety or the environment.
Value hill	Method for determining where a company is positioned in the circular economy, in order to develop a strategy.
VBDO benchmark	The VBDO benchmark measures the sustainable development of listed companies for their supporting investors and shareholders.
Smartification	Applying smart technology so buildings and areas to generate data that enables the more effective management of resources.

Abbreviations

AFM	Netherlands Authority for the Financial Markets
Arbo	Dutch Working Conditions Act
AscX	Euronext Amsterdam Small Cap Index
AVA	General Meeting of Shareholders
BTW	Value Added Tax
CAR	Contractors' All Risks Insurance
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CO₂	Carbon dioxide
COR	Central Works Council (Centrale Ondernemingsraad)
COSO ERM	Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management
CRM	Customer Relationship Marketing
DBMFO	Design Build Maintain Finance Operate
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ERP	Enterprise Resource Planning
FSC	Forest Stewardship Council
FTE	Full-time equivalent
GHG	Greenhouse Gas Protocol
GO!	Geen Ongevallen, or No Accidents
GRI	Global Reporting Initiative
HBO	Hoger beroepsonderwijs, or higher professional education
HRM	Human Resource Management
ICT	Information and communication technology
IF	Injury Frequency
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardisation
IT	Information technology
KPI	Key Performance Indicator
MBO	Middelbare beroepsopleiding, or senior secondary vocational education
NEPROM	Nederlandse Vereniging van Projectontwikkeling Maatschappijen, or The Dutch Association of Property Developers and Investors
NEVI	Dutch association for procurement management
NGO	Non-governmental organisation
NYSE	New York Stock Exchange
OESO	Organisation for Economic Cooperation and Development
PAGO	Periodiek Arbeids Gezondheidskundig Onderzoek, or Periodic Work-Related Health Examination
PEFC	Programme for endorsement of forest certification schemes
PPP	Public private partnership
Q1-Q4	Quarter 1...4
RIVM	Dutch National Institute for Public Health and the Environment
RvB	Executive Board

SAP	Systems, Applications and Products for data processing
Stichting AK	SA Trust
SBIB	Stichting Beoordeling Integriteit Bouwnijverheid, or the Foundation for Assessment of Integrity in the Construction Industry
SKAO	Stichting Klimaatvriendelijk Aanbesteden & Ondernemen, or the Foundation for Climate Friendly Procurement and Business
SWK	Stichting Waarborgfonds Koopwoningen, or Owner-occupied housing guarantee fund
VBDO	The Dutch Association of Investors for Sustainable Development
VCA	SHE (Safety, Health and the Environment) Checklist Contractors
WAS	Wet aanpak Schijnconstructies, or the Dutch Sham Employment Arrangements Act
Wmz	Wet melding zeggenschap, or the Dutch Disclosure of Major Holdings in Listed Companies Act
WO	University-level education
ZZP	Zelfstandige zonder personeel, or self-employed person with no employees

Questions?

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