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ANNUAL REPORT

heijmans





Locating aerial bombs, Rijsenhout



The annual report of Heijmans for 2016 is available in electronic form on the Heijmans website, www.heijmans.nl
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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 excluding the "Report of the Supervisory Board" and the "Remuneration Report".

MESSAGE FROM THE CHAIR



Ton Hillen
Chair of the Executive Board
of Heijmans N.V.

We suffered large losses in 2016. In the years 2012 to 2014, Heijmans accepted projects against a background of changing markets and new contract types that increasingly entailed external factors becoming the responsibility of the contractor. The implications of this shift of risks and liabilities from customer to contractor were insufficiently recognised in this period.

The consequences of this situation are serious and have taken their toll on the capital position of the company. In response, it was decided to limit Heijmans' operations to the Dutch market, using the revenue from the sale of foreign subsidiaries for the needed strengthening of our financial position. As part of the strategic reorientation, we reviewed the organisation critically, as well as tightened it in terms of both staffing and the competences and discipline that this new direction demands. The leadership of the company has been adapted and management has been tightened up. I expect to set a new course successfully in 2017 with a hard-working, competent and dedicated Heijmans team. Within the foreseeable future, this has to bring result and margin recovery, as well as debt reduction to achieve sound financial ratios. We will achieve this by focusing on the Dutch market, by divesting of our foreign activities, and improving project management.

Short term measures

The structural improvement in the ratio of net debt to EBITDA is vital to Heijmans. Last year, we were unable to bring this ratio to a sustainable level. Although Heijmans met agreed financial covenants by the end of 2016's third quarter, it was clear that disputes involving the loss-making projects could impact the situation in the future. In order to deal effectively with this situation, Heijmans took the initiative to hold constructive discussions with its financiers, and decided to concentrate its activities solely on the Dutch market. Halfway through February 2017, we sold our Belgian subsidiaries to BESIX. Earlier, in November 2016, we reached agreement on the sale of our German subsidiary Franki to PORR. Heijmans will utilise the larger part of the net recoverable amount from these transactions to reduce debt and strengthen the financial position. We have been able to reach a consensus with our bank consortium on extending the financing arrangements until 1 July 2019. This safeguards the continuity of our company, and means we are taking a major step towards recovery.

Operating activities

The past year was characterised mainly by the problems that arose with a number of large projects, the subsequent financial implications and consequences for the company. As the issues had a considerable impact, the measures in response were accordingly significant. This dominated Heijmans' agenda and manpower and was given top priority.

Apart from these serious issues, Heijmans still continued to effectively respond to the growing demand for more housing. We sold 10% more homes than in 2015, reaching a total of nearly 2,000 in 2016. In addition, Property Development sold almost 25,000 square metres of commercial real estate. Heijmans is benefiting from this strongly improving housing market, which is reflected in Property Development's growing figures. In this growth market, we opt for managed growth at Residential Building in order to be able to continue to guarantee quality. This development is particularly prominent in the economically strong areas of the Netherlands. Alongside this, we see rising procurement prices in the regions, coupled with constant pressure on sale values. In those areas in particular Heijmans had to revise the value of a number of property holdings.

At Non-Residential, we see a strengthening demand for service, management and maintenance in the installation sector, but constant pressure on margins in new-build. Revenue in this sector is therefore substantially lower than in 2015. Based on a strict acceptance and tendering policy, we are focusing mainly on the growth market for maintenance & management, as well as on creating strong combinations in integrated new-build. Our intention is to keep project risks at an acceptable level. This has resulted in a revenue reduction of new-build projects and a growth of installation services and maintenance activities at Non-Residential.

Although the loss-making projects have dominated the development at Infra, the majority of its activities are performing on target. Regional infra and management &

maintenance in particular report solid revenue and results. This presents opportunities to further build Heijmans' position.

Looking ahead

In 2017, Heijmans will return to profitability and further reduce its debt position to achieve a sustainable financing structure. The agreement reached with the bank consortium on the refinancing until July 2019 and the disposal of the foreign operations are major steps towards recovery and ensuring a solid future for the company. At the heart of this approach is a tighter focus on core competences, the transformation of Heijmans into a Netherlands-centred operation, and optimisation of cost structure and margins.

We now have to cut our costs and increase efficiency. Following our strategy defined by "focus, discipline and excellence", we must build the road to recovery. Despite the substandard results casting a shadow over the company, the implementation of measures has produced a great deal of energy and focus within the company. A turn in the tide is plain to see. Our unique signature, visible in many innovative, integrated and noteworthy projects, bears testimony to an enterprise to which people feel strongly committed, in which they put their energy and for which now, also in this most difficult time, they make their best efforts. My gratitude to these hardworking, skilful and intelligent Heijmans people is enormous. With this team, we, my colleague Director Ruud Majenburg and myself, will do everything in our power to move the organisation from this turning point back into a place of high performance.

Ton Hillen

Chair of the Executive Board of Heijmans N.V.

24 February 2017



Strategic scope

Focus, discipline, excellence

At the end of 2016, our strategy was revised and translated into a strategic plan for the period 2017-2019. Its core is a focus on the Dutch market, a streamlined cost structure to match the operating activities, coupled with a project scope that incorporates a manageable risk profile and is fully aligned to our core competences. The objective is recovery and strengthening of the financial ratios.

Motivation

Motivation the adjustment were the large negative results on a number of large projects. These results dominated the operating result of the company as a whole, generating a substantial loss for 2016. At the root of this is the increase in contract types in the market that shifts the risks to the contractor. Heijmans felt the full effect of this not only in the design and preparation stages of projects, but also during execution.

Moreover, Heijmans was not fully in a position to anticipate or manage the risks associated with these types of contract. To get there, requires a deliberate shift to excellent project, contract and risk management. The complexity of large, integrated projects, in which different stakeholders are active participants and circumstances are constantly changing, requires disciplined control and an unwavering focus on process and content quality. This was the motivation to revise the strategy at the end of 2016. Such is the impact of this adjustment of the activities and scope of Heijmans that it is discussed extensively in this report on 2016. In addition, it serves as the starting point for describing the profile and operations of the company.

Consequences

The strategic review 'Focus, discipline, excellence' formed the basis for the following measures put in place by the end of 2016:

- **Strategic choice to dispose of foreign companies and activities**

Agreement was reached at the end of 2016 on the divestment of the subsidiary Franki. At the same time, the decision was made to dispose of other subsidiaries in Belgium and Germany. Early in 2017, agreement was reached with BESIX on the sale of the Belgian activities. Heijmans also has the intention to divest the German subsidiary Oevermann, if possible subject to suitable conditions. These disposals help the financial position to return to normal, and will result in a core company focused on the Netherlands.

- **Organisational changes**

The composition of the Executive Board has undergone change. The experience of the Board matches the competences that are needed to effect the strategic adjustment. Ton Hillen was appointed Chair of the Executive Board with effect from 1 December 2016. The management teams and upper ranks of Infra and Non-Residential have been adapted and placed under the direction of the Executive Board.

- **Acceptance and tendering policy for new projects**

To keep risks to an acceptable level and in equilibrium with the experience and core competences of the company, large projects will only be accepted in partnerships and in collaboration with risk-bearing partners that have a solid track record in their field of expertise.

- **Reduce costs and bundle activities into operating divisions**

At the end of 2016, the decision was taken to transfer the activities of Technology, which are focused on the development of new concepts, products and innovations, to the business segments. The aim is to organise these activities as close as possible to operating activities and customers. The progress and scoping of these activities will be reported directly to the Executive Board. In this way, the manner in which we renew the business will be geared more towards the needs of current activities.

Executive Board



Ing. A.G.J. (Ton) Hillen (1961), Chair since 1 December 2016

Dutch nationality; appointed as member of the Executive Board of Heijmans N.V. on 18 April 2012. He has held various positions at Heijmans since 1992, and has been Group

Director for Property Development and Residential Building at Heijmans since 2008. Prior to joining Heijmans, he was employed by BAM and Anton Obdeijn Projectontwikkeling. *Additional positions:* member of the Supervisory Board of Stichting Waarborgfonds Koopwoningen (SWK).



R.F. (Ruud) Majenburg (1959), member

Dutch nationality; appointed as member of the Executive Board of Heijmans N.V. on 13 April 2016. Before joining Heijmans, he held management positions at a number

of companies, including Unilever N.V., Samas N.V., Staples and Engie. In 2010, he joined Draka, which merged with Prysmian Group in 2011. At Prysmian Group, he was CEO (Northern Europe).

Ir. L.J.T. (Bert) van der Els (1954), Chairman until 1 December 2016, member until 12 April 2017

Dutch nationality; appointed Chair of the Executive Board of Heijmans N.V. with effect from 18 April 2012 and as Vice-Chair and Member of the Executive Board on 28 April 2010 and reappointed on 16 April 2014 for a term of four years. He was previously Group Director for Non-Residential Building and Technical Services at Heijmans. Prior to joining Heijmans, he was employed by Burgers Ergon, Yokogawa and ABB. He was managing director of Burgers Ergon starting in 1999. *Additional positions:* member of the Supervisory Board of PSV N.V., Chair of the Supervisory Committee of Brabant C Fonds.

Mr. M.C. (Mark) van den Biggelaar MiF (1968), CFO until 1 March 2017

Dutch nationality; appointed as member of the Executive Board of Heijmans N.V. on 1 September 2009. Prior to joining Heijmans, he was employed by Samas N.V., ABN AMRO Bank N.V., Koninklijke Nedlloyd N.V. and Randstad Holding N.V. At Samas N.V., he was CFO and a member of the Board of Directors from 2007 to 2009.

Drs. A.S. Lindenberg RA (1972), acting CFO since 1 March

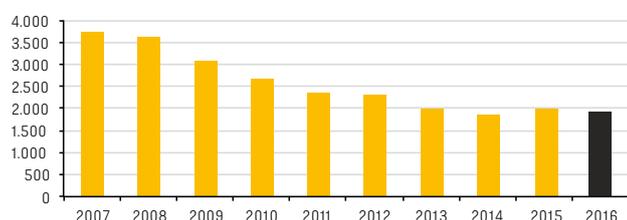
Dutch nationality; appointed as acting CFO on the Executive Board of Heijmans N.V. with effect from 1 March 2017.

An overview of the division of duties and responsibilities among the Board members is given on page 103.

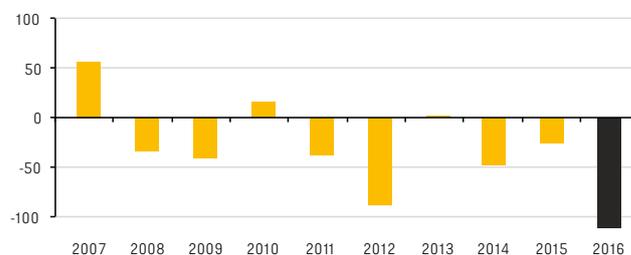


10 years of Heijmans in key figures

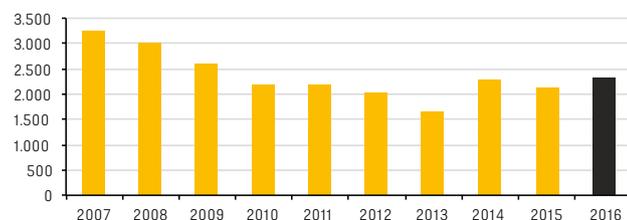
Revenue (in € x million)



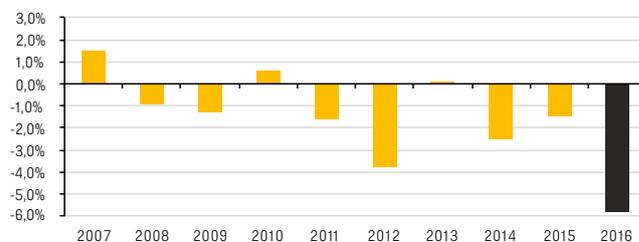
Result after tax (in € x million)



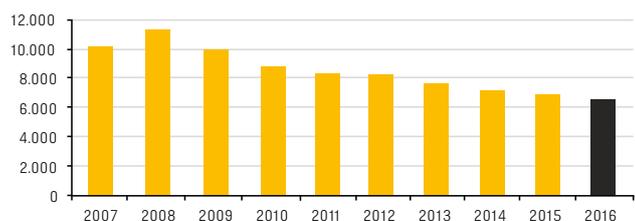
Order book (in € x million)



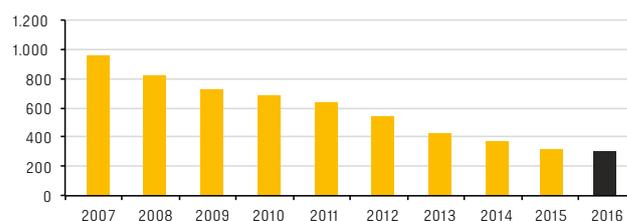
Net margin (in %)



Average number of employees



Average capital invested



Key figures	2016 ⁴	2015	2014	2013 ²	2012 ³	2011	2010	2009	2008	2007
Result in € millions										
Revenue	1,884	1,979	1,868	2,001	2,318	2,361	2,680	3,079	3,631	3,732
Operating result	-94.0	-29.0	-63.5	11.9	-87.2	-35.7	48.4	-6.5	-13.6	88.2
Result after tax	-110.4	-27.3	-47.3	1.9	-87.7	-37.6	15.7	-40.4	-34.1	56.4
Capital (€ x million)										
Assets	1,056	1,190	1,205	1,203	1,366	1,554	1,600	1,853	2,220	2,205
Average invested capital	293	318	372	423	541	636	683	722	824	960
Equity capital	142	266	259	313	315	416	455	426	371	462
Net debt	100	10	31	66	149	103	178	223	331	366
Cash flow in € millions										
Operating	-68	10	46	-10	-45	-6	74	-5	80	259
Investment	-22	-9	-10	-3	-26	42	-34	30	0	-88
Financing	43	51	-23	8	8	-19	-131	-183	63	-126
Cash flow	-47	52	13	-5	-63	17	-91	-158	143	45
Ratios in %										
Return on average capital invested	-32.1	-9.1	-17.1	2.8	-16.1	-5.6	7.1	-0.9	-1.7	9.2
Result after tax:										
- as % of equity	-77.7	-10.2	-18.3	0.6	-27.8	-9.0	3.5	-9.5	-9.2	12.2
- as % of revenue	-5.9	-1.4	-2.5	0.1	-3.8	-1.6	0.6	-1.3	-0.9	1.5
Solvency on the basis of capital base	17.7%	26.1%	27.0%	31.5%	27.9%	31.0%	32.6%	26.6%	19.7%	23.9%
No. of shares x 1,000										
At year-end	21,407	21,407	19,461	19,349	17,328	16,956	16,851	16,851	24,073	24,073
Average	21,407	20,661	19,420	18,111	17,191	16,917	16,851	12,504	8,156	24,073
Data per share¹ x €1										
Equity	6.63	12.87	13.34	17.28	18.32	24.53	27.00	25.28	15.41	19.21
Operating result	-4.39	-1.40	-3.27	0.66	-5.07	-2.11	2.87	-0.39	-0.56	3.66
Result after tax	-5.16	-1.32	-2.44	0.10	-5.10	-2.22	0.93	-3.23	-4.18	2.34
Dividend	-	-	-	0.15	0.25	0.35	0.35	-	-	1.45
Share price information x €1										
At year-end	5.52	8.18	8.95	10.51	7.05	8.19	15.05	12.21	3.40	25.83
High price	9.20	13.36	14.20	10.78	9.68	23.90	15.25	21.18	27.52	47.19
Low price	4.59	5.77	7.83	6.85	5.25	6.58	10.70	9.49	3.36	22.97
Other data										
Order book (* in € millions)	2,305	2,094	2,287	1,643	2,026	2,192	2,188	2,597	3,004	3,248
Employees (average number of FTEs)	6,412	6,808	7,198	7,617	8,242	8,384	8,839	9,980	11,311	10,119

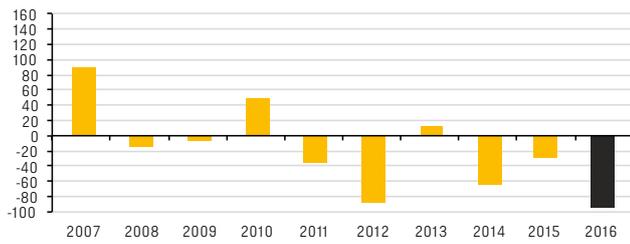
1. The data per share are expressed in terms of the weighted average number of ordinary shares. Dividend per share is based on the number of ordinary shares at year-end. The weighted average number of shares for 2009 has been adjusted due to the issue and the reverse stock split; the number for 2008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

2. After adjustment due to change in accounting policy for defined benefit plans (see the financial statements)

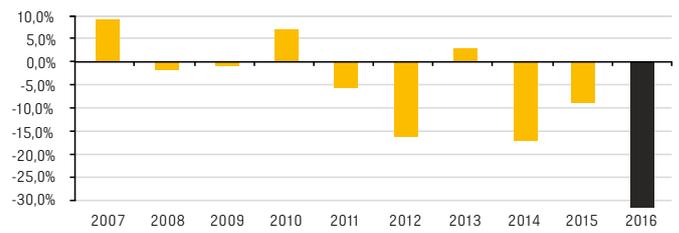
3. After adjustment due to change in accounting policy for joint arrangements (see the financial statements).

4. The figures for 2016 are for all activities. For a division into 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 | assets held for sale, with the exception of the total of assets.

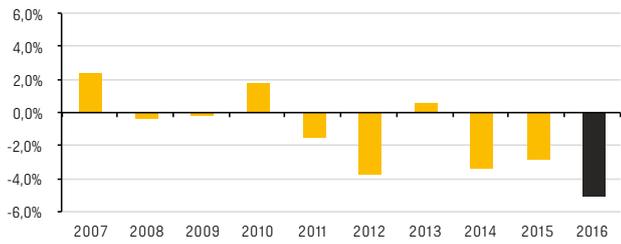
Operating result (in € x million)



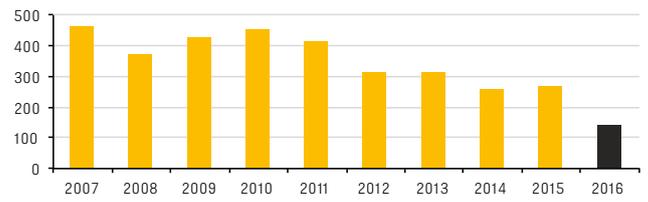
Return on average capital invested (in %)



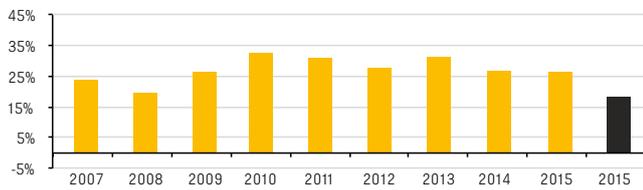
Operating margin (in %)



Equity (in € x million)



Solvency on basis of capital base (in %)



Profile and business model

Vision

The built-up environment is increasingly being determined by the scarcity of space, raw materials and other resources. Local regulations and complexities keep increasing, however. This calls for perfectly executed solutions delivered on time that are aesthetically appealing and tailored to suit the user. This requires a high level of knowledge and expertise to prime and develop the environment in such a manner that it becomes future proof and outstanding. Heijmans is building these spatial contours of today and tomorrow. This demands constant improvement of and attention to process optimisation, efficiency, cooperation and integration of systems.

Ambition

Heijmans wants to create added value for customers, consumers or end-users and the society they are part of: in the areas of energy, materials and spatial quality. The company achieves this through the collaborations it enters, the processes it follows, and the products it realises. To safeguard this approach, continuity of the business, healthy margins and risk control are at the forefront. In terms of healthy margins, Heijmans considers an EBIT margin of between 3% and 4% appropriate for realisation and execution. For development, it considers a healthy target EBIT margin to be around 8%.

Strategy

Heijmans targets continuous improvement of its core activities through tender management and strong project management, as well as the bundling and reinforcement of procurement and commercial strengths. 'Focus, Discipline and Excellence' form the guideline for the mindset and actions to further refine the approach being taken. The focus of this continuous improvement is to reduce costs and manage risks, increase profitability, efficiency and margins, reduce debt, and strengthen Heijmans' position in the market, by creating more added value. This also gives the company the ability to offer new tailor-made products and services that enable Heijmans to meet the needs of customers more and more effectively.

Added value

Heijmans distinguishes itself by creating solutions together with its partners at an early stage in the design process, and by realising and updating these solutions through the integration of knowledge and expertise. By concentrating on continuous improvement and process standardisation, with the aim of managing costs and risks, Heijmans creates added value for its customers. The work starts on the drawing board and extends to include management, maintenance and service. Heijmans combines knowledge and creativity to create innovative products and concepts that can be applied on a broad scale. Moreover, Heijmans is regarded as an innovative player in the market. This unique characteristic is seen in the pioneer's role that the company fulfils when it comes to innovation. Examples are product innovations such as Heijmans' ONE, bike safety concept Bikescout, BeSense, house control, and asphalt innovation Greenway LE.

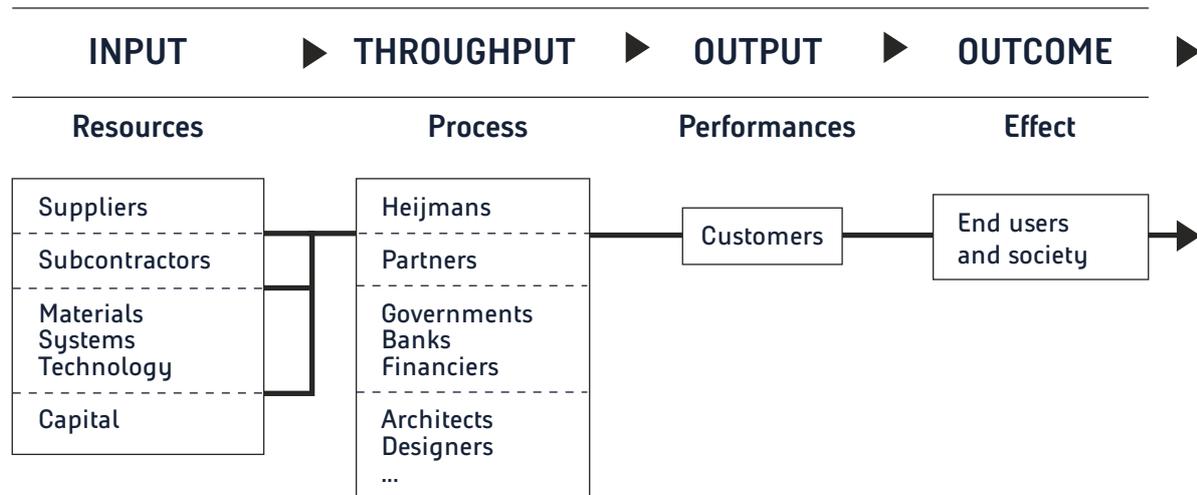
Business model

Heijmans focuses on three different operating areas - residential, non-residential and infrastructure - for a variety of customer types. The company operates in the Netherlands. At the end of 2016, it decided to divest the businesses in Belgium and Germany. Doing so, Heijmans has been developing itself into a Dutch company per the end of 2016.

The operating areas have been segmented into the business segments Residential (Property Development and Residential Building), Non-Residential, and Infra (Roads and Civil). In addition, knowledge and acquisition of public-private partnerships (PPP) are organised centrally.

Central management leads to optimal use of cooperation synergy, scale, knowledge and expertise. In addition, the company as a whole offers an integrated proposition

Business model



Note

Heijmans delivers added value by active chain management with the aim of achieving efficiency and integration of this chain and increasing the level of knowledge and competence within the company through innovation and integration. To do this, Heijmans works together with partners and uses the various capital flows in the chain. Continuous improvement is achieved through central direction of tender management, project management, procurement and sales and setting central improvement targets for these areas. Heijmans is increasingly using LEAN planning techniques, central and uniform processes and systems. The business model reflects the demand from customers for integrated solutions in which design and engineering, realisation, maintenance and management as well as funding are combined. However, the business model is also designed to provide singular solutions such as risk-bearing development, construction and service and maintenance and management. This adds value for customers, which is expressed in return and customer satisfaction.

to customers, from idea to realisation, maintenance and management. The business model thus reflects the increasing demand from customers in the consumer, business-to-business and business-to-public segments for a combination of design, engineering, realisation, maintenance, service and even funding. For end users such as housing consumers, this bundling of specialisations creates the ability to tailor the product exactly to meet customer demands.

In the business model, the delivery of added value through active chain management is a central priority. Heijmans distinguishes two separate processes here: firstly, the more risk-bearing and initiating property development process, together with public-private partnerships with matching risk profiles and margins. For the work involved here, much of it is carried out jointly with partners, such as the UK's 3i Infrastructure Funds, to limit the amount of finance and reduce the capital requirement. At the heart of the property development process is the winning of projects based on creativity and inventiveness. Secondly, the executive activities in relation to residential construction, non-residential and infrastructure.

Continuous improvement in both these processes is achieved through central direction of tender management, project management, procurement and commerce, and setting company-wide central improvement targets for these areas. Heijmans is increasingly using uniform processes, methods and systems here, such as SAP-ERP.

History

Heijmans' history goes back to 1923, when Jan Heijmans started his paving company in Rosmalen. Heijmans was an innovator in those days, being one of the first companies to use bituminous road surfacing. He had ample opportunities for growth in the post-war reconstruction period, with the restoration and laying of roads and airports. The first business acquisition occurred in this period and marked the beginning of a period of huge growth and versatility. Heijmans obtained a listing on the Amsterdam Exchanges in 1993, which gave the company a new source of capital which enabled further growth and acquisitions. The company changed its strategic course radically in mid-2008, to focus tightly on creating added value, based on the integration of its business units. Heijmans works every day on improving the profit margin, reducing debt, and improving efficiency and its financial position. Additionally, it creates the opportunity for targeted

innovation and, by doing so, show its colours in the market.

Business segments and activities

Residential

Property Development

In the Netherlands, 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 at ground floor and apartments for either purchase or rental housing, including social rental housing. It conducts these activities from three offices, with centralised management. High-level knowledge of area development is bundled in one area development organisation in which accounts of large customers are incorporated, meaning we can benefit from both new-build contracts in the private sector and (inner-city) transformation assignments.

Residential Building

The core activity of Residential Building is to build homes of different types. Activities primarily consist of new-build, however also involve the restoration, redevelopment and renovation of existing housing stock. The transformation of buildings, such as the Wijnhavengebied development project in The Hague, also forms part of the activities of Residential Building. Maintenance and service are increasingly becoming part of the project portfolio. Residential Building operates from three regional offices with central direction..

The close, integrated collaboration between Property Development and Residential Building leads to both conceptual creativity and the ability to create. This results in residential concepts such as Heijmans ONE, Huismerk and Wenswonen. But also in 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 repetitive new-build.

Non-Residential

Non-Residential realises complex large-scale buildings in the customer and market segments of health care, government and semi-public sector, commercial property and the high-tech clean industry (including laboratories) and data centres. Non-Residential designs, realises and maintains high-quality electrotechnical and mechanical engineering installations, in accordance

with a selective acceptance and tendering policy. Our unique quality is the integrated approach to construction and technical installation services. Increasingly our contracts include long-term management and maintenance of both the building and its installed facilities. A few examples are the Timmerhuis in Rotterdam, which was awarded the audience prize at the Rotterdam Architecture Award 2016, Telecity in Amsterdam, and Eurojust in The Hague. With these projects, Heijmans is responsible for the realisation as well as the long-term maintenance. The importance of service, management and maintenance in the total order book of Non-Residential is increasing, partly as a result of growth in demand.

Infra

The activity of Infra concerns the installation, maintenance and improvement of infrastructure, with a primary focus on mobility, water and energy. This involves mobility for road users and the road networks, but also on the design of public space. This may involve roads and underground infrastructure, but may also include installations and technical services such as lighting, camera and reference systems in and around roads and the related public space. Infra also focuses on civil engineering projects: location-linked infrastructure above and below ground, such as viaducts, tunnels, cables, pipelines, energy supplies, sluices and water purification systems. The focus is on the design, realisation, management and maintenance of the constructions as well as their installations.

The Heijmans share

Share capital

The composition of the share capital of Heijmans N.V. as at 31 December 2016 is as follows:

Shares (x 1,000)	Authorised share capital		Issued capital	
	2016	2015	2016	2015
Ordinary shares	35,100	35,100	21,407	21,407
Cumulative financing B preference shares	7,000	7,000	4,510	4,510
Protective preference shares	8,000	8,000	-	-
	50,100	50,100	25,917	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 has issued 21,406,873 depositary receipts for shares as at 31 December 2016, which are quoted on NYSE Euronext in Amsterdam. The voting rights on ordinary shares are vested in 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)	2016	2015	2014	2013	2012
In issue on 1 January	21,407	19,461	19,349	17,328	16,956
Issue of share capital	-	1,946	-	1,759	-
Stock dividend	-	-	103	262	372
Matching shares Share Matching Plan	-	-	9	-	-
In issue on 31 December	21,407	21,407	19,461	19,349	17,328
Average in issue for the year	21,407	20,661	19,420	18,111	17,191
Earnings per share* (in €)	-5.16	-1.32	-2.44	0.10	-5.10
Dividend per share (in €)	-	-	-	0.15	0.25
Pay-out ratio %	-	-	-	150%	-

* Per average share in issue

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

Heijmans market listing	2016	2015	2014	2013	2012
Closing price (in €)	5.52	8.18	8.95	10.51	7.05
High price (in €)	9.20	13.36	14.20	10.78	9.68
Low price (in €)	4.59	5.77	7.83	6.85	5.25
Dividend yield at closing price (in %)	-	-	-	1.4%	3.5%
Market capitalisation at year-end (in € millions)	118	175	174	203	122
Average daily turnover (in no. of shares)	171,892	161,793	82,132	90,358	76,045

Cumulative financing B preference shares

On 28 June 2002, 6,610,000 cumulative financing B preference shares 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 B preference shares at any time. As at 18 September 2015, there were 4,510,000 cumulative financing B preference shares outstanding.

Issued share capital and equity holdings

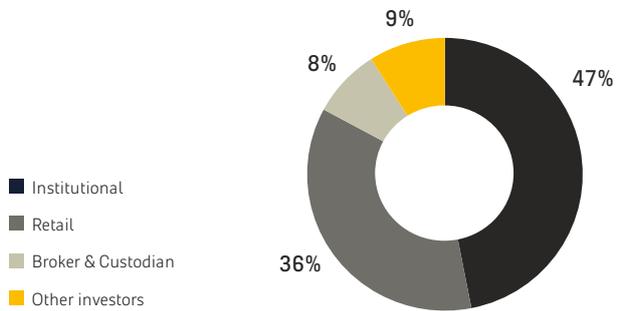
No changes were made to the issued share capital in 2016 or to the related voting rights. One cumulative financing B preference share entitles the holder to 1.278 votes. The voting right of one ordinary share is 30 votes. The composition of the issued capital and associated voting rights as at 31 December 2016 was as follows:

	Issued capital		(Potential) Voting right (%)	
	Number	% (based on nominal value)	Number	%
Ordinary shares	21,406,880	87.1%	642,206,400	99.1%
For which depositary receipts issued	21,406,873	87.1%	642,206,190	99.1%
For which no depositary receipts issued	7	0.0%	210	0.0%
Depositary receipts	21,406,873	87.1%	642,206,190	99.1%
Cumulative preference shares	4,510,000	12.9%	5,763,780	0.9%
Total year-end	25,916,880	100.0%	647,970,180	100.0%

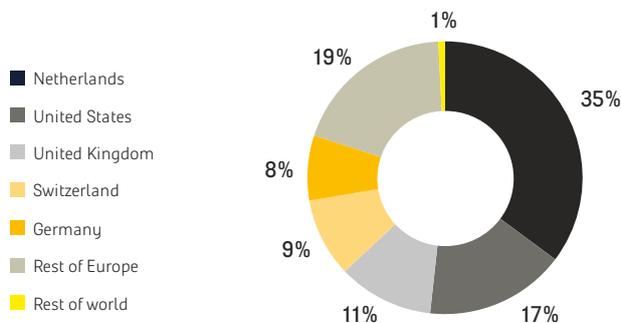
To the extent the Company is aware, and also on the basis of the WMZ (Major Holdings in Listed Companies Disclosure Act) register maintained by the Netherlands Authority for the Financial Markets (AFM), the following investors had a 3% or greater interest in Heijmans as at 31 December 2016:

Holdings in Heijmans	31 December 2016		31 December 2015	
	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	< 3%	< 3%	6.1%	7.0%
ASR Nederland N.V.	4.9%	5.6%	< 3%	< 3%
Unionen	2.8%	3.2%	< 3%	< 3%
Fidicum	2.8%	3.2%	< 3%	< 3%
Argos Funds	2.7%	3.1%	< 3%	< 3%
	26.1%	16.0%	19%	7.9%
Other holdings	73.9%	84%	81%	92.1%
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 illustrated as follows:



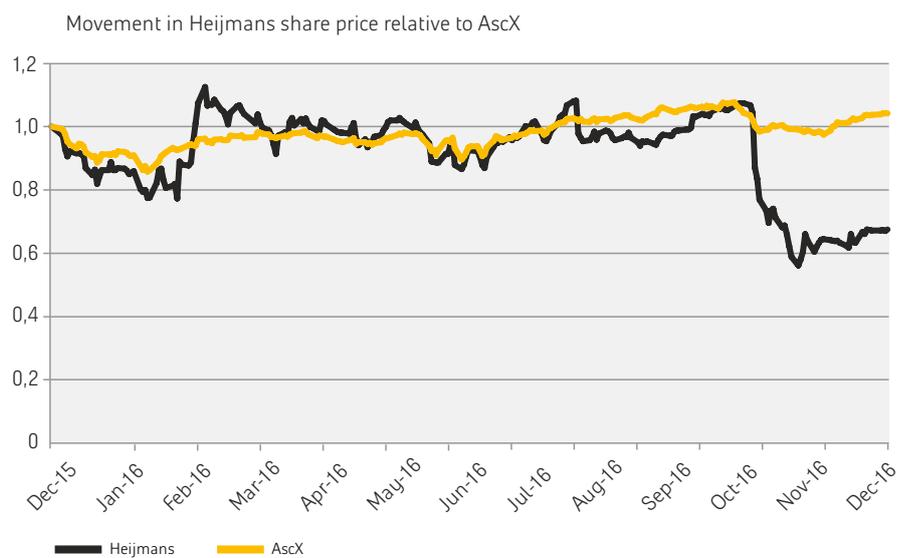
(Estimated) shareholdings of institutional investors probably climbed from 39% to 47% during the 2016 financial year.



An estimated 35% of the depositary receipts for ordinary shares are held by institutional investors in the Netherlands. This figure is lower than at year-end 2015 (39% in the Netherlands). It is estimated that 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 at the end of 2016 was €5.52. This represents a decline of more than some 32% compared to the price at the beginning of the 2016 financial year, primarily as a result of the drop in price in response to the Q3 trading update. The AScX Index, which includes Heijmans, increased by 4% in the 2016 calendar year. The figure shows the price movement of Heijmans shares in 2016 compared to the AScX Index.



Financial schedule 2017

The following publication dates have been set for 2017:

Date	Event	Time
12 April 2017	General Meeting of Shareholders	14:00 hours
10 May 2017	Trading update	before market opening
16 August 2017	Publication of half-year figures for 2017	before market opening
1 November 2017	Trading update	before market opening
11 April 2018	General Meeting of Shareholders	14:00 hours



Strategy

Strategic direction

Heijmans is building the contours of tomorrow, and we are therefore both designing and initiating the spatial world in which we live. A fast-moving environment in which complex regulations, increasing assertiveness of users and stakeholders and dealing with scarcity of spatial quality are the major challenges.

Heijmans aims to use its expertise to produce the most suitable design and content in the built-up environment and to create added value for our customers and their end-users in that field. Subsequently, we put all of that to use to create value for our company.

In 2016, disappointing and highly negative results on several projects affected and dominated the overall operating result. At the end of 2016 further emphasis was laid on elements "focus, discipline and excellence" within our strategy. The purpose of the revised strategy is to get back on course to a healthy financial position, solid results and profitability.

Strategy revision 2017-2019: Focus, discipline and excellence

In 2016, our strategy was translated into a strategic plan for the period 2017-2019. For this plan, Heijmans has deliberately chosen to focus on competences and activities for which it has a proven track record. These are the areas Heijmans intends to excel in, under the banner of "Margin Above Volume". *Discipline* is essential to put ideas and concepts into practice.

Specifically, the revised strategy includes the following spearheads:

1. Transformation into a purely Dutch company

A strategic choice to dispose of foreign companies and activities: subsidiary Franki was sold at the end of 2016; it was also decided to divest of other subsidiaries in Belgium and Germany. Early in 2017, an agreement was reached with BESIX on the sale of the Belgian activities. These divestments will enable Heijmans to return to a sound financial position.

2. Adjustment of acceptance and tender policy for new projects

To spread risks and optimise the use of competences, large projects will more often be accepted and executed in partnerships. If the agreement involves incalculable contractual liabilities, we will not submit a tender or an offer. In the market, Heijmans will concentrate on projects where it can deploy its strengths and achieve sound margins.

3. Reduce costs and integrate activities in operating divisions

Heijmans will tightly control costs to produce an optimal cost structure that matches the changing scope. Although a large-scale reorganisation is not being discussed, Heijmans will make the organisation leaner and reduce overheads. At the end of 2016, the decision was taken to transfer the activities of Technology, which are focused on the development of new concepts, products and innovations, to the business segments. The aim is to organise these activities in such a manner that they are as close as possible to operating activities and customers. This way, renewal will be geared more towards the needs of current activities. The progress and scoping of these activities will be reported directly to the Executive Board.

Based on the outcome of the strategic review "*Focus, discipline and excellence*", the following measures were put in place at the end of 2016:

Organisational changes

The composition of the Executive Board has been altered. The experience of the Board matches the competences that are needed to realize the strategic adjustment. Ton Hillen was appointed Chair of the Executive Board with effect from 1 December 2016. The management team and management structure of Infra have been adapted and placed under the control of Director Ruud Majenburg.

Renewal in support of business operations

The activities of Heijmans Technology were transferred to the business at year-end 2016, with the intention to create scalable and profitable products based on up-to-date and specific customer demand arising from our operating activities.

In addition, the core activities were reinforced and improved during the year. The specific measures taken and results achieved are as follows:

Fit for Cash

The 'Fit for Cash' working capital programme is designed to increase employee awareness of the impact of cash flow development. This requires a good collaboration between project realisation, invoicing, and debtor and creditor management. With close coordination and up to date management information being crucial. The 'Fit for Cash' programme has been in operation since 2013 and real improvements have been made in the primary processes: from tendering, contract management, project preparation, and execution to procurement and creditor management. A continuous emphasis on the importance and potential impact leads to awareness and improvement.

GO! Safety programme

The programme aims to achieve the following targets that should be reached in 2018, by means of actions designed to improve safety: no accidents resulting in death or permanent injury, the safest construction company in the Netherlands (IF<1), a sustainable culture change with respect to safety and, finally, increased awareness of safety among our employees. This is being achieved by changing attitudes and conduct, requiring order and tidiness on site, as well as uniformity of safety requirements, and pursuing collaboration directed towards safety in the construction chain.

To anchor the changes that have started to take hold, Heijmans continues to devote much thought and energy to attitude and conduct rules in relation to safety. More than 40 GO!-coaches throughout the company actively promote these rules, supported by a low-threshold reporting app, toolbox meetings, training days and narrowcasting.

ERP platform

In 2014, Heijmans started to introduce a SAP-based ERP system for the entire organisation. The new platform should ensure that the supporting processes are modernised, control over and efficiency of the processes are further improved, administrations are further centralised and operational support is improved. In 2016, the system and associated procedures were implemented at Non-Residential. In parallel, the system was adapted to suit financial consolidation and was integrated in the new SAP environment. This implementation entails a substantial change process and involves much more than adopting a new tool. It affects the organisation, culture and discipline of employees, requiring them to adapt. In 2017, the roll out at Property Development will be completed. This same year will also see the Change Team optimising use of the system, including realisation of the intended business benefits.

Tender management

During the previous year, over 500 tender projects were put into the system – Tender Template - representing no less than 90% of the ongoing projects. Audits are performed on the system to verify the quality of the input. The audits resulted in the decision to organise supplementary training for the tender teams in 2016,, for the purpose of improving both the quality of the information in the system and the tendering process. To this end, around 400 people were trained..

Project management

In 2016, the project management improvement programme was developed further. The project management plan for projects in the risk categories 2 and 3 was launched in 2016. It provides the basis for coordinating and documenting the project and the related process with the customer.

Procurement

The steps taken in the past year's steps taken at procurement are discussed extensively in the section "Procurement and chain integration".

Commerce

In support of the commercial process, SAP/CRM was implemented at Residential (Property Development and Residential Building) in 2016. The aim is to integrate customer information in a single system, to increase in-house cooperation and efficiency, customer approach and commercial activities. To this end, 120 commercial and tender employees received training. Apart from greater system knowledge, the training also led to more insight into the customer process and the added value that Heijmans brings. This system replaces seven out-of-date systems. It has been implemented as a workflow system which means it is always up to date. Throughout the company, we also identified key customers in 2016, and appointed strategic account managers for them.

Social trends and stakeholders

The Company engages in dialogue with its stakeholders on a regular basis. The stakeholders are groups and individuals that directly or indirectly affect – or are affected by – the company's realisation of its goals: customers, employees, shareholders and other capital providers, suppliers and subcontractors, the industry, government bodies, knowledge and educational institutions, and social groups. The following market trends and developments were observed last year:

Market developments

A steep rise in the demand for homes is causing a substantial pressure in supply in certain parts of the Netherlands. This mainly concerns the Randstad and its adjoining areas. More and more, this seems to impact commercial property, such as the street-level commercial sections of mixed-use buildings, a common inner city feature. As a result of this, 2016 saw a slight rise in demand and the corresponding volume under development.

The peripheral areas of the Netherlands present a different picture. Although costs are rising there, which is reflected in procurement costs, revenue is still showing only modest growth. As a result, costs and revenue are out of balance.

In the non-residential construction and infrastructure market, there is still a large number of players, with widely varying profiles. This makes competition fierce and the playing field highly differentiated. Combined with awarding mainly to the lowest bidder and contracts for large integrated projects where having to take risks is a part of the project, the effect is heavy pressure on pricing and a high-risk profile of projects. Heijmans has anticipated the phenomenon by following a selective acceptance and tender policy.

Changing role of government and new contract types

A few years ago, the government began taking more of a backseat, which led to traditional government tasks shifting more and more to the market. This has resulted in a change in contract types and operating responsibilities and risks being delegated. One of the most important contract types in recent years is the DBMFO and Design & Construct model, both of which have come about due to the withdrawal of the government and the shift of risks and performance. Following several years' experience, the Dutch government took the next step. This was a new division of risks between contractor and government, with a number of risks logically returning to the government's domain. This has improved the balancing of opportunities and risks between the customer and the contractor. The market vision of the Directorate-General for Public Works and Water Management explicitly recognises this.

Chain integration

Chain and system integration is still a major feature of construction. As such, it is reflected in the demands of customers. Integrated projects involving a combination of different functions and projects where various links in the chain are demanded or joined together continue to account for a substantial part of the market. Chain cooperation also presents Heijmans with opportunities for further optimising quality aspects that are important to the end users. Collaborating with technology partners on the installation of home control or on the integration of sensors in non-residential office buildings are just two examples.

Transformation and renovation

As a result of the crisis and vacancies this created in offices in recent years, the sector and its customers are turning their attention to re-use and transformation. Many office buildings no longer meet the needs of functional use, and, moreover, the focus of the demand is on high flexibility. One solution is to change the use of buildings and thereby revitalise the inner-city areas in which these buildings are located. Examples of such projects are the Broodfabriek storage facilities in Zutphen, Katendrecht in Rotterdam, Parooltoren and Trouwgebouw in Amsterdam and the Wijnhavenkwartier in The Hague. In an improving housing market, this transformation, with its related renovation, is becoming increasingly attractive, since it contributes to bringing a diversified housing supply up to standard. Technical

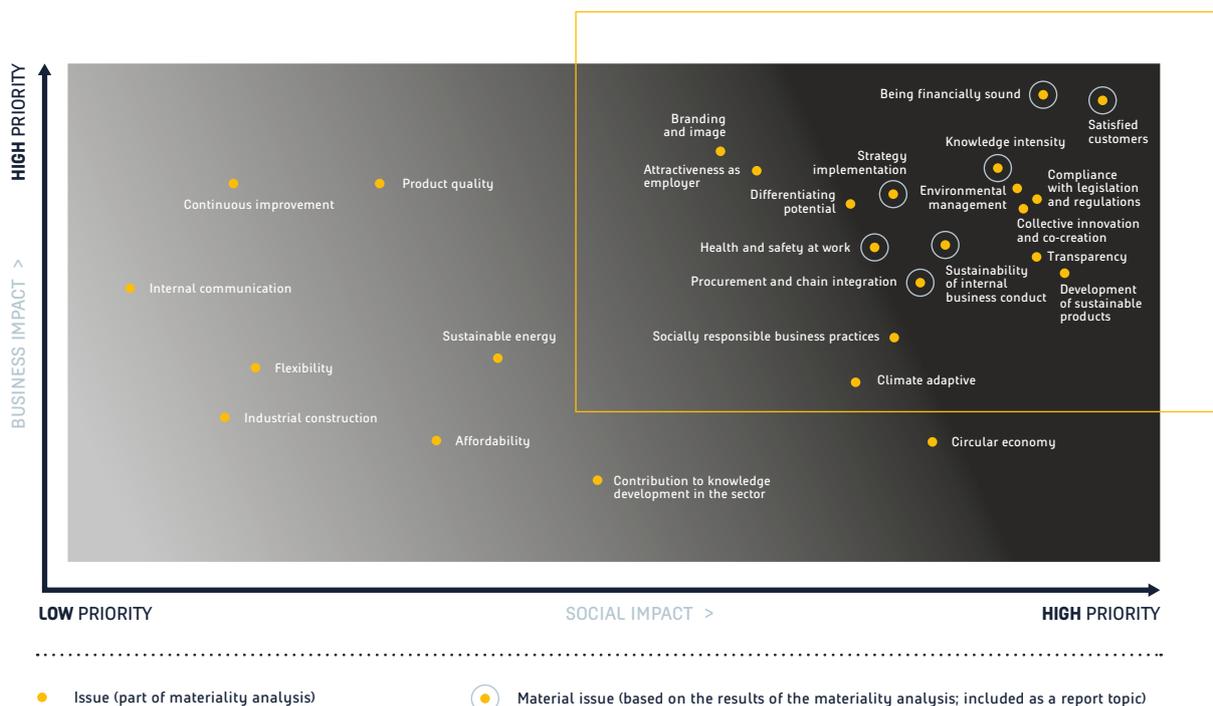
developments in the area of sustainability and energy then also contribute to intelligent designs and operation.

Innovative materials

Sustainability continues to be an important issue, mostly taking shape in the control of energy costs and efficiency. Innovative usage of materials and upcycling are also leading to the development of new and more future-proof construction materials: biobased or even intelligent.

Analysis of the most material issues

Analysis of the most material issues was carried by determining the relevant aspects for each stakeholder group. Input for this process comes from desk research and stakeholder meetings, which are held annually for each business segment and the group. A summary of these stakeholder meeting can be found in the appendices, on page 215. As mentioned above, desk research was carried out to pinpoint the relevant aspects. Among the sources consulted for this research were: the review by the Dutch Association of Investors for Sustainable Development (VBDO) of our annual report for 2015; the market reports produced by ING, ABN AMRO and Rabobank; and the analysis of feedback from the Netherlands Union of Tenants (Woonbond) and the Association of (Prospective) Homeowners (Vereniging Eigen Huis). Other sources consulted include customers such as the Central Government Real Estate Agency and



the Provincial Authority for Noord-Brabant. The aspects were also evaluated at NGOs such as Greenpeace and WWF. Duplicates were removed from the 172 aspects identified, resulting in a list of 44 categorized aspects. New aspects that are of importance are the significance of the circular economy, affordability and industrial construction. In addition, the aspect of climate change, identified previously, appears to have gained in importance among customers and society. Another finding is that Heijmans' appeal as an employer is becoming more and more important.

Given Heijmans' ambition and the market in which it operates, continuous improvement in combination with the company staying healthy is essential. Its projects are large, and this requires a streamlined organisation with central management and standard working processes. Furthermore, the margin profile is such that management of working capital is of obvious importance. Strengthening the core processes creates a basis for added value and ultimately the potential to renew. The success of the organisation, its service provision and product development can then be measured by the satisfaction of its customers. Delivering the performance needed for this requires continuity in the business

operation that is expressed in health and safety aspects, and increasingly in terms of knowledge.

Integrated dashboard

Based on the above analysis, an integrated dashboard has been created that shows the most material aspects and the critical performance indicator that represents the performance. The result is an overview of the progress being made with implementing the organisation's strategy. This dashboard is shown below and explained in more detail in the various sections of this annual report:

Dashboard of most material issues in 2016



* Saturday, 10 December at 2 p.m., while work was being carried out on the A9, a fatal traffic accident occurred. This happened during normal asphalt maintenance on this project.

See page 61

KNOWLEDGE INTENSITY

Training level (in %)

	LBO/VMBO	MBO	HBO	WO
2016	9	44	43	4
2015	9	46	41	4

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

See page 65

PROCUREMENT AND CHAIN INTEGRATION

Procurement spend preferred suppliers

51% 2015: 46%

Target 2016, 2017 and following: 50%

See page 69

SUSTAINABLE BUSINESS CONDUCT AND PROJECTS

CO₂ emissions scope 1+2 (in tonnes)



Target 2016: 5% reduction compared to 2012 in 2016
Target 2017: 5% reduction compared to 2016 in 2020

Total amount of residual material in tonnes **25,455**

2015: 27,674

Target 2016: 26,290 - Target 2017: 24,182

Separation of site residual material **72.2%**

2015: 73%

Target 2016, 2017 and following: 70%

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

2015: 92%

Target 2016, 2017 and following: 90%

Procurement spend at preferred suppliers with framework contract and signed sustainability declaration **91%**

2015: 89%

Target 2016, 2017 and following: 100%

A complete overview of performance indicators and notes is provided in the appendices to this annual report, page 220 in the appendices.



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Financial position

Key points in 2016

The result for 2016 is absolutely disappointing and below par. It was largely defined by the outcome of discussions on the financial settlement of a number of loss-making projects. Meetings with the customers concerned have led to agreements that return the risks associated with these projects to a manageable level. In the end, however, the outcome from these processes has had a seriously negative impact on the result and overruled any positive developments. The net result for the whole of 2016 came to €110 million negative (2015: €27 million negative). At €1.9 billion, the revenue was somewhat down on the previous year (2015: €2.0 billion). This was mainly due to the tighter focus already initiated to prioritise margin above volume, but also because a number of loss-making projects could only generate reduced revenue or none at all. The underlying operating result amounted to €66 million negative, considerably lower than for 2015 (2015: €5 million negative). Non-cash write-down of real estate and land holdings, restructuring costs and a loss on the sale of the German subsidiary Franki together significantly affected the net result for an amount of €29 million.

The results gave reason to revise the strategy and adopt several radical measures focused on:

Strategic choice to divest of foreign companies and activities

Franki, the German company specialised in foundations, was sold at the end of 2016. In the fourth quarter, plans developed to also divest of the other subsidiaries in Belgium and Germany, and the foreign activities, provided this was feasible. Early in 2017, agreement was reached with BESIX on the sale of the Belgian activities. These disposals help the financial position and will result in a core company focused on the Netherlands.

Organisational changes

The composition of the Executive Board has undergone change. The experience of the Board matches the competences that are needed to effect the strategic revision. Ton Hillen was appointed Chair of the Executive Board with effect from 1 December 2016. The management team and management structure of Infra has been adapted and placed under the control of COO Ruud Majenburg.

Acceptance and tendering policy for new projects

To keep risks at an acceptable level and in equilibrium with the experience and core competences of the company, large projects will only be accepted in partnerships and in collaboration with partners that have a solid track record in their field of expertise.

Reduce costs and integrate activities into operating divisions

Heijmans will tightly control costs to produce an optimal cost structure that matches the new scope. Although a large-scale reorganisation is not being considered, Heijmans will make the organisation leaner and reduce overheads. At the end of 2016, the decision was taken to transfer the activities of Technology, which are focused on the development of new concepts, products and innovations, to the business segments. The aim is to organise these activities as close as possible to operating activities and customers. In this way, renewal

will be geared more towards the needs of current activities. The progress and scoping of these activities will be defined by and reported directly to the Executive Board, which will also qualify them.

Most of the negative result is attributable to five loss-making projects: the N23 Westfrisiaweg in Noord-Holland, the Tilburg energy factory, the Drachtsterweg in Leeuwarden, de Wilhelminasluizen in Zaandam, and the new building of the RIVM in Utrecht. The results on these projects dampen the results of the segments Infra and Non-Residential. For 2016, they reported operating losses of €78 million and €15 million, respectively.

The growth in demand for new homes in 2016 led to a steep rise in revenue at Property Development and to controlled growth at Residential Building. Compared with 2015 and 2014, Property Development and Residential Building together achieved an underlying operating result that was, respectively, €5 million and €15 million higher than for those two years. The strategic revision, the sale of foreign subsidiaries, and adjustments to the organisation led to a greater focus on the core competences and the Dutch market. Both the German company Oevermann and the Belgian company Van den Berg had a strong year, producing higher results than the year before. Results from the activities of the other non-Dutch companies were comparable to the previous year.

Summary income statement (in € x million)	2016	2015	Difference
Revenue	1,884	1,979	-5%
Underlying result	-66	-5	
Adjustment to operating result of joint ventures	1	-9	
Write-down of real estate and land holdings	-19	-12	
Restructuring costs	-4	-3	
Loss on sale of Franki	-6		
Operating result	-94	-29	
Financial income and expense	-8	-10	
Result of joint ventures and associate investments	-2	9	
Result before tax	-104	-30	
Income tax	-6	3	
Result after tax	-110	-27	

The operating results from the Belgian and German activities are reported under Discontinued operations and Assets held for sale.

At year-end 2016, the order book for the Dutch activities showed a total of €1.9 billion, compared to €1.7 billion at year-end 2015.

Revenue

Revenue fell slightly to €1.9 billion (2015 €2.0 billion), on following the two factors: the tighter commercial focus on extending the implementation of the strict acceptance and tender policy; and unrealised revenue on a number of loss-making projects. As a consequence, revenue at Non-Residential declined to €315 million (2015: €421 million), mainly because of the longer delay on the RIVM project and the conservative tender policy for new projects. In addition, there was more focus on service, management and maintenance contracts. The revenue from the Dutch infra activities also went down, amounting to €621 million (2015: €690 million).

Revenue went up at the Residential segment, prompted by growth in the housing market and the strong supply of available homes from Property Development. Last year, Property Development sold 1,962 homes as against 1,791 in 2015. Revenue of Property Development climbed to €332, compared to €278 million in 2015. Last year revenue at Residential Building amounted to €296 million, compared to €295 million in 2015. The analysis of the revenue by segment in 2016 is as follows:

Revenue (in € x million)	2016	2015	Difference
Property Development	332	278	19%
Residential Building	296	295	0%
Non-Residential	315	421	-25%
Infra	621	690	-10%
Eliminations	-194	-234	
Netherlands	1,370	1,450	-6%
Belgium	230	210	10%
Germany	284	319	-11%
Total revenue	1,884	1,979	-5%

As a result of the strategic adjustments, the German subsidiary Franki was sold. For the three Belgian companies — Heijmans Bouw, Heijmans Infra and Van den Berg — a transaction has also been arranged, which should be finalised in the first half of 2017. In addition, Heijmans intends to dispose of the German subsidiary Oevermann, if possible subject to suitable conditions. The share of the foreign activities in total group revenue in 2016 was 27% (2015: 27%).

Underlying operating result

The underlying operating result consists of the operating result excluding any adjustments of the value of property and land holdings, impairment of goodwill, restructuring costs, result on the sale of entities, and other extraordinary items. The underlying result is used, since it increases understanding of the company's performance. As such, the Executive Board uses it as well. The underlying operating result for the Dutch business elements in 2016 came to €74 million negative (2015: operating result €12 million negative). The analysis by segments is as follows:

Underlying operating result (in € x million)	2016	2015	Difference
Property Development	15	9	
Residential Building	4	5	
Non-Residential	-15	0	
Infra	-78	-26	
Netherlands	-74	-12	
Belgium	7	8	
Germany	13	7	
Group	-12	-8	
Underlying operating result	-66	-5	-61

The Dutch group elements produced an underlying negative result of €74 million (2015: €12 million negative), while the German and Belgian companies together booked a positive result of €20 million (2015: €15 million). An expense of €12 million was reported for group and other costs (2015: €8 million).

The further growth in the housing market led to a better result at Property Development (2016: €15 million compared to €9 million in 2015) and virtually an unchanged result at Residential Building (2016: €4

million compared to €5 million in 2015). In the case of Residential Building, procurement prices at suppliers also increased, due to the market growth. In turn, this put pressure on the result. At Residential Building, which operates in a highly competitive market, controlled growth, with a clear focus on quality, remains important. At Property Development, partly thanks to investing in conceptual assets and brainpower, integrated area development as a core activity has developed further. Intensive cooperation between Residential Building and Property Development results in the ability to achieve goals and the feasibility of doing so. Moreover, it promotes efficient operation and enables the preservation of a low cost basis. Certainly in a growth market, it remains extremely important to keep a close eye on failure costs, standardisation and quality.

The result of Non-Residential for 2016 was a loss of €15 million, largely caused by the impact of the RIVM project in Utrecht. The design for the new building does not meet the vibration criteria specified for laboratory units. Following a formally arranged deferment, Heijmans and its consortium partners have meanwhile reached agreement with the customer, resulting in the commencement certificate being issued. The customer and consortium are still discussing the financial settlement of the extra costs entailed by the new design and the delay of the project. Owing to this matter, no production was realised in 2016. A provision of €10 million has also been formed.

The results from the infra operations in the Netherlands were strongly negative in 2016, and significantly impacted the result of the Group as a whole. The loss is mainly attributable to four large projects that were accepted in prior years: the N23 in Noord-Holland, the Energiefabriek Tilburg, Drachtsterweg in the Province of Friesland, and the Wilhelminasluis in Zaandam. As regards to the Energiefabriek, Heijmans has now reached agreement with the customer on termination of the contract. Waterboard De Dommel took over responsibility for service, maintenance and further optimisation of the Energiefabriek from Heijmans as from 1 December 2016. The overall loss on this project, an amount of €23 million in 2016, is largely represented by the costs of terminating the contract.

For the Westfrisiaweg section of the N23, agreement was reached in February 2017 on the approach, planning and financial settlement for the project. In 2016, Heijmans formed a loss provision of €32 million for this project.

In the case of the Drachtsterweg project in Leeuwarden, the Friesland Provincial Authority and Heijmans reached agreement in June 2016 on the further execution and finalisation of the project. The outcome was that new arrangements were made for the planning and working methods. For Heijmans, this means a loss of €6 million on the project for 2016. Progress is going according to plan, with the opening of the road section set for the second half of 2017.

Regarding the Wilhelminasluis project in Zaandam, there is a difference of opinion on the design for the lock chamber. The construction of the lock bays was completed, while the other work was halted pending a new design for the chamber. Heijmans and the customer have not yet reached agreement on the design, and an arbitration procedure has been initiated. For 2016, Heijmans has formed an additional provision of €8 million for this project.

On balance, the main impact on the underlying operating result is from settlements and provisions relating to the projects for Drachtsterweg in Leeuwarden, the Energiefabriek Tilburg, RIVM, Wilhelminasluis in Zaandam, and the Westfrisiaweg section of the N23. Their total effect is €80 million. Apart from the foregoing, there were a few small losses on projects finalised in 2016. These amount to €10 million. The projects and their financial settlement were also finalised in 2016. Overall, the effect of the above-mentioned settlements and provisions is a total of approximately €90 million.

Operating result

The operating result in 2016 came to €94 million negative, against €29 million negative in 2015. In addition to restructuring costs and write-downs of property and land holdings, the operating result was affected by a book loss on the sale of the subsidiary Franki, as well as by restructuring costs. The breakdown is as follows:

Operating result (in € x million)	2016	2015
Underlying operating result	-66	-5
Adjustment to operating result of joint ventures	1	-9
Write-down of real estate and land holdings	-19	-12
Restructuring costs	-4	-3
Loss on sale of Franki	-6	0
Operating result	-94	-29

Impairment

Heijmans assesses its property and land holdings on a regular basis. The result was particularly affected by write-downs of property holdings outside the Randstad urban area. These concern adjustments to the value of land and property holdings in the outlying areas of the Netherlands. Of influence here is the slower rise in prices compared with increasing procurement costs, as well as delays in government planning. This affects the value of the land holdings concerned. As a result, the adjustment to the value of the land and property holdings amounts to €19 million.

Restructuring costs

As a result of certain small-scale organisational changes, as prompted by the strategy revision, the related restructuring costs came to €4 million for 2016 (2015: €3 million).

Financial income and expense

The analysis of the financial income and expense is as follows:

Financial income and expense (in € x million)	2016	2015	Difference
Interest income	5	3	
Financial income	5	3	2
Impairment of loan	-	-1	
Other interest expense	-15	-15	
Interest expense	-15	-16	1
Balance	-10	-13	3
Capitalised interest	2	3	-1
Financial income and expense*	-8	-10	2

* Financial income and expense relates to all activities. For a breakdown into continuing operations and discontinued operations, see the financial statements.

The difference between financial income and financial expense is €2 million less than for 2015. The average interest rate in 2016 was below the rate in 2015. In addition, a non-recurring charge was recognised in 2015 for the write-down of an unpaid loan.

Income tax

The income tax rate in 2015 was -6.4% and was affected by a number of non-deductible items and the non-recognition of the loss suffered in the Netherlands for 2016. To give an example, the interest expenses on the cumulative financing preference shares is not deductible. The same applies to part of the so-called mixed costs.

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 Dec. 2016	31 Dec. 2015	Difference
Non-current assets	374	380	-6
Working capital	-97	-72	-25
Invested capital	277	308	-31
Equity	142	266	-124
Provisions	35	32	3
Net interest-bearing debt	100	10	90
Financing*	277	308	-31

* Before reclassification of entities to be sold as entities held for sale.

Capital invested: non-current assets

The analysis of the non-current assets is broadly as follows:

Non-current assets in € x million	31 Dec. 2016	31 Dec. 2015	Difference
Property, plant and equipment	82	90	-8
Intangible assets	111	112	-1
Other non-current assets	181	178	3
Carrying amount of non-current assets*	374	380	-6

* Before impairment/reclassification of entities to be sold as entities held for sale.

The item 'Property, plant and equipment' primarily includes company buildings and associated lands, machinery, installations, large equipment and other non-current assets. Investments in the year amounted to €15 million (2015: €17 million). Assets relating to the Belgian and German activities are recognised under Assets held for sale. The majority of the other non-current assets consists of long-term receivables from joint ventures in which Heijmans participates, including the PPP National Military Museum.

Capital invested: working capital

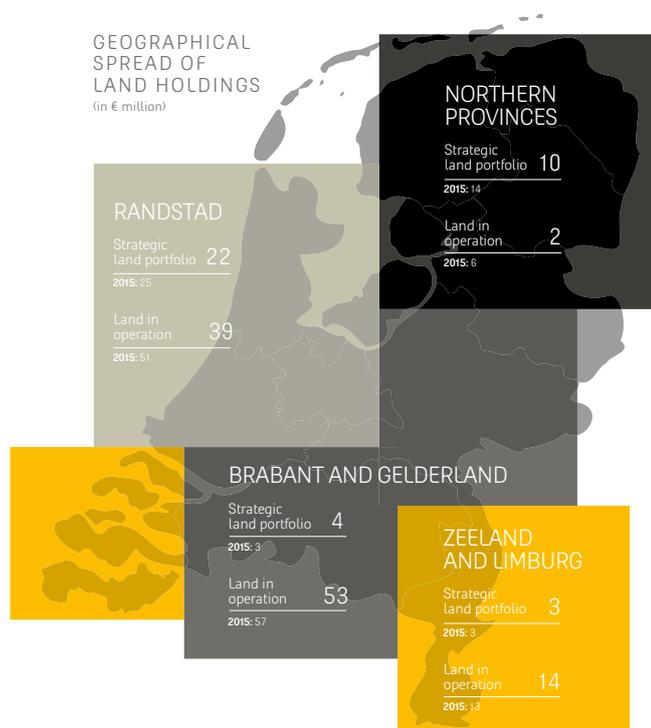
Working capital at year-end 2016 was lower than at year-end 2015. The analysis of the working capital is broadly as follows:

Working capital In € x million	31 Dec. 2016	31 Dec. 2015	Difference
Strategic land holdings	147	172	-25
Residential properties in preparation and under construction	58	76	-18
Other inventory	16	18	-2
Work in progress	-25	4	-29
Accounts receivable	278	267	11
Payables	-571	-609	38
Working capital	-97	-72	-25

* Before reclassification of entities to be sold as entities held for sale.

The working capital fluctuated 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 features a seasonal pattern with higher levels of activity in the second and fourth quarters, which especially affects the Infra and Non-Residential segments. Many contractual discussions are financially settled in the fourth quarter of the year, particularly those concerning large, integrated projects. Working capital is usually at its lowest level at the end of the year. Higher requirements for working capital during the year mean a greater capital contribution, which Heijmans solves by using a revolving credit facility. The complex status of the loss-making projects also had a negative effect on working capital, especially in the second half of the year. In addition, the favourable effects of project-specific debtors paying at year-end were not as great as for the prior year. Receivables at year-end 2016 amounted to €278 million, compared to €267 million at year-end 2015. Moreover, creditors were down since suppliers were given relatively more leeway, partly in view of the pressure exerted by the procurement markets.

Land holdings declined to €147 million (2015: €172 million). The division of land holdings into types is as follows:



Financing: equity

Equity decreased by €124 million during the reporting year, a consequence of the net loss of €110 million realised. The analysis of the changes in equity is broadly as follows:

Change in equity (in € x million)	2016	2015	Difference
Result after tax	-110	-27	-83
Share issue	0	21	-21
Changes in pension valuation	-17	17	-34
Tax effect of results recognised in equity	4	-4	8
Result of cash flow hedges	-1		-1
Change in equity	-124	7	-131

The solvency ratio on the basis of the capital base, defined as equity plus the cumulative financing preference shares, was 18% at year-end 2016 (year-end 2015: 26%). Heijmans assumes that, if the planned disposals can be realised, solvency should exceed 20% again.

Amounts in € x million	31 Dec. 2016	31 Dec. 2015	Difference
Equity	142	266	-124
Cumulative preference shares	45	45	0
Capital base	187	311	-124
Total assets*	1,056	1,190	-134
Solvency	18%	26%	

* The 2016 figure for total assets is after reclassification of entities to be sold to assets held for sale.

Given the development of both the operating results and the net result in 2016, it has been decided that no dividend will be distributed for the year on ordinary shares or depositary receipts for ordinary shares.

Financing: net interest-bearing debt

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) stood at €100 million at year-end 2016 (2015: €10 million). Recourse net debt, on which the agreements with the financiers are also based, amounted to €49 million at year-end 2016. In comparison at year-end 2015 there was a net cash holding of €45 million determined by the same method.

Interest-bearing debt (in € x million)	31 Dec. 2016	31 Dec. 2015	Difference
Non-current	59	103	-44
Current	119	32	87
Gross debt	178	135	43
Cash and cash equivalents	-78	-125	47
Net debt*	100	10	90

* Before reclassification of entities to be sold as entities held for sale.

The analysis of the gross debt is broadly as follows:

Gross debt in € millions	31 Dec. 2016	31 Dec. 2015	Difference
Cumulative financing preference shares	45	45	0
Project finance	1	12	-11
Other financing facilities	132	78	54
Gross debt*	178	135	43

* Before reclassification of entities to be sold as entities held for sale.

Financing agreements for 2016 and refinancing for 2017

In early 2016, new agreements were made on the credit made available by the banking consortium to Heijmans. As part of the agreements, the financing was extended to 30 June 2018. The syndicated facility was increased to €256 million, while an existing non-committed line of credit was inserted. The amendment included an adjustment to the financial covenants, in that the interest coverage ratio would be measured on a quarterly basis with effect from 2016. This ratio would have to be at least 4 with effect from the second quarter of 2016. It was also agreed then with the banks that, as from mid-2017, the leverage ratio would be tested as well. The test is to be based on quarterly average debt, subject to a maximum ratio of 2.5.

At the end of Q2 2016, Heijmans complied with these financial covenants. On 30 June 2016, the interest cover ratio was 3.6 (>3) and the leverage ratio 2.2 (<3). Although Heijmans also complied with the agreed financial covenants as at the end of Q3 2016, it was clear that disputes involving the loss-making projects could impact the status in the future. Due to the losses on the loss-making projects, Heijmans would no longer have been in compliance with the financial bank covenants at year-end 2016. Accordingly, the company took the initiative to engage in constructive discussions with the banking consortium. By mid-February 2017, this resulted in new arrangements for the financing from the bank consortium, consisting of ABN AMRO, ING Bank, KBC and Rabobank.

Key elements in the new agreements are to achieve a sizeable reduction in the use of credit, and an extension of the financing arrangement by one year until

mid-2019.

Owing to negative results in previous years, average debt usage has increased. Heijmans and the banking consortium have jointly concluded that reducing debt is necessary to achieve a sound financial position. This endeavor has helped shift Heijmans' strategic focus onto the Dutch market. The divestment of the Belgian and German activities as mentioned before is in line with this modified scope. Currently, the sale of the German subsidiary Overmann is being evaluated. After the intended disposals and other steps have been completed, solvency is expected to return to above 20%. Sales proceeds will be largely applied to debt reduction. In turn, the committed credit facility will be phased down to €122 million by 30 June 2019. An additional contribution to equity is not part of the arrangement.

It has been agreed that the financial covenants will not be tested in Q4 2016 or Q1 2017. Regarding the tests in Q2, Q3 and Q4 of 2017, minimum EBITDA levels and solvency have been agreed. Agreements have also been made for the phased increase of EBITDA to a minimum of €20 million and of solvency to a minimum of 20%, both in Q4 2017. From 2018 onward, the existing covenants will apply once more. The interest cover ratio has to be tested at the end of every quarter, and needs to be at least 4. The senior debt cover ratio will be tested at the end of every half year, and is subject to a maximum of 3. Commencing 30 June 2018, the average leverage ratio will be tested at the end of every quarter, and is not to exceed 2.5.

Additional collateral has been agreed with the banks. This comprises a pledge of the proceeds from the disposals and a first mortgage on land holdings with a combined carrying amount of almost €80 million. The interest margin to be paid to the banking consortium has been increased. However, it will return to the current levels as planned reduction in the facility takes place.

According to the definitions in the financing agreement, the EBITDA, the net financing expenses and the net debt as reported in the financial statements have to be adjusted in certain respects. The main adjustments concern the inclusion of associates that as a result of the introduction of IFRS 11 with effect from the 2014 financial year are no longer consolidated, the designation of the cumulative financing B preference shares (and the related financing expense) as equity rather than debt; exclusion of so-called 'non-recourse PFI' project finance (and the related financing expenses and project results); and finally, for the EBITDA certain expenses may be recognised as 'non-operating', consisting of, among other, write-downs as a result of land holdings, reorganisation expenses, gains on the sale of entities and adjustments in connection with the valuation of pensions.

The other financing facilities mainly concern current account overdraft facilities at credit institutions and some financial leases.

Cash flow

The loss-making projects also had a highly adverse effect on the cash flow in the second half of 2016. Partly because of this, net debt at year-end 2016 came to approximately €100 million versus €10 million at year-end 2015. The effect of the loss-making projects was largely absorbed in the cash flow for 2016.

The condensed cash flow statement is based on the indirect method and is as follows:

Cash flow (in € x million)	2016	2015	Difference
EBITDA - underlying	-47	14	
Restructuring expense	-4	-16	
Interest paid/received	-9	-11	
Income tax	-4	0	
Movement in working capital and other	-4	22	
Cash flow from operations	-68	9	
Sale/purchase of associates	0	0	
Investments in property, plant, and equipment	-15	-17	
Proceeds from property, plant and equipment	7	6	
Loans granted to joint ventures and associate investments	-14	2	
Investment cash flow	-22	-9	
Share issue	0	21	
Dividend paid	0	0	
Other	0	0	
Movement in net debt*	-90	21	-111

* before reclassification of entities to be sold as entities held for sale

Order book

At almost €1.9 billion at year-end 2016, the order book for Dutch activities was slightly higher than at year-end 2015 (€1.7 billion). The figure excludes the Wintrack II and Zuidasdok projects, awarded at the beginning of 2017. Of the total revenue forecast for 2017, approximately 62% is in the order book (2016: 67%). The composition of the order book at year-end 2016 and the comparative figures for 30 June 2016 and 31 December 2015 are as follows:

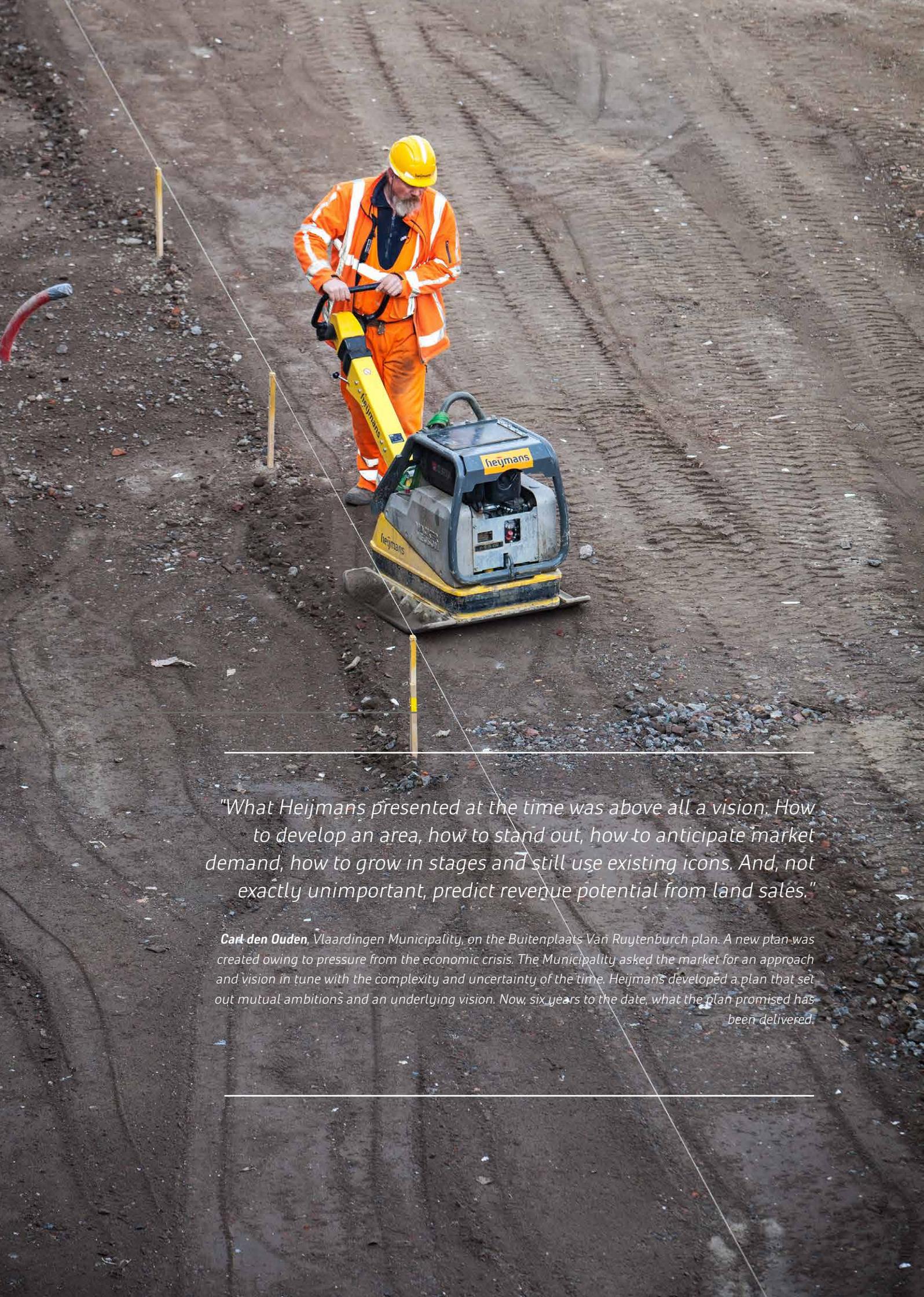
Order book (in € x million)	31 Dec. 2016	30 Jun. 2016	31 Dec. 2015
Property Development	311	275	284
Residential Building	327	277	286
Non-Residential	758	825	517
Infra	730	787	834
Eliminations	-263	-218	-252
Netherlands	1,863	1,946	1,669
Belgium	259	251	270
Germany	183	178	155
Total order book	2,305	2,375	2,094

Outlook

With the financing now arranged, a strong foundation is in place for the continuity of Heijmans. The financial settlement of the loss-making projects, the disposals and the measures taken to tighten the organisation and its focus are major steps on the road to recovery of the company, including healthy financial ratios as well as a healthy result. For 2017, the focus will be on return to profitability, further rollout of the adjusted strategy, and achievement of the planned debt reduction, as well as the repositioning of the Dutch core company. In this context, Heijmans has a well-filled order book with contracts that suit the strategic framework.



3
heyjmans



"What Heijmans presented at the time was above all a vision. How to develop an area, how to stand out, how to anticipate market demand, how to grow in stages and still use existing icons. And, not exactly unimportant, predict revenue potential from land sales."

Carl den Ouden, Vlaardingen Municipality, on the Buitenplaats Van Ruytenburch plan. A new plan was created owing to pressure from the economic crisis. The Municipality asked the market for an approach and vision in tune with the complexity and uncertainty of the time. Heijmans developed a plan that set out mutual ambitions and an underlying vision. Now, six years to the date, what the plan promised has been delivered.

Strategy implementation and customers

Residential: Property Development and Residential Building

Last year, the housing market was, just as in 2015, marked by growth. The low mortgage interest rate, improving economy, and further rise in consumer confidence are producing a steeply growing housing market. This affects the number of transactions, as well as the average selling time and sale price. Even so, regional differences are still clearly visible. While the Randstad and its adjoining areas exhibit growth, the outlying regions remain lagging behind.

The private housing market picked up, partly thanks to the outlined consumer confidence and the favourable movement in the mortgage interest rate. Heijmans had anticipated this growth, though opted for Residential to pursue solid, controlled growth in order to guarantee quality. Investors and corporations, too, invested heavily in the housing market, with investors focusing mainly on new build and transformation and housing corporations particularly on sustainability of the housing stock. The need and demand for rental accommodation are clearly increasing. Affordability of homes shows differences among specific areas, and from segment to segment. Inner-city new-build remains especially scarce, also due to a lack of available space, while the demand for it is large. The planned urban capacity is still way behind demand. Large-scale and long-running new-build construction, like the solutions that are provided in Vinex areas, is declining due to the shrinking availability of land. New development areas are transformation locations, suburban zones or smaller infill locations, as well as spillover areas of large cities - two examples being in Almere and Vathorst (an Amersfoort suburb) - of large cities. Ageing of the population and individualisation generate a demand for more comfort and safety at home. The elderly continue to live independently for a longer period of time. In response, Heijmans offers house control as a standard feature of all newly built owner-occupied ground-level homes. In this way, heating, lighting and security, and aspects such as comfort and energy monitoring, can be controlled from a smartphone or

tablet, making usage transparant. Last year, Heijmans also made wireless Internet a part of its standard package offered on delivery of newly built owner-occupied ground-level homes.

Thanks to the growing economy, the demand for commercial property will likewise pick up again. This mainly concerns inner-city locations and buildings that serve an extensive mix of functions. The number of apartments on top of commercial units or the mix of living, working and residing are steadily increasing. The market growth is presenting opportunities to further develop the existing land portfolio to satisfy the demand, and thus reduce the capital requirement. Given the pressure on the market, further acceleration and concentration in planning - with retention of quality - should open the possibility of creating more capacity.

Property Development and Residential Building are – in accordance with the Heijmans business model - centrally organised and managed business units that collaborate closely to serve the market. Around 60% of the production volume of Residential Building originates from the Property Development portfolio. The knowledge and expertise in area development remain important drivers of the development of the project portfolio and of the organisation's acquisition strength. Last year, Heijmans' Property Development won the contract to develop 74 dwellings in the Spaarndammer district of Amsterdam. A plan has been developed, partly based on input from people living in the area, which actually comprises about 30% social rental housing and the remainder as mid-range rental accommodation. This plan addresses the inner-city context highly effectively. In addition, Heijmans and the institutional investor IC Nederland signed a contract to construct 350 rental homes in Katendrecht, Rotterdam. The project is part of the transformation and area development in this inner-city neighbourhood of Rotterdam. In 2016, Heijmans was selected as a partner for the development of 400 homes in the Kralingen district of Rotterdam. It also reached agreement with institutional investor Vesteda on the construction of 235 homes in Kanaleneiland Utrecht. The Wijnhaven project in The Hague, comprising apartments, offices, stores, hotel and catering establishments, and the local campus of Leiden University, was delivered and taken into use.

Product innovations are addressed collectively, as are design and (pre-) engineering, so that concept and realisation reinforce each other in an optimal price to quality ratio. Intensive cooperation with partners and suppliers in the chain is crucial for this. Targeting maximum customer satisfaction, for instance by leaving

no snagging items, and further standardisation of processes is important for this model. To illustrate the point, the 1,000th Huismerk home, based on the above standardisation and process principles, was delivered last year. In Weert, last year, 30 ONE's were put in place for housing corporation Wonen Limburg in only a few days.

Just as in 2015, the managed growth of Residential Building remains a key objective for Heijmans. A sound balance between margin and volume is meant to ensure a healthy price-quality relationship. Making both a greater focus on customer satisfaction, zero snagging items and less need for emending aftercare important. In this respect, Residential Building concentrates, with the exception of Property Development projects, on housing corporations and institutional investors. On the procurement side in 2016, Residential Building felt the effect of increasing pressure on suppliers and subcontractors as a result of the market growth. This concerns not only pricing, but also availability.

Property Development and Residential Building, under pressure from the crisis years, both downsized. Now that the market is picking up and showing volume growth, the workforce capacity is experiencing pressure. In Q4 of 2016, Property Development put a lot of extra effort into bringing the home "shop window" up to standard. The intention is to ensure that the supply of homes effectively addresses the growing demand.

Property Development

Property Development (in € x million)	2016	2015
Revenue	332	278
Underlying operating result	15	9
Underlying operating margin	4.5%	3.2%
Order book	311	284

Heijmans benefitted from a strongly growing market in 2016, which translated into steep rises in revenue and result at Property Development. Revenue for 2016 is €332 million (2015: €278 million), with the underlying operating result amounting to €15 million (2015: €9 million). The number of homes sold came to 1,962 (2015: 1,791), of which 1,019 were sold to private individuals and 943 to institutional investors. The rise in the value of homes is reflected in the average purchasing costs payable by vendor - prices (excl. VAT). This was €243,000 in 2016 (in 2015: €229,000).

The stock of strategic land holdings went down from €172 million to €147 million, as a result of development work starting on holdings and the recognition of impairments. The unconditional commitments leading to future property purchases declined to €93 million in 2016 (2015: €99 million). The conditional commitments that may lead to real estate purchases increased slightly to €146 million (2015: €113 million). On materialisation, the majority of these contingent liabilities had only a marginal cash impact. This relates mainly to commitments to acquire land when the building permit is granted and/or a certain sales percentage is achieved. The market growth is presenting opportunities to further develop the existing land portfolio to satisfy the demand, and thus reduce the capital requirement.

Residential Building

Residential Building (in € x million)	2016	2015
Revenue	296	295
Underlying operating result	4	5
Underlying operating margin	1.4%	1.7%
Order book	327	286

For 2016, Residential Building reported revenue comparable to the year before: €296 million (2015: €295 million). Heijmans opts for controlled growth. In the growing housing market, procurement is under increasing pressure from suppliers and subcontractors, which has affected both price and availability. In response, Residential Building intends to focus selectively on projects that promise healthy margins. The underlying result of Residential Building is €4 million (2015: €5 million).

Projects: Non-Residential

The market for non-residential new-build stabilised in 2016. Need for new office space is negligible, partly owing to the large amount that is empty and available on the market. Non-Residential focuses on those market segments where it can provide added value through knowledge of customer processes and development of solutions for housing issues. This means the market for new-build/renovation of government-related facilities, laboratories, healthcare (cure) and data centres. Based on the expertise of the installation section, Non-Residential is looking to create long-term customer relationships by acquiring long-term service contracts. The intention is for Heijmans to spend more time and be more often at customers. Customers increasingly

"The Amsterdam Data Tower is a high-grade facility that caters our customers' current and future connectivity needs. The tower is at the heart of our digital economy. It makes it possible to provide connectivity services supported by engineers and infrastructure professionals of Digital Realty."

William A. Stein, CEO Digital Realty *Digital Realty took over the Amsterdam Data Tower from Telecity Group last July. The tower is part of the first phase of the redevelopment and expansion of the AMS1 data centre in Amsterdam Science Park. Heijmans was responsible for fitting out the mechanical engineering and electrical installations inside the Amsterdam Data Tower.*

demand more speed and adaptability, also due to developments which have an impact on them. Environmental factors, not to mention opportunities created by the digital world, continue to set challenging standards for buildings, which entails ever-greater complexity and flexibility as a constant unique value. People's behaviour and their use of space changes so rapidly that being able to address these types of change is crucial. One example is the use of big data in the management and maintenance of buildings. Sensor technology can provide information on occupancy and space utilisation, so that maintenance and management can be organised with much greater focus. Calling it BeSense, Heijmans and CSU jointly developed a concept for sensor technology to provide insight into occupancy and usage for cleaning services. A pilot project was initiated in 2016 at Aegon's office in The Hague.

For the size of the market, the number of players is large, whereas the new-build volume remains constant. This engenders pressure on prices and the need to be distinctive. Heijmans is following a strict acceptance and tender policy, which includes creating and fostering strong customer relationships, and offering concepts and products based on long-standing expertise and ongoing development. Among these concepts are standardised construction methods and a proven way of processing. Repeated deployment of the above expands the organisation's learning potential and results in improvements to counteract the pressure on prices.

Maintenance and management activities, for which the installation component is the driver, are developing positively. Among the contracts Heijmans received in 2016 was one to provide long-term service and maintenance for Leiden University, and another to provide maintenance for the European Patent House in Rijswijk. Heijmans is fulfilling a variety of long-term contracts, such as for Timmerhuis in Rotterdam and several ministries in The Hague. The multi-year development of the Hart van Zuid area in Rotterdam is in full swing, and realisation of the new home for the Amsterdam District Court has begun with the demolition of the existing premises. In the second half of last year, the opening of the Amsterdam Data Tower took place.

Heijmans was also able to acquire several PPP projects in 2016. In partnership with Ballast Nedam, Heijmans was selected for the multi-year development of the Hart van Zuid area in Rotterdam. This project involves the redevelopment of prominent buildings, such as Ahoy, Zuidplein and the Charlois swimming pool. 2016 also

saw the awarding of the large PPP project for construction of the new Amsterdam District Court building to the consortium of which Heijmans is a member. Heijmans' share comprises part of the realisation and operation. This DBFMO project is worth €235 million (including 30 years' management and maintenance). From the perspective of Heijmans' integrated business model, the growing commercial property market and the increasing number of mixed inner-city projects form a sizeable segment. The stacked housing, in combination with commercial facilities, is often structured as a joint effort by Non-Residential and Residential Building.

Focus, discipline, excellence

Based on the revised strategy, Non-Residential is concentrating on a number of focus markets, including construction projects in the segments healthcare, educational buildings, high-tech clean and commercial property. In terms of services, the focus is on maintenance contracts with a high degree of product and service-offering standardisation (to be and spend more time with customers). Non-Residential's focus in this area also covers complex projects that include installation contracts. As for organisation, Non-Residential is centralised, but has several regional offices that provide maintenance and management services. Large projects are managed centrally, while services are positioned locally, although both are managed by means of uniform processes. Last year saw the installation of SAP/ERP at Non-Residential, which will enable a more uniform management of processes.

Non-Residential (in € x million)	2016	2015
Revenue	315	421
Underlying operating result	-15	0
Underlying operating margin	-4.8%	0.0%
Order book	758	517

Non-Residential reported declining revenue, a consequence of a delay on the RIVM project and a conservative acceptance policy: €315 million (2015: €421 million). For the size of the market, the number of players is large, whereas the new-build volume remains constant, causing pressure on prices. Non-Residential follows a selective acquisition policy within several focus markets. Its result for 2016 was below par, owing to a very negative result on the RIVM project (see the explanation below). The underlying operating result for

2016 came to €15 million negative (2015: nil). By contrast, the maintenance and management activities are developing positively.

The result suffered a serious blow from the RIVM project. The construction of the new office and laboratory for RIVM and CBG presented Heijmans with a major challenge in 2016. This project is realised by a consortium comprising Heijmans alongside Strukton and Hurks, in which the company has an interest of 37.5%. The initial design for the new building failed to meet the vibration criteria specified for laboratory units. Customer Rijksvastgoedbedrijf granted the consortium a deferment for it to produce an alternative design proposal. Identifying and analysing possible alternatives cost considerable time and effort. At the end of 2016, the consortium proposed a well-conceived combination of measures that the customer approved. Following this, the commencement certificate for the construction work to start was issued mid-January 2017. The project was delayed because a new design had to be created. As a result, no production was realised in 2016. In addition, a provision of €10 million has been formed. Another factor is the reduced revenue, which in turn means less cover for overheads.

Infra

For Infra last year was marked by a large negative operating result, attributable to several projects that had

been accepted in the past and had a major impact on the result for 2016. Among the projects concerned are Energiefabriek Tilburg, Drachtsterweg in Leeuwarden, Wilhelminasluisen in Zaandam, and the Westfrisiaweg section of the N23 in Noord-Holland. Although most of Infra's activities in the Netherlands are performing well, this is overshadowed by the losses on the aforementioned projects.

Financial settlement and ringfencing of loss-making projects

Energiefabriek Tilburg

The purpose of the Energiefabriek Tilburg is to treat the sewage sludge from the catchment area of De Dommel. For the achievement of this objective, high-grade technologies have been utilised. In the contract that Heijmans agreed to, there was insufficient consideration of the risks that the company would face from the construction and design of this complex facility. During the design and realisation stages, Heijmans and De Dommel Water Board discussed the layout and proper functioning of the installation, as the two parties interpreted the issues differently. Although they reached agreement on some points, decisions on a number of them had to be imposed through arbitration. This formed the basis to initially continue the collaboration. After consideration, however, both parties came to the same conclusion of wanting to end the collaboration. For Heijmans, this meant the end of further escalating

"The new parallel road to the A12 is in place. Just like Moordrechtboog, which joins the A12 to the A20. You can see here how exciting it is to continue building the Netherlands and make it more accessible. If only because of the fact that we are metres below sea level here. The people doing the construction work had to contend with extremely soft peat soil. Something that calls for considerable ingenuity and creativity.

With the new parallel road and an additional exit to Gouda, we can take a lot of local traffic off the motorway. That's good for the flow through one of the Netherlands' most important interchanges and the road safety."

*From the speech by **Melanie Schultz van Haegen**, Minister of Infrastructure and the Environment, given at the official opening of the A12 parallel structure near Gouda.*

risks and potential costs. De Dommel Water Board took over responsibility for service, maintenance and further optimisation of the Energiefabriek from Heijmans as of 1 December 2016. Contract termination caused an additional negative effect of almost €15 million on EBITDA, bringing the overall loss for 2016 on this project to €23 million.

N23

For the N23 Westfriisiaweg project, there was a difference of opinion mainly concerning the execution of the project as regards to the condition of the soil and its effect on the work, and the implications of the contract type. Heijmans has reached agreement with the customer on the execution and planning, as well as on the financial settlement of the project. The new arrangements require formation of a loss provision of €32 million for this project. With the signing of the letter of intent, the work temporarily halted will be resumed. Delivery of the project will be complete by the end of 2018.

Drachtsterweg Leeuwarden

The Friesland Provincial Authority and Heijmans got into a dispute over the execution of the Drachtsterweg project. This concerned deeper construction work over most of the length of the new Drachtsterweg and building an aqueduct for maritime traffic. On the one hand, the dispute was about the consequences of unforeseen setbacks that had caused delays to the project, and on the other, about the use of underwater concrete. The Friesland Provincial Authority and Heijmans reached agreement in June 2016 on further execution and completion of the project. The outcome was that new arrangements were made for the planning and working methods. Per the new plan, the M.C. Escher Aqueduct will be opened to car and cycle traffic on 31 August 2017. For Heijmans, this means a loss of €6 million on the project for 2016. Progress on the project is going according to plan, with the opening of the road section set for the end of summer 2017.

Wilhelminasluisen Zaandam

For the Wilhelminasluis project in Zaandam, there is a difference of opinion on the design for the lock chamber. The construction of the lock bays was completed, while the other work was halted pending a new design for the chamber. Heijmans and the customer have not yet reached agreement on the design, and an arbitration procedure has been initiated. For 2016, Heijmans has formed an additional provision of €8 million for this project.

Consequences

Given the impact of these projects, including the underlying contracts and risks, an explicit change of direction is necessary to achieve a solid further tightening of project, contract and risk management. The complexity of large, integrated projects, where different stakeholders are active participants and circumstances are constantly changing, necessitates disciplined control and an unwavering focus on process and content quality. This was the motivation for revising the strategy at the end of 2016 to take an approach that concentrates on "focus, discipline and excellence".

Focus, discipline and excellence

The highly negative developments led to a radical intervention. Its aim is an improvement in the result, an acceptable settlement of the loss-making projects, and an organisation with a strong corporate culture that is robust and fit for purpose. In 2015, this brought about organisational adjustments, and further tightening of measures and tools, designed to improve risk management, and hence avoid problems and failure costs. The acceptance policy for new projects has also been tightened. This means an extremely precise assessment of the complexity, knowledge and experience aspects, market and customer conditions, as well as strictly assessing whether the contract explicitly suits our core competencies and the added value we provide. In the end, Mobility has been selected as the primary market sector for Infra, with the emphasis on line infrastructure. Specifically, this refers to the design, construction and maintenance of roads, including the supporting civil engineering projects. Water and Energy are secondary sectors. Contracts here will only be accepted on the basis of manageable complexity and proven technology, and then only in collaboration with risk-bearing partners. Infra's intention is to add value in the form of the availability and reliability of infrastructure, and to realise growth in the area of maintenance and management, including asset management.

Despite the enormous pressure from the loss-making projects, the majority of Infra's Dutch activities are on target. The regional Infra and asset management activities recorded a good result for 2016. This is also true of the specialisms and small projects, which also create a stable and favourable image of Infra in the Netherlands.

The contract types introduced by the government, based on a shift of risk and responsibilities, are now experiencing a counter movement. Even Public Works and Water Management acknowledges the complexity of project and environmental factors. It increasingly addresses

these aspects by a clear division of roles between customer and contractor. Under this contract regime, contractors are again being queried and challenged on their core business and competence, to respond successfully to challenges in the built-up environment by employing their experience, knowledge and skills. In its Market Vision, Public Works and Water Management explains its idea of a more equal allocation of opportunities and risks. It also encourages all parties in Infra to apply these principles.

Infra (in € x million)	2016	2015
Revenue	621	690
Underlying operating result	-78	-26
Underlying operating margin	-12.6%	-3.8%
Order book	730	834

Infra reports declining revenue, citing the main cause as stagnation and halting of projects. Infra also introduced additional conditions last year for the acquisition of new contracts. Revenue came to €621 million (2015: €690 million). 2016 for Infra was marked by a large negative operating result, attributable to the financial impact of the following projects: Tilburg energy factory, Drachtsterweg in Leeuwarden, Westfrisiaweg section of the N23, and Wilhelminasluis in Zaandam (see explanation below). The underlying operating result came to €78 million negative (2015: €26 million negative).

Most of Infra's Dutch activities performed well, the large projects as well as the specialised activities, regional projects, and the maintenance and management activities. Last year, Heijmans joined the consortium for the Beatrixsluis project near Nieuwegein. Agreement on the financial close of this large project, with a net present value of roughly €133 million, was reached in February. Among the deliverables of the project are construction of an additional lock chamber, renovation of the two existing lock chambers, widening of the Lekkanaal, and the construction of outer harbours and additional moorings. Heijmans also obtained the contract for the widening of the section between the A1 at Apeldoorn-Zuid and the Beekbergen intersection. The design and construction contract is for the building of a new viaduct at the Beekbergen intersection, and for the widening of the A1 between Apeldoorn-Zuid and the interchange. At the beginning of 2016, Heijmans, together with Philips, began developing innovative lighting applications for the public spaces of the Municipality of Eindhoven and took on the long-term

maintenance and management of the public lighting in the municipality. At the end of 2016, the business combination Heijmans and Europeles was provisionally awarded the Wintrack II TenneT project. The project is for the design and realisation of two high-voltage pylons and the foundations of two grid sections.

Other countries

Belgium (in € millions)	2016	2015
Revenue	230	210
Underlying operating result	7	8
Underlying operating margin	3.0%	3.8%
order book	259	270

Germany (in € millions)	2016	2015
Revenue	284	319
Underlying operating result	13	7
Underlying operating margin	4.6%	2.2%
order book	183	155

Other countries

The combined revenue of the Belgian and Dutch activities came to €514 million for 2016 (2015: €529 million); the underlying operating result of these activities amounted to €20 million (2015: €15 million).



“Tight focus on long-lasting collaboration”

The Municipality of Nijmegen and Heijmans have been working together for years on maintaining and repairing the asphalt in the city. In 2016, a new asphalt maintenance contract was signed for the period up to the end of 2019. What makes this collaboration work so well? And why is Heijmans the ideal partner for the municipality?

Frans Meussen, of the Municipality of Nijmegen, and **Johan ter Horst**, Regional Director Heijmans (on the left)



Read the interview on heijmans.nl





werkverkeer

heijmans

DEWALT

Health & safety

Given the increasingly complex demands from the market and the rapidly changing wishes and requirements of customers, it is extremely important for a company in the construction industry to keep enlarging its ability to adapt and be flexible. In this situation, Heijmans places sustainable employability centre stage, to optimise the health, commitment and development of its employees. The aim of sustainable employability is that work should be more fulfilling, that there should be less absenteeism, and that productivity should rise. Moreover, safety and health are aspects that benefit our employees, are requested if not demanded by them, and are directly related to quality. Safe working conditions, continuous availability ('the right people in the right place'), increased flexibility and the development of employees are therefore critical aspects of the company's HRM policy.

Culture

Last year saw the introduction of a new set of core values, referred to as "IK". (Specifically, result-oriented, risk-aware, ownership, pragmatic, an agreement is an agreement, and collaboration.) IK emphasises the individual role, significance and responsibility our employees have in contributing to the values and quality that Heijmans stands for. It makes everyone aware of the difference that each person can make individually at all levels in the organisation. This year, under the coordination and direction of HR, these values will be spread throughout the company and constantly brought to people's attention.

Safety spearheads

The GO! Safety programme strives for safe working conditions, literally No Accidents ('Geen Ongevallen'). It was launched in 2013. The programme is driven by the GO! manager and a mixed team comprising line managers (to reflect the different work segments), together with procurement, quality and safety managers. The programme team meets up once a year to discuss strategy and to set the programme agenda and the goals. The programme manager reports at regular intervals to the Executive Board.

In addition, the safety programme is actively promoted by GO! coaches. They are doers, the ones who bring safety dilemmas on construction

sites out into the open, during the weekly toolbox meetings, through individual action, or in some other way. Over the past years, a total of 43 GO! coaches have received training in the use of various coaching and communication skills.

The safety programme has three basic principles: The first principle is a change of attitude and behaviour with respect to safety. The second is a consistent level and a uniform, shared perception of safety at Heijmans. The third principle is cooperation on safety, order and tidiness at construction sites.

Targets and actions of the safety programme

The programme aims to achieve the following targets that should be reached in 2018 with actions designed to improve safety: no accidents resulting in death or permanent injury, the safest construction company in the Netherlands (IF<1), a sustainable change of culture with respect to safety and, finally, increased employee awareness of safety. This is to be achieved by encouraging a change of attitude and behaviour, uniform safety requirements and cooperation focusing on safety in the construction chain.

To anchor the changes that have started to take hold, Heijmans continues to devote much attention and energy to attitude and conduct rules in relation to safety. GO! coaches actively express these rules in deeds. Various actions were taken last year in order to keep drawing attention to these rules and to keep encouraging compliance.

Actions in 2016

Just as in 2015, the safety programme was the focus of the training days for construction site workers. The specific topics were order and tidiness on the site, and safety and wellness. In contrast to previous years, the training days were held at different times, instead of all on the same day. The training days were attended by a total of more than 1,800 construction site workers from Infra, Non-Residential and Residential Building. With regard to other employees, the introduction programme for new employees contains information about safety and the potential related dilemmas that related to it. In 2016, there were six introduction days with a GO! item for new employees. 374 of them attended these days. Safety is an item in the annual development interviews for all employees.

The GO! coaches support the site managers and coach their colleagues on safety. They also increase safety awareness by holding special training sessions and toolbox meetings. The coaches encourage safe working on their own sites and undertake actions on their own initiative to raise safety to a higher level.

The GO! App, a digital work-inspection app, has been configured for reporting unsafe work situations, making colleagues aware of them, and learning lessons from such situations. In August, the 2,000th notification was received since the introduction of the app in April 2014. The number of notifications sent via the app in 2016 was a good 30% up on the year before. Features added to the app are information on what to do in case of emergencies or accidents, the electronic site inspection, the safety manual, and the monthly newsletter. All the information is freely available to anyone who has installed the app. This includes subcontractors, suppliers and customers on one of Heijmans' construction sites. Use of this app is not the only method used to promote safety in the construction chain. Another approach is the assessment of suppliers on their safety performance, with feedback provided during procurement meetings. Apart from the above, suppliers are invited to toolbox meetings, and last year a stakeholder event took place, where the Governance Code and the GO! Programme were explained.

Last year, a start was made on the implementation of comprehensive safety in the design phase of projects by preparing a design schedule. Two pilot sessions were held in 2016, with both receiving good evaluations. In addition, each month a specific design safety theme is issued to the design departments and the developers. (This could be social safety, machine safety, etc.)

Governance Code for Safety

In early January 2014, Heijmans, together with 14 other organisations, signed the Governance Code for Safety. By signing this Code, the parties agree to increase safety in the sector by collectively focusing policy on a safe working and living environment, maximising awareness of safety, good cooperation and chain integration. In 2016, the CEO vanguard appointed under the Governance Code announced a number of spearheads.

Safety figures

The trend accident figures for Heijmans in the Netherlands are shown in the table below. They are based on the number of accidents involving sick leave among our own personnel (including temporary personnel) in relation to the number of hours worked..

	Netherlands	
	2016	2015
Fatal accidents	0	0
IF	3.6	3.9
# accidents with absenteeism (including subcontractors)	94	106

IF: Number of accidents with absenteeism of at least one day per million hours worked.

94 accidents with absence from work were registered among Heijmans' own and hired in employees in 2016 (2015: 106 accidents). The number of accidents affecting Heijmans' own and temporary employees declined significantly in both absolute and relative terms. There were no fatal industrial accidents in 2016. However, at the beginning of December, a fatal traffic accident did occur while work was being carried out on the A9. Heijmans finds this accident most regrettable, and has expressed its condolences to the family of the victim.

Health

The Heijmans proprietary Health and Safety Centre advises, guides and supports managers in the maintenance of the deployability and availability of employees, and therefore their productivity. The Health & Safety Centre also strives to prevent absenteeism and contributes to the optimisation of working conditions. This maintains and encourages the employability of employees and their availability for work. The starting point is the employee and how they can be employed despite their disability. Heijmans refers employees with health problems directly to the network of specialists it has built up. Besides speed, this also has a positive effect on absenteeism.

All Heijmans employees can make use of a regular working health check by the Health & Safety Service (Arbodienst). Follow-up interventions as a result of the regular medical check such as workplace visits, ergonomic studies and vitality interviews are supported by Heijmans.

Human rights

Heijmans endorses the general principles in what are known as the Guiding Principles for companies. These describe the special role of companies to comply with all relevant legislation, to respect human rights, and to take appropriate, effective measures if rights or duties are infringed. Heijmans realises that a positive influence can also be exerted by, for example, drawing up fair collective labour agreements, procuring sustainable materials, and collaborating with partners that adhere to these same principles.

OECD Guidelines

Heijmans acknowledges the various points set out in the OECD guidelines, and acts in accordance with them. We are audited in this respect by external parties. We render account publicly in our integrated annual report (GRI4), at the General Meeting of Shareholders, on the company's website, and via other channels. Some examples of explicitly composed elements are our integrity policy, HR policy and sustainable procurement policy.

Absenteeism

The absenteeism rate in the Netherlands due to illness fell to 3.71% in 2016 (2015: 4.02%). The difference in the absenteeism rate between direct (site-related) and indirect employees is due to the relatively higher incidence of physical complaints and absenteeism among site workers.

Workforce figures

At the end of 2016, the company employed 4,716 people (end of 2015: 4,946). A breakdown by age is shown below.

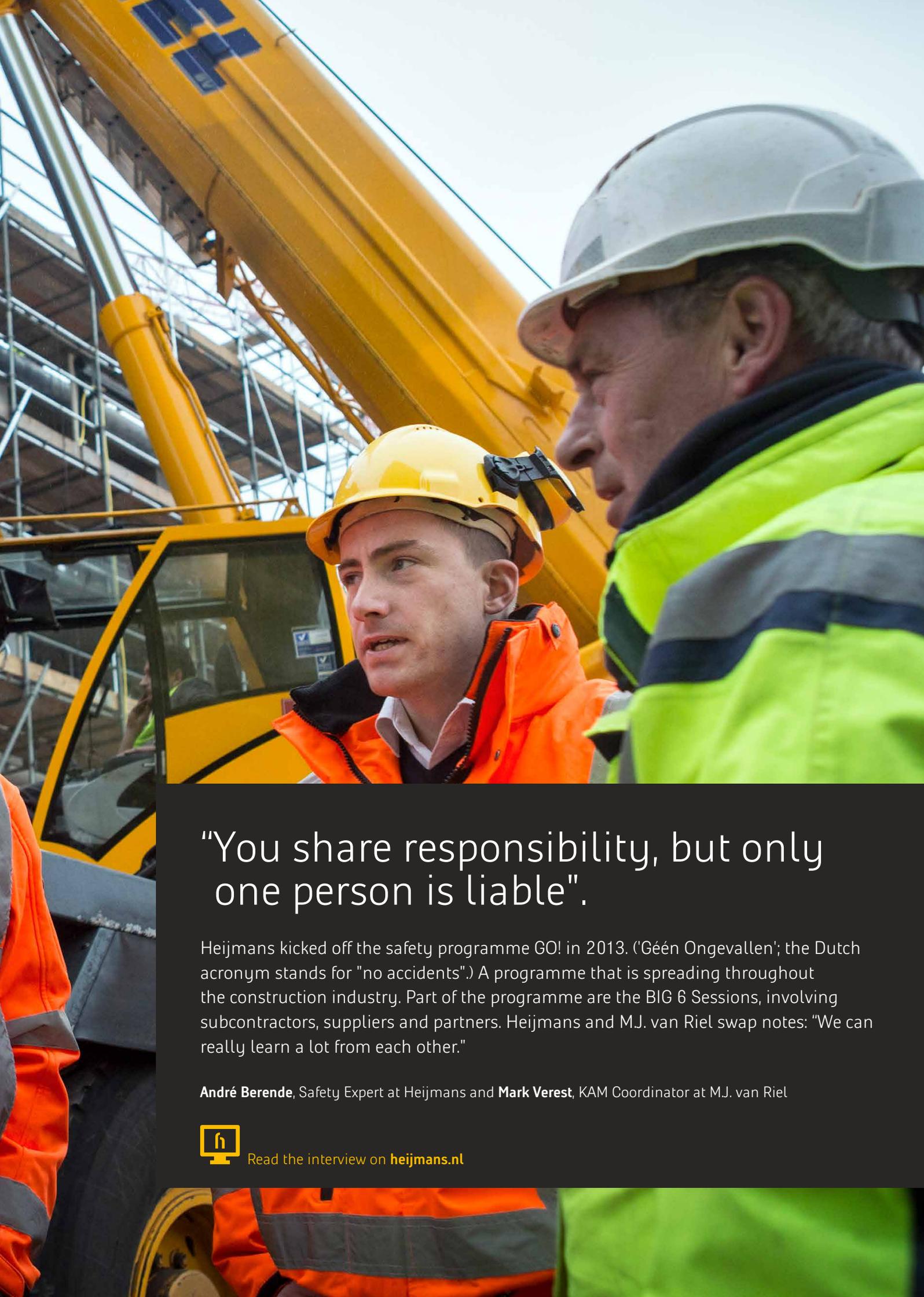
	The Netherlands 2016	The Netherlands 2015
Employees aged 24 years or less	81	112
Employees aged 25 to 39 years	1,510	1,681
Employees aged 40 to 54 years	2,141	2,175
Employees aged 55 years and older	984	978
Total	4716	4946

The aim is to maintain the current age distribution of the workforce, despite the increasing ageing in the construction industry.

Inflow and outflow

In 2016, 551 employees in the Netherlands left the company, compared to 632 in 2015. The regular inflow for the Netherlands was 321 compared with 325 during 2015.





"You share responsibility, but only one person is liable".

Heijmans kicked off the safety programme GO! in 2013. ('Géén Ongevallen'; the Dutch acronym stands for "no accidents".) A programme that is spreading throughout the construction industry. Part of the programme are the BIG 6 Sessions, involving subcontractors, suppliers and partners. Heijmans and M.J. van Riel swap notes: "We can really learn a lot from each other."

André Berende, Safety Expert at Heijmans and **Mark Verest**, KAM Coordinator at M.J. van Riel



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



Knowledge intensity

Knowledge plays a vital role in construction. The complex, knowledge-intensive project environment demands a high degree of expertise, flexibility and adaptability from organisations. Extensive knowledge is needed to be able to satisfy the wishes and requirements of customers and end users, usually within a short time period, in a competitive market and subject to strict regulations. Unlike the situation in the past, construction is increasingly less about simply having operational capacity, today and in the future it is much more about relieving concerns, meeting performance agreements and identifying and realising new possibilities that increase quality, efficiency and convenience in the long term. Design quality and clarity, too, are increasingly key elements of contracts, making them important for standing out in the market. This means that the Heijmans employee profile is changing, since this development places requirements on an employee's ability and intelligence.

At the end of 2016, Heijmans formulated new core values, which are being spread throughout the organisation and flesh out the concept of "Focus, discipline and excellence". These values are result orientation, pragmatism, risk awareness, an agreement is an agreement, ownership and collaboration. The programme is being implemented with the demoninator "IK", described on page 55. All types of training that Heijmans provides are infused with the IK culture values.

Heijmans positions itself as a 'learning organisation' and therefore encourages learning (both collectively and individually) in various ways.

Learning

The right knowledge, abilities and skills are needed to deliver good performance. By linking strategic objectives to personal ambitions and talents of our employees, 'learning' can make a big contribution to quality. Based on the fact that learning is a responsibility of the individual employee, Heijmans facilitates the learning process. Heijmans bases this on learning from working and gaining experience, supplemented by coaching, feedback and targeted courses and training. The first element, learning by gaining practical experience, represents the largest investment. In 2016, the HR discipline redefined the HR

cycle in order to structure the desired career guidance process as one of evaluation, development and recognition that matches the organisation process as closely as possible. The cycle will be implemented with effect from 2017.

We prefer to organise our training 'in company', so that it reflects the Heijmans practice as closely as possible, with recognisable examples and Heijmans case studies. The Heijmans Academy plays a directing and facilitating role in this. A further step was taken in 2016 to bring the training offered fully into line with the business agenda. Improving the core process forms an integral part of in-house training, for example, with tender management and project management courses. The company-wide implementation of SAP is also being supported by an intensive training programme.

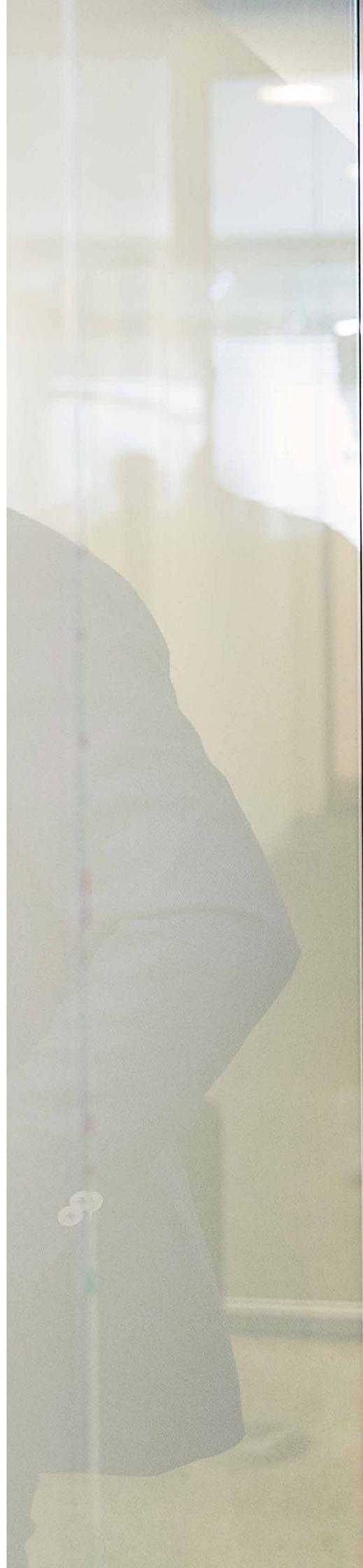
The same applies to our training in the context of management development. Issues and cases encountered in practice are discussed and translated into meaningful assignments for the participants. All company management and other training, such as the Heijmans Management Programme, the Heijmans AllRound Professional Programme and the Heijmans Senior Management Training, utilise real-life examples. We strive to do this by working with Heijmans colleagues as co-trainers, experts or guests in order to ensure there is a direct link to work in practice. By having the higher management act as guest trainers or mentors, the importance is emphasised and connections and a common vision are created.

Transfer of knowledge at work

The sharing of knowledge receives particular attention, including during day-to-day project activities. Quality and process systems accessible via team sites and intranet are designed to record and apply knowledge in a uniform way so that teams can make use of it easily. Project evaluations form a permanent part of the process, the results also being recorded and shared. Close attention is paid to additional competences and knowledge in the composition of teams. With the implementation of SAP and SAP CRM at Residential in 2016, a further step has been taken towards the company-wide exchange of information on projects and customers. In their operation, these systems underpin the improvement of the core processes.

Talent development

Management development involves developing, training, retaining and recruiting talent in accordance with the vision and strategy of the organisation. Heijmans' intention here is firstly to obtain a clearer picture of the desired profiles and competences of new employees, and secondly to promote upward mobility and the development of knowledge and expertise. Management development matches this demand and supply in the organisation by early involvement with positions that will become vacant at an early stage, as well as by having a clear picture of the abilities and personal characteristics of employees. The aim is to develop the leadership that is needed to realise the strategy. To this end, tools are utilised, such as education





“BeSense is digital gold”

BeSense is a smart sensor system that Heijmans developed in partnership with the cleaning firm CSU and the sensor manufacturer Clickey. It collects data from buildings. Analyses form the basis for better management, maintenance and comfort.

Thomas Thunnissen, Innovation Project Manager at Heijmans



Read more about BeSense on [heijmans.nl](https://www.heijmans.nl)

and training, management reviews, coaching, internal mentoring, and exchanging knowledge over talent lunches.

A number of senior management and other positions were filled through internal promotion and/or job rotation last year. Another action taken in 2016 was to further refine the management development process in two ways. Firstly, by formulating the method and criteria for filling senior management positions through inflow and promotion. Secondly, by formulating the prospects of promotion for potential senior managers in the company.

Heijmans also runs a management trainee programme. A master class lasting several days is used to select 12 young talents for this annual trainee programme. During this period, they work at various business segments, with a focus on collaboration and an integrated approach. After completing the programme, most of them take a post at Heijmans. Over the years, this has led to the creation of an ever larger group of high potentials in the organisation.

Cooperation with knowledge partners

In the construction business, it is not only internal technical or product innovation that is important. Chain integration and cooperation are

important, too. Indeed, complementary partners and specialists can expand knowledge and experience further. Moreover, cooperation with other parties leads to new perspectives. Heijmans is actively involved in national and international networks in order to exchange knowledge regarding sustainability and influence developments in this area. In addition to its memberships of the usual industry associations such as Bouwend Nederland and NEPROM, these include the Dutch Green Building Council, FSC and the Duurzaam Gebouwd knowledge platform. Heijmans also participates in projects from the Dutch government (including TKI, KIEM, AEROII, Smart Energy Collective) and the test projects of Energiesprong. It is also involved in various Green Deals. A summary of these projects is given on page 70.

Knowledge intensity of the workforce

In 2014, the required level of education for each job profile in the Netherlands was defined. This was applied to the entire organisation in 2015. These knowledge levels are categorised by the level of training. In their turn, the education levels were broken down into four categories that could be applied to the country's various geographical regions. All employees were then classified in these categories, based on their highest level of education.

This resulted in the following picture for the Netherlands in 2016:

Cat 1 (< MBO level 3 in NL)		Cat 2 (MBO level 3 or 4 in NL)		Cat 3 (HBO in NL)		Cat 4 (WO in NL)	
2016	2015	2016	2015	2016	2015	2016	2015
9%	9%	44%	46%	43%	41%	4%	4%

It shows that the knowledge intensity remained virtually the same as for the year before.

Procurement and chain integration

Vision for procurement, chain integration and cooperation

Heijmans and its contractors have a collective responsibility for the chain. On this basis, Heijmans strives to do business with suppliers, subcontractors, joint venture partners and service providers in an open and professional way. Heijmans makes objective and commercial considerations in its selection of these parties and expects agreements to be kept on both sides. Heijmans pursues a sustainable policy in its procurement whereby the preconditions are created. The overall strategy of the centralised procurement policy is to find solutions in good time and in consultation with suppliers, so that efficiency and quality are optimised. The complete procurement policy is available on Heijmans' website.

Cooperation in the chain

The volume of procurement at Heijmans represents approximately 70% to 80% of its annual revenue. Close cooperation in the chain is therefore needed to reduce failure costs, increasing efficiency of projects, the development of concepts and to arrive at sustainable and most suitable solutions for customers. The effect of how procurement is organised at Heijmans and the way in which we work together with third parties are highly important for the achievement of our strategic ambitions. Socially responsible procurement enables Heijmans to help minimise the harmful effects of its activities and reduce the drain on natural resources. Moreover, by sharing this responsibility with partner contractors, Heijmans contributes to improvements in social aspects such as working conditions, and safety, health and the environment.

The involvement of other parties in the chain also gives a significant boost to innovation and product development. Our chain partners also have an important role with respect to the ambition of standardising where possible and arriving at a more product-oriented approach. This means that chain cooperation, its optimisation and chain responsibility are important material aspects. The choice of a supplier or subcontractor – besides the price – will increasingly be affected by the question of whether the party in question contributes to the achievement of our own objectives - which include social objectives - and those of our customers. Social objectives are an indispensable element for the process.

Responsibilities

In Heijmans' view, procurement also involves taking responsibility for the deployment of suppliers, subcontractors and self-employed persons and the associated regulation in areas such as chain responsibility, recipients' liability and the Labour Market Fraud (Bogus Schemes) Act. To meet these responsibilities, Heijmans is increasingly working with selected preferred suppliers, the contract models used by Heijmans are supplemented with relevant provisions, correct documentation is ensured, a procedure is in place for reporting actual or suspected abuses and the input of self-employed persons is centrally monitored. There is also an identification of workers at the construction sites according to standard procedures.

Organisation of procurement

The procurement organisation is centralised and operates according to a strategic policy that is expressed in the form of a single, uniform process. In connection with this process, all products, materials and services are organised into 10 procurement clusters. These clusters support the procurement for projects by providing a selection of preferred suppliers, umbrella agreements, and in-depth knowledge of specific product groups. They also ensure that the expertise and relationships between Heijmans and partners in these specific areas continue to grow over the boundaries separating business units and those between projects.

Apart from an effective setup for the central organisation, Heijmans is convinced that every project needs its own clear procurement strategy. Within the business segments, every project and every branch has a permanent contact at Procurement. Procurement officers for projects work with fixed formats as regards procurement strategy and process, in order to guarantee a satisfactory level of quality. A training programme for the entire procurement organisation, focusing on attitude and conduct, kicked off in 2015. The programme continued in 2016.

Developments in sustainability

The framework for sustainable procurement is defined by various policy statements and memorandums endorsed by Heijmans. In 2011 for instance, Heijmans signed the Manifesto for "Corporate Socially Responsible Purchasing and Business" of the NEVI (purchasing managers' association), in which leading private and public companies have registered their ambition to embed sustainable chain management. Other agreements also directly affect the procurement policy (for example, Green Deal Beton).

Further professionalisation of procurement

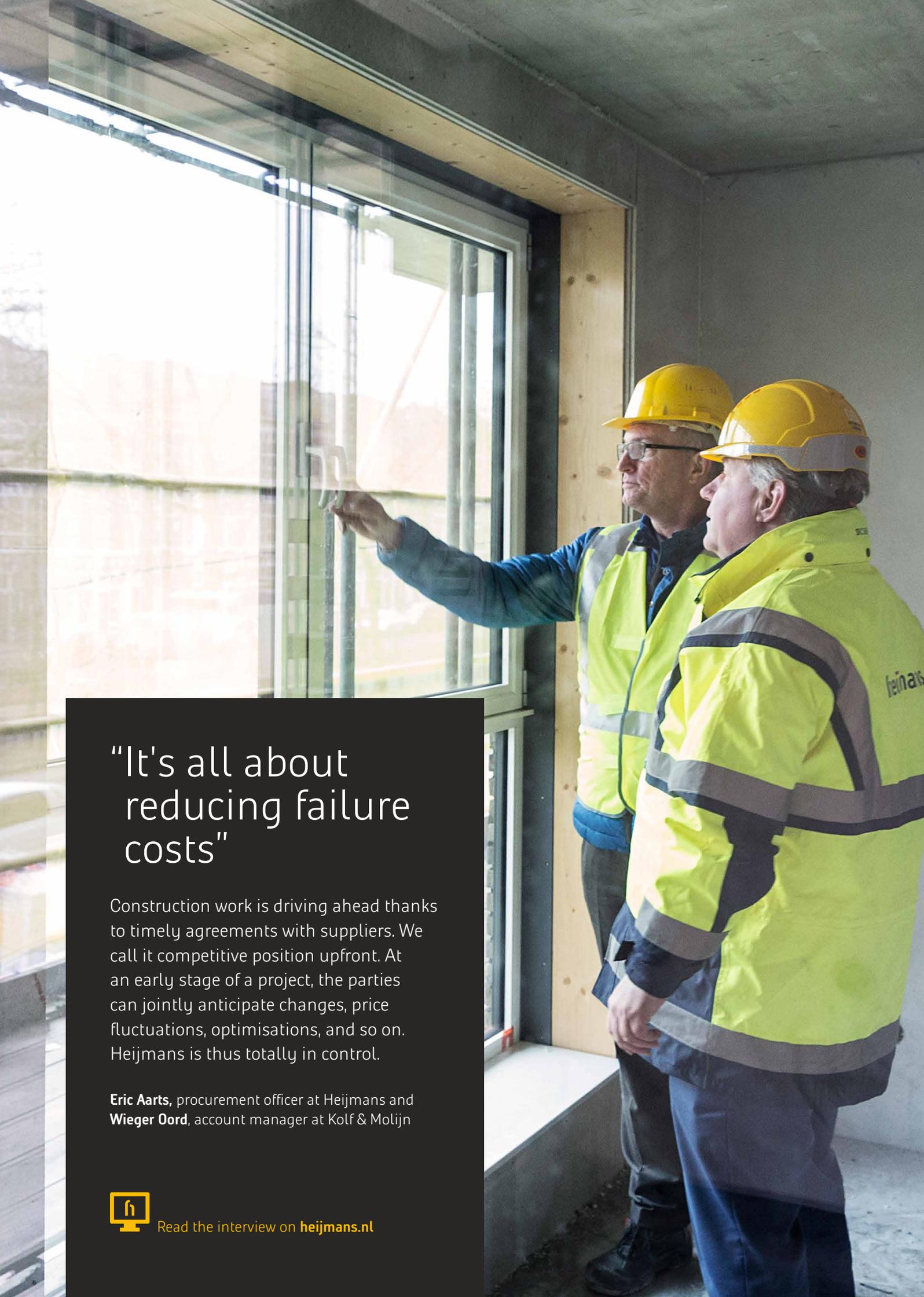
Additional steps were taken in 2016 to further professionalise procurement as a centrally managed and designated task. Specifically, this concerned steps, as well as actions, to impart even more clarity to the meaning of procurement.

12Build implementation

Use of this web portal enables requests for bids to be sent and received transparently and without any misunderstanding. At the same time, such usage can also generate management information. Consequently, the interaction between calculation, preparatory work and procurement is more transparent and more efficient. This platform was already in use at Residential Building, and was implemented by Procurement at Non-Residential in 2015. In 2016, a start was made on implementing the platform at Infra.

ISO 20400

This new standard is derived from the international standard ISO 26000, for Corporate Social Responsibility. ISO 20400 provides a socially oriented framework for the application of environmental aspects and social considerations to the procurement process. Heijmans already employs the Socially Responsible Procurement method, which dovetails with this standard. To facilitate the integration of ISO 20400, procurement officers received training in 2016 on the method to be used.



"It's all about reducing failure costs"

Construction work is driving ahead thanks to timely agreements with suppliers. We call it competitive position upfront. At an early stage of a project, the parties can jointly anticipate changes, price fluctuations, optimisations, and so on. Heijmans is thus totally in control.

Eric Aarts, procurement officer at Heijmans and **Wieger Oord**, account manager at Kolf & Molijn



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



Sustainable business conduct and projects

Vision

As early as during the phase of structuring and designing the built-up environment, the construction industry has the opportunity of putting its mark on the future. By designing for sustainability, and at the same time looking into alternative and decentralised ways of generating energy, efficient use of energy, space and material, together with the provision of optimum comfort and experience, a difference for the human environment can be made. It is Heijmans' aspiration for this sustainable designing to result in reduced CO₂ emissions, less residual material, separation of waste, and reuse after collection. The ultimate goal by 2020 is not to withdraw but to contribute: materials, energy, space and therefore also value.

Developments

The creation of new types of materials is an important development for construction. It makes it possible to produce bio-based materials, so that they are fully degradable or can be reused. Climate change and biodiversity are also growing in importance. The draining away of water from extremely hardened environments is a clearly identifiable example.

The Netherlands still has to take some major steps in the transition from burning fossil fuels to a society that runs on sustainable energy. By 2020, all newly built housing will have to be energy-neutral. Offering guarantees and monitoring, and comparing the performance in this area, also vis-à-vis consumers, is going to increase in importance over the next few years. Additionally, the demand for monetization keeps growing. In 2016, Heijmans collaborated with Sustainalize to develop a module, based on the GPR methodology, that can calculate the impact in such terms for a sustainable home. The method was tested in the Airey district of Eindhoven, where Heijmans had realised three apartment complexes and 14 terraced houses for "green" renters. The main results from this pilot project are available on the company's website.

As a final point, Heijmans is noticing a change in the way customers cooperate and raise issues. They no longer always want specific performance targets and solutions. Instead, their approach is to select a partner to join them in making

home-ownership sustainable. Last year, Corporatie Zowonen contacted construction companies in connection with this issue, asking them to come up with proposals for collaboration. As one of the chain partners, Heijmans was selected for the renovation and new-build of homes in Sittard, Geleen and other locations. Back in 2015, the UN introduced the sustainable development goals, comprising a set of 17 goals intended for the sustainable development agenda in 2030. In mind at the time were the halting of climate change, the development of sufficient infrastructure and habitable cities, and the fight against poverty. The Netherlands has been responding in the form of policies, albeit not on a large scale. It is likely that the government will factor these goals into the criteria for awarding future projects. The appendices include a table showing the relationship between the sustainable development goals and the contribution Heijmans can make to their achievement as a company and through its activities.

Customer satisfaction

Heijmans serves private customers as well as large organisations, making it difficult to define a clear KPI for customer satisfaction applying to all of them.

Accordingly, several instruments are employed to measure the satisfaction of customers, users and other stakeholders. Our goal is for a housing unit to be completely ready when we hand it over, so that the customer can start moving in. Heijmans success rate is 54.3% for the delivery of homes with no outstanding issues. In 2015, this was still 50%. A related item is that we received 294 complaints in 2016.

Customer satisfaction measurement in the Residential Building segment is carried out by SKB, an outside organisation. Measurements were taken 339 times in 2016, the result being an average score of 6.7 (on a scale of 0 to 10). Heijmans' goal is to exceed 7.0 by 2017. In addition, ProRail and Public Works and Water Management evaluate their suppliers, using the same method. For Heijmans' projects, this was carried out 18 times in 2016. Public Works and Water Management and ProRail gave us scores of 7.6 and 7.2, respectively (both on a scale of 0 to 10). Our aim for 2017 is a score above 7.5 for both these customers' assessments.

Some initiatives in 2016

Some of last year's initiatives are explained below.

Hart van Zuid, Rotterdam

The development of the Hart van Zuid area of Rotterdam comprises the transformation of Zuidplein and Ahoy, plus the bringing together of functions such as culture,

sport, shopping, convention facilities and a hotel. A smart grid for heating and cooling will be a feature of the area. The buildings will be individually and collectively smart, so that the energy demand can be measured, predicted and satisfied as efficiently as possible. This will require integration of all the energy systems in the area.

Veenendaal-Ede-Grijsoord section of the A12

The A12, a major east-west road link in the Netherlands, was widened by Heijmans over a length of 11 km. July 2016 saw the official opening of this stretch. It lies partly in the Veluwe, a nature conservancy area. Ecologically embedding the A12 was part of Heijmans' overall project strategy. Accordingly, a nature-inclusive approach was taken for the construction work on this project. In other words, measures were taken that also preserved and enhanced the natural features in and around the project. This involved the construction of fauna passages, additional ecological routes above and alongside the traffic lanes, and the use of a temporary road for project-logistical purposes as a permanent nature route.

Use of biomass in Vlijmen

As part of the new centre plan for the Municipality of Vlijmen, Heijmans is developing stores combined with apartments. 14 social rental apartments will be heated by a biomass boiler, with Heijmans maintaining this energy system for a period of 10 years.

Westergouwe

In Gouda, Westergouwe is being realised, a residential area of 4,000 homes. The location is low-lying, and as such presents many challenges in terms of water management. Conventionally, a new residential area creates many sections with hard surfacing, which causes problems for water runoff. By combining functions and reserving more space for water, the plan can, if necessary, trap additional water, without compromising spatial quality. The man-made pond next to the embankment will then be a defence against the seepage water that rises to the level of the embankment and is highly affected by use of fertilisers in Krimpenerwaard. Moreover, the soil has been compacted more than usual, so that the plan now calls for a thicker layer of sand to prevent subsidence.

Summary of Heijmans green deals in 2016

Heijmans participated in several green deals during 2016. The activities concerned are as follows:

- **Bossche Energie Coalition:** in this joint venture, over 50 companies and organisations based in the Den Bosch region are collaborating on supplying sustaina-

ble energy to the city.

- Manifesto on Integrated Value Creation as Driver: a manifesto drawn up by eight parties, including Heijmans, Rockwool, OVG Real Estate and De Groene Zaak. The document calls for government authorities, construction companies and customers to take social construction into account for new-build and renovation. They are also asked to take into account the applicable regulations, in order to enlarge the beneficial social effect.
- GD-161 Transparency for social and natural capital (ended in December 2016): concerns the sharing of methods and dilemmas, together with the development of the standardisation in respect of social and natural capital. In this green deal, Heijmans collaborated with around 25 companies from different sectors, with support from the Dutch Government.
- Climate change city deal: in alliance with various municipalities, water boards and companies, Heijmans will be gathering, sharing and utilising knowledge about the field of climate-resistant construction.
- Concrete awareness: last year, Heijmans, together with VolkerWessels, BAM, Dura Vermeer, Strukton and TBI, signed an agreement to give concrete with the Beton Bewust seal of approval preference for their construction work. The agreement also provides for organisations holding this seal of approval to become involved in projects early on.

As well as the above, Heijmans became a member of Cleantech Delta Rotterdam in 2016. This is a joint venture of industry, knowledge and scientific centres, and local authorities, with the aim of developing initiatives in the Delft–Rotterdam–Drechtsteden region.

Organisation of sustainability in 2016

A dedicated programme manager coordinates, monitors and directs the implementation of sustainability across the company. Sustainability is an issue that was explicitly discussed in the joint meetings of the Executive Board and the Supervisory Board last year, as described in the report of the Supervisory Board under Activities on page 101.

Sustainability steering group

In 2016, it was decided to set up a steering group at senior management level that would engage in the further implementation, standardisation and improvement of Heijmans' sustainability policy. The steering group is composed of management members from all the business segments and procurement, as well as a programme manager. Further improvement to the sustainability of the business operation and the chain is

discussed at a number of meetings held each year.

Certification and standards

- *ISO*: Heijmans has been certified as fully ISO 9001 (quality) and VCA** (safety) compliant since 2011. Heijmans N.V. has also been certified as compliant with ISO 14001 (environment) since 2012. The certification was extended this year for a period of three years.
- *The Foundation for Climate Friendly Procurement and Business (SKAO)*: Heijmans has held the highest certification for the SKAO scale (formerly Prorail's CO₂ performance scale) since 2010. Thanks to this, it has a greater chance of having its tenders accepted.
- *ProRail Safety Scale*: Heijmans 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.
- *FSC and PEFC (sustainable timber)*: Heijmans Nederland BV obtained FSC and PEFC certification in 2015. In 2016 - just like the year before - Heijmans shared first place in the ranking and jointly with BAM, was the joint leader of Forest50. This ranks the Netherlands' 50 largest construction enterprises in terms of their use of sustainable timber.

Dilemmas

Sustainability and organisation interests

Many initiatives were undertaken with the idea of making Heijmans' operations more sustainable. To scale this up demands investing. In a time when margins are continually under pressure and investing does not always pay off immediately in terms of projects being awarded, it is difficult to make choices.

This is true, for example, for becoming more sustainable by reducing the consumption of gas to produce energy for asphalt plants.

Standards and regulation restrictions

The use of innovative, sustainable materials, products or solutions does not always line up with the freedom of action that regulations allow. How can it be possible to innovate and follow the rules at the same time? An example is Heijmans' ONE, a temporary form of housing that can be placed in provisional housing zones. It is a challenge to adapt this solution to the regulations, knowing, at the same time, that there is a pressing need to use these areas, bring life to them, and hence make these locations safer and give them more urban relevance.





"Sustainable friendships in Eindhoven's Airey district"

A green test bed and living in a sustainable section of Eindhoven: that sums up the Airey district. For housing corporation Woonbedrijf, Heijmans utilised countless technologies and concepts for the construction of 82 homes. Precedence was given to the wishes of the future residents. "Sharing knowledge about sustainability creates a close circle of friends."

Frank van der Linden, resident of Karel de Grotelaan



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



Corporate governance

Generally speaking, corporate governance concerns five basic issues. Firstly, the strategy and the achievement of business objectives, "strategy implementation" in the list of material issues. The second element is the effective management of the relationships between directors, supervisors and other stakeholders such as the shareholders and the Works Council, but also customers and suppliers. The third element is the corporate culture, which concerns ethical conduct within the organisation. The fourth element concerns monitoring and evaluation, for which implementation and direction are important. The final element relates to reporting and transparency in internal and external communication.

A culture of discipline and unity is a precondition for the strategy 'Focus, discipline and excellence'. Heijmans endorses the importance of good corporate governance and a code of conduct for achieving its business objectives and associated corporate culture. In doing so, it strives to maintain the highest standards. This means that Heijmans complies with and respects legislation, and observes and initiates guidelines that apply either to the company in particular or to the industry as a whole. Moreover, this means that Heijmans strives to achieve the highest possible integrity and transparency in its actions and decision making towards its stakeholders, to conduct a permanent dialogue with them, and to follow a policy of simultaneous and accessible distribution of information.

For an account of the organisation of governance and supervision at Heijmans, see the Corporate Governance Statement (as referred to in Sections 2(a) and 3 to 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 Takeover

Directive) which is available on the Heijmans website under the heading 'Corporate Governance: codes, Articles of Association and regulations'.

Corporate culture

Heijmans applies the code of conduct known as "Heijmans Kr8". This code states the eight integrity principles that Heijmans expects its employees to observe in their activities for the company.

At the end of 2016, Heijmans formulated new core values, which are being spread throughout the organisation and flesh out the concept of "Focus, discipline and excellence". These values are result orientation, pragmatism, risk awareness, an agreement is an agreement, ownership and collaboration. The programme is being implemented with the name "IK", described on page 55.

Corporate Governance in general

Heijmans places a high priority on an equitable balance between the interests of its various stakeholders. Good business conduct, integrity, reliability, customer orientation, openness and transparent dealings by the management, as well as proper supervision thereof, are the basic principles of the Heijmans corporate governance structure. Heijmans endorses the principle of the Corporate Governance Code that the company is a joint venture of the various parties involved with it

Depository 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 by means of an unrepresentative majority. The depository receipts for shares are freely exchangeable for ordinary shares.

An important stakeholder group, the employees, is represented through the employee representation organisation at Heijmans. Each business segment has its own Works Council and a Central Works Council has been appointed at Heijmans Netherlands for issues affecting more than one business segment. In addition, there are committees, each having its own area of attention, such as finance, social policy and communication. There is also a European Works Council on which the Dutch, German and Belgian companies of Heijmans are represented. The Central Works Council has developed a proposal for a different employee representation structure to bring it more in line with the changed governance structure within Heijmans. This structure will include a Collective Works Council (WC) at

Heijmans Netherlands and there will also be committees comprising both Works Council and non-Works Council members. The new employee representation structure will be in place by the spring of 2017, the time of the elections for the Works Council.

Meetings, requests for approval and requests for advice

The European Works Council (EWC) met once in 2016 to discuss the theme of safety. The Central Works Council (CWC) met six times in 2016. On each occasion, a member of the Executive Board was present. A member of the Supervisory Board was also present at two of these meetings. Items discussed included safety, pressure of work and the new employee representation structure as of 2017. In total, there were thirteen requests for approval and eight requests for advice in 2016.

Compliance with and deviations from the code

The underlying principles of the corporate governance code are endorsed by Heijmans and are implemented as such in the corporate governance structure.

Corporate Governance Statement

The Corporate Governance Statement as referred to in Sections 2(a) and 3 to 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 Takeover Directive is available on the Heijmans website under the heading 'Corporate Governance: Codes, Articles of Association and regulations'. This statement may be considered to have been inserted and repeated here.

Special aspects

Dividend policy

The holders of ordinary shares or depository receipts for ordinary shares are entitled to the dividend. Heijmans N.V. maintains a dividend policy whereby, apart from exceptional circumstances, the payout ratio is 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 Articles of Association of Heijmans N.V.

Heijmans Preference Share Trust

A call option has been granted to the Heijmans

Preference Share Trust to obtain protective preference shares. The objective 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 the 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 issuing 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. The put option contract that Heijmans Preference Share Trust entered into with Heijmans N.V., whereby the Trust purchases preference shares as soon as Heijmans N.V. issues them, was terminated as proposed by the Executive Board. The Executive Board and the Board of Trustees have jointly established that this put option is no longer suitable or necessary in relation to the underlying objectives. The associated power of the Executive Board to issue preference shares will no longer be on the agenda for the next General Meeting of Shareholders.

The call-option contract that Heijmans N.V. and the Trust signed, which forms the basis for the right of the Trust to acquire preference shares in the capital of Heijmans N.V., remains fully in force.

Powers of the shareholders' meeting and the rights of shareholders

According to principle IV.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 a matter of importance that as many shareholders as possible participate in the adoption of resolutions at shareholder meetings. The convening notice, agenda and documentation to be dealt with at a shareholder meeting is published at least 42 days in advance of the meeting on the Company's website. As far as possible, the Company gives shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

Holders of shares or depositary receipts for shares who cannot attend a Meeting of Shareholders can issue an authorisation and voting instruction 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, decisions by the Executive Board that concern 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 important powers, including the adoption of the financial statements, the appropriation of the result, the discharge of responsibility of the members of the Executive Board and the Supervisory Board, the establishment of the remuneration policy for the Executive Board and the remuneration of the supervisory directors, resolutions to amend the Articles of Association or to dissolve the Company, and designation of the Executive Board as the body authorised to repurchase or issue shares.

Limitation on transfer of shares

There is no limitation, under contract or in the Articles of Association, on the transfer of shares or depositary receipts for shares issued with the cooperation of the Company, except for the statutory restriction of transfer and delivery of financing B preference shares. Article 11 of the Company's Articles of Association states that the Executive Board of the Company must approve any transfer of financing B preference shares.

Substantial shareholdings in Heijmans

Holders of shares and depositary receipts for shares that, to the extent the Company is aware, held an interest of more than 3% in Heijmans as at 31 December 2016 (according to the Register of Substantial Shareholdings of the Authority for the Financial Markets, or "AFM") are listed on page 21, in the section entitled 'The Heijmans Share'.

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

No special controlling rights are attached to the shares into which the authorised share capital of the Company is divided. 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 B preference share with a nominal value of €0.21 is restricted under contract to 1.278 votes. The Company's Articles of Association contain the usual provisions concerning registration as a recognised party entitled to attend and to vote at a General Meeting of Shareholders. 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 a body authorised to issue shares or depositary receipts for shares. The scope and duration of this power is stipulated by the General Meeting of Shareholders.

Agreements with shareholders that may lead to limitation of the transfer of shares or depositary receipts for shares or to limitation of voting rights

The Company is not aware of any agreement involving a shareholder that may result in a limitation on the transfer of ordinary shares or depositary receipts for ordinary shares issued with the cooperation of the Company, or in a limitation on voting rights.

Amendment of the Articles of Association

A resolution to amend the Articles of Association can only be passed by at least a two-thirds majority of votes cast at a General Meeting, this majority representing at least half the issued capital, 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 a 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 issue and repurchase of shares

In accordance with the Articles of Association, on 13 April 2016 the General Meeting of Shareholders, with the approval of the Supervisory Board, designated the Executive Board – for the duration of 18 months commencing on 13 April 2016 – as the body authorised to:

- issue shares and/or grant rights to acquire shares. The power to issue ordinary shares is limited to 10% of the issued share capital on 13 April 2016, plus 10% if the issue takes place as part of a merger or takeover, or as part of entering into a strategic alliance. The power to decide to issue preference shares covers all preference shares in the authorised capital, either now (the date of the meeting of 13 April 2016) or at some future time, 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 right to acquire shares as reported above.

Furthermore, the Executive Board is authorised by the General Meeting of Shareholders of 13 April 2016 for a period of 18 months starting on 13 April 2016, subject to the approval of the Supervisory Board, to decide that the Company will acquire ordinary and financing B preference shares in its own capital by purchase in the market or by other means. Conditions attaching to the authorisation are that it is limited to 10% of issued share capital, and that the company can purchase the shares at a price between their nominal value and 110% of the average of the closing prices on the last five trading days before the date of purchasing the ordinary shares, and between nominal value and 110% of the issue price for financing B preference shares.

Consequences of a public bid for important contracts

In the agreement with the banking consortium, a change-of-control clause is included with respect to the facility of €256 million, which states that the consortium must be informed about any change of control, and must then have the option of demanding 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 on termination of employment in relation to a public bid

There are no agreements with Executive Board members or employees that provide for payments upon termination of service resulting from a public bid.

Conduct, integrity and dilemmas

Culture and structure

Heijmans attaches a high priority to ethical conduct by its employees. Openness is a basic requirement for this. A more open working attitude is encouraged by the example set by the management and directors, the discussion of large and complex projects in the weekly Executive Board meeting, and the review meetings with management. In addition to this culture, Heijmans has introduced a structure for the reporting of issues relating to conduct and integrity. Such reports are then investigated if necessary and action can be taken.

At the end of 2016, Heijmans formulated new core values, which are being spread throughout the organisation and flesh out the concept of "Focus, discipline and excellence". These values are result orientation, pragmatism, risk awareness, an agreement is an agreement, ownership and collaboration. The programme is being implemented with the name "IK", described on page 55.

Compliance Officer

Heijmans has appointed a compliance officer who acts as the central contact and reporting point for integrity issues. The anonymity of notifications is ensured, and the compliance officer considers the action necessary in each case, given 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 Integrity Committee is responsible for advising the company with respect to integrity. The Integrity Committee discusses issues, dilemmas and themes relating to integrity and all matters associated therewith twice a year in principle, and makes recommendations on this basis for policy or the initiation of training, for example. The Executive Board establishes the policy and decides which actions are to be taken in this context. The Committee is chaired by the Chair of the Executive Board. Other members of the Committee are the Compliance Officer, the Procurement Director, the HRM Director, the IT Security Officer, and the Chair of the Central Works Council. This is the core composition

of the Committee. Until mid-2016 Dr. E.J.J.M. Kimman was employed by the Committee as an external expert. Last year, the items discussed by the Integrity Committee included the operation of the 'Kr8 van Heijmans' ('Heijmans' Power) code of conduct, anonymous reports to the confidential counsellors, and the composition of the Integrity Committee. There was also discussion of how integrity could be made a permanent item of attention for employees. For example, a meeting was organised for senior management at which integrity and the standards in that area applicable within Heijmans' were explained. During the meeting, the participants also had to vote on a large number of propositions and dilemmas. A subject put under constant scrutiny was whether and how the reporting structure at Heijmans could be improved.

Conduct dilemmas

Heijmans is convinced that conduct has a significant effect on the quality of the company's work and its result. For instance, conduct affects safety. As different as day and night in the construction industry.

Some 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 continually faces issues relating to integrity and behaviour. Calling each other to account in the case of undesirable conduct, in accordance with the standards that we strive to maintain, encourages increased openness and ultimately desirable behaviour. Examples include the wearing of safety clothing, the separation of waste at building sites or the intentional submission of incorrect receipts, the use of company property for personal purposes and undesirable behaviour towards third parties.

Acceptable versus unacceptable behaviour

The borderline between acceptable and unacceptable behaviour is sometimes difficult to define, but it is crucial for culture on the shop floor. For example, inappropriate behaviour towards others.

Self-determined rules versus applicable rules

While the rules regarding actions and desirable behaviour are described in the conduct code, there are still some situations in which unstated and different rules are accepted. This can apply to the submission of invoices, payments or the use of company equipment. For (new) employees, it can be difficult to go against the flow and to remind colleagues of the rules that actually apply.

Many of the issues reported relate to the above conduct and dilemmas.

Compliance

24 integrity issues, one via SpeakUp, were reported to the compliance officer and/or the counsellors in 2016. This number represents a further significant increase compared to the previous year. Heijmans encourages its employees to report actual or suspected abuses and provides various means by which to do so. The Compliance Officer also regularly submits requests to management and HRM in this respect. The Executive Board considers the increase in the number of reports to be a positive development: it means that employees are comfortable with making reports and know that their reports will be treated seriously. The reports in 2016 among other things related to undesirable behaviour by employees. Examples of this are taking company property and/or residual materials, unauthorised use of IT resources, insisting on terms from suppliers and/or subcontractors for personal benefit, making discriminatory remarks, and submitting false expense claims. The reports led to written (final) warnings or dismissal. In each case, the first consideration is the seriousness of the case, followed by an investigation of the facts. Heijmans has also had to deal with a number of cases of invoicing fraud and inappropriate use of its good name and reputation. These cases, too, were investigated and appropriate measures were taken, varying from written warnings to dismissal. All notifications are discussed at the Executive Board meetings and subsequently evaluated by the management personnel concerned.

One notification concerned a situation where several employees had stipulated conditions with a subcontractor aimed at personal gain. Following a thorough investigation, the extent of the matter came to light. Under employment law measures were taken against the employees involved, varying from demotion to instant dismissal. Within the business segment concerned, this case prompted the theme of integrity to be given prominence. A campaign was launched, including letters to employees, shop floor meetings, and work planning sessions. The effect was to lower the bar for other employees to report irregularities, resulting in more notifications.

Integrity and conduct

Integrity and conduct are laid down in a number of rules and guidelines:

- *Integrity-sensitive positions:* The Procedure for Integrity-Sensitive Positions applies at Heijmans. 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. The procedure for the screening of employees is also laid down. 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 Conduct.

- *Reviews*: integrity issues are discussed by the Executive Board and shared in management teams (on an anonymous basis). The Integrity Committee verifies that notifications and issues are translated into appropriate policy.
- *'Kr8 van Heijmans' Code of Conduct*: With the motto "A question of character", the desired conduct is set out in the Heijmans Code of Conduct. The Code deals with matters such as safety, integrity and competition, and obliges Heijmans employees to act and behave in accordance with its provisions. A sanctions policy is linked to the Code of Conduct. Managers are required to set an example by their personal conduct. The conduct code is an integral part of the employment agreement with permanent and temporary personnel, and also applies to self-employed persons with whom Heijmans works.
- Integrity is a fixed item for job interviews and introduction programmes.
- In order to encourage integrity in project development, Heijmans Property Development set up a *Transaction Register* in accordance with the Neprom Code of Conduct in 2009, as a supplement to its quality management system and the Heijmans Code of Conduct. The relevant details of every business-to-business property transaction are investigated in advance and recorded and documented in the Transaction Register, enabling subsequent checks to be made for correctness, integrity and lawfulness of such transactions. This is also endorsed and set out in Heijmans' procurement policy.
- *Procurement*: New suppliers are requested to sign a sustainability declaration that includes rules with respect to improving social aspects, working conditions, and health, safety and the environment, as stated in the section 'Procurement and Chain Integration' on page 65 of this annual report.

Observance

A number of counsellors have been appointed for the business units and at the holding company level for the purpose of implementation of and compliance with the Code of Conduct. They can give advice regarding

dilemmas encountered by employees in the course of their daily activities. Heijmans requires its suppliers and sub-contractors to endorse the code of conduct of Heijmans, Bouwend Nederland and NEPROM or a code for their own industry. Heijmans' subsidiaries, associates and joint ventures are included on the register of the Foundation for Evaluating the Integrity of the Building industry (SBIB). Every two years, any breaches of the Heijmans Code of Conduct, together with an account of how Heijmans dealt with these breaches, are reported to the SBIB.

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 is also further elaborated 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 no anti-competitive practices have been involved in the preparation of the tender or quotation.

Internal reporting procedure

For those situations where it is difficult or impossible to find a solution within the scope of daily workplace activities, Heijmans has previously 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. The reporting procedure offers employees the possibility of reporting an abuse orally or in writing to the central reporting point (the compliance officer) or a counsellor, without endangering their employment law position. There is also the possibility of reporting abuse anonymously via the SpeakUp system.

Insider Trading Regulations of 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 Act and other Heijmans employees.

Regulations applying to personal investments

There are regulations applying 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 share and options on shares. The Chairman

of the Supervisory Board acts as compliance officer for the Chairman of the Executive Board.

The Human Environment & Transport Inspectorate

In early 2014, Heijmans was the first contractor to sign a declaration of intent with the Human Environment & Transport Inspectorate (ILT) as a preliminary to a compliance agreement concerning enforcement of the (extremely extensive) set of regulations within the scope of the Inspectorate. Heijmans already has such an agreement in place with regard to the Driving Times Decree. ILT supervises enforcement of the regulations for several domains, including soil, transport and dangerous materials). A compliance agreement introduces horizontal supervision on the basis of which Heijmans is expected to report deviations on its own initiative, take preventive measures and report annually to ILT. Within Heijmans, the ILT domains mainly cover the activities of Infra. The agreement was signed by ILT and Heijmans N.V. on 26 June 2015. The agreement has a term of two years and will be reviewed annually. In 2016, Heijmans conducted a self-assessment. The results formed the basis for an action plan, to be executed subject to the terms of the covenant already signed. The actions deriving from the plan will last until the spring of 2017. In addition, ILT will conduct a compliance audit at Heijmans in the spring of 2017, to ascertain the extent of the company's compliance with the agreement.



Risk management

Events in 2016 were dominated by the goal of improving the company's risk profile. The highly negative result for the year was the impact of the manifestation of project risks and disputes with customers concerning a number of large projects. As a result, there was a significant impact on the financing and strategy of the enterprise. It is against this background that the attention Heijmans devoted to risk management in 2016 has to be considered.

The operating margins in the industry and at Heijmans are currently low, and are below the strategic levels that Heijmans strives to achieve and are needed to operate profitably. This further underlines the importance of risk management. It is thus an essential duty of the management to make well-considered decisions with respect to the risks the company wishes to take on, and how these risks can be managed.

In the markets where Heijmans operates, there is a great deal of competition and pressure on margins, something particularly true of the segments in which Heijmans operates in the Netherlands. In addition, types of contract that add to the responsibilities of contractors, such as Heijmans, in the risk domain have become common practice. At the same time, this development offers strategic opportunities for adding value. Heijmans aims to achieve this, on the basis of its knowledge, expertise and innovative strengths, by leading the way in the offering of integrated sustainable and socially relevant solutions to customers and users. For Heijmans, the only way to maintain a sustainable position in this market is to add value.

Risk management was a high-priority item on the business agenda during the reporting year. This section describes the risk profile, the main risk factors and the way in which these are managed. It also describes the main activities and results in 2016 with respect to risk management, and lists the priorities for 2017. The risk section also describes the main items of attention in the management letter from the external auditor.

Risk profile

Heijmans is firstly engaged in construction and infrastructure projects, including management, maintenance and/or services, and secondly 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.

The construction and infrastructure projects and services are based on contracts that Heijmans must execute, whereby a large proportion of the works to be performed are outsourced to third parties. These activities feature relatively low operating profit margins. Heijmans strives to achieve operating profit margins of between 3% and 4% for these activities. The business model for this type of activity adds value when on average projects contain negative working capital that effectively results in little or no investment of capital. Infra activities generally contain a somewhat higher level of capital investment than construction or installation projects, partly due to the greater use of equipment. It is therefore essential that full attention is paid to the management of downside risks. If they arise, with low operating profit margins these risks can quickly mean that these activities do not add value. In order to avoid these risks, this also means that Heijmans may on occasion have to refuse potential upside opportunities. For the purpose of a profitable business model, Heijmans accordingly strives to achieve a moderate risk profile. The risk profile of end products such as asphalt is primarily determined by the scale of the production capacity needed. This capacity is in line with the demand from Heijmans' own projects as well as supplies to third parties.

The property development and PPP activities require a higher level of invested capital, meaning that a higher return is required. In these markets, Heijmans aims to achieve an operating profit margin of between 7% and 8%. The time factor is an important part of the risk profile for these activities. The burden on resources is often for a longer duration in order to be able to realise higher returns. Here too, Heijmans aims for a moderate risk profile in order to improve the turnover time of its capital. In practical terms, this means that invested capital is always converted as quickly as possible to property development production.

Risk management

Heijmans' basic approach to risk management is the structural, integrated and timely identification and monitoring of key opportunities and risks from the risk profile described. The objective is to effectively anticipate and mitigate uncertainties and threats, but also to exploit opportunities. Risk management is embedded in a management model that features centrally organised operating companies with short lines of communication to the Executive Board. Most support functions are centrally organised and report directly to the group management. This applies for instance to IT, Human Resources, Procurement, Equipment Management and Facility Services. Moreover, strategy is implemented via a number of improvement programmes designed to improve the company's core operating processes, known as Improve the Core, with a focus on four areas: tender management, project management, procurement and sales. Improvement programmes are also in place for specific areas of attention in the conduct of the business, such as Fit for Cash (designed for working capital and cash management) and the safety programme GO! (designed for 'No Accidents'). For the next few years, these programmes will be a part of "Focus, Discipline and Excellence". In order to adequately manage risks, it is important that awareness of risk is embedded throughout the organisation. In addition to defining and achieving improvements, these programmes are also aimed at creating an open and transparent business culture, precisely to increase this awareness. The monitoring and further improvement of the corporate culture requires the continuing attention of the management and is embedded in the management's description of duties and performance agreements.

Key risk areas

The key risk factors are identified on the basis of the stated risk profile and clustered into five categories: strategic risks, market risks, operating risks, financial risks and compliance risks. The impact, management and description of these risks are shown in the risk matrix shown below.

Business model	Strategy	Market	Operating	Financial	Compliance	
Input (resources)	Having appropriate scale in terms of knowledge and capacity in a market segment	Introduction of other contract types with more responsibilities	Adequate insight into property and land holdings	Liquidity		
		Procurement prices for materials and subcontracting	Correct partnering on the basis of added value and risk	Sufficient capacity for issuing bank guarantees		
			Quality and availability of employees, teams incl. management	Adequate insurance cover for potential significant losses		
				Bankruptcy of partners, subcontractors, suppliers		
Throughput (process)	Necessity to renew production and supporting processes	Influence of cyclical developments including government spending	Quality of contract management	Adequate insight into development of project results	Ability to accept sequential liability	
			Operating in markets that do not offer adequate prospect of an appropriate return	Price pressure in segments in relation to available capacity	Focus on quality in design and preparatory phases	Loss due to fraud
			Insufficient selectiveness in acquisition of new projects	Good connection from acquisition to execution		Compliance with tax legislation
			Application of adequate focus on sales (customer/market)	Procurement quality and engagement		Compliance with prevailing quality requirements and process norms
			Housing markets developments	Pricing in an appropriate profit margin		
			Quality of support from IT systems including ability to take responsibility for correct storage and processing of data			
		Insufficient specialist knowledge and experience in subsegments or projects				
		Good calculation of costs including a balanced and complete picture of opportunities and risks				
Output (performance)	Need for renewal in relevant products and services	Meeting customer expectations		Sound financial leverage ratios	Safeguarding and expressing integrity	
	Differentiation in the market	Demonstrable quality				
Outcome (effect)	Reflecting the importance of more sustainable operation	Reputation	Ensuring safety for employees and the environment			

Specific attention within EB or directly to its reporting staff function

Part of specific programme for strategy implementation

Both

Strategic risks

Strategic risks affect the medium to longer term or the long term. Generally, these risks manifest gradually over time. Heijmans sees the main risks in this category as failing to adequately respond to the need to create differentiating qualities, operate sustainably and have the ability to renew itself. There is also always the question of whether the scale in a particular market segment is appropriate. Important considerations in this respect are the knowledge and expertise required and ensuring proper capacity in terms of people, material and overheads.

Strategic risks and management measures

Strategic risks are in principle managed directly by the Executive Board, which initiates actions with the objective of turning these risks into opportunities. The Executive Board regularly analyses and evaluates the development of activities in relation to the attractiveness of markets and market segments. In the framework of a comprehensive approach to the further recovery of the company, including the guarantee of financing, the decision was made at the end of 2016 to transform Heijmans into an enterprise concentrating solely on the Netherlands. At the heart of this approach is a tighter focus on core competences, coupled with optimisation of the cost structure and margins. The policy on sustainability is a permanent responsibility of the Chair of the Executive board.

Market risks

Market risks can have an effect in both the long term and the very short term. The impact of some of these risk factors can be serious and take effect quickly. This applies to both influences from customers, such as new contract types, and influences from the procurement of material and subcontracting. In addition, Heijmans identifies the risk of price pressure for projects to be accepted if there is overcapacity in certain segments or the perception that there is overcapacity. Macro-effects from the economic cycle, government spending and also specifically the housing market materially affect the company's activities.

Market risks and management measures

The company is closely following and analysing developments in the Dutch housing market given the effects of this for the Property Development and Residential segments. The housing market improved further in 2016. Volumes are picking up and average sale prices are rising. The policy of the Dutch government introduced in 2012 with the aim of dealing with the problem of occupation of social housing by persons

earning higher incomes has produced results and affected the market. Increasing upward mobility has been achieved since that time. In combination with criteria aimed at further reducing the level of mortgage debt, all segments of the housing market are more affected by market forces. On balance, the market for social housing will become relatively smaller and the liberalised rental sector will increase. The fundamentals for the owner-occupied market are good, with the key parameters here being demographic developments, the level of interest rates and consumer confidence. For Heijmans, this means that it is tailoring its product offering to reflect these developments and additionally is devoting much attention to a competitive and differentiated pricing policy.

We also expect the market for non-residential building to show a moderate development in the coming years. The demand for integrated projects including service, management and maintenance is growing to a limited extent. There is intense competition in this market, meaning that price pressure will continue. Risk management here is associated with selective acceptance of projects (margin before volume) and a focus on a number of subsegments relating to core competences and experience. Our risk appetite in this market is limited.

The Dutch infrastructure market is relatively stable in terms of volume, however it is intensely competitive. In addition, new types of contract have been introduced that have added to the responsibilities of contractors such as Heijmans in the risk domain. The proper pricing of risks is an important item of attention, as well as the tendering for projects with appropriate profit margins. Furthermore, contractors and customers in the Dutch market need to find a new balance with respect to cooperation, involving fairness and trust in addition to the contractual dimension. The systematic and disciplined pursuance of a selective acceptance policy supported by good sales policy and good project management are in general terms the management measures in this area for Heijmans. The measures in place are described in more detail under the heading Risk management highlights in 2016 on page 93.

Heijmans was operating in several Belgian infrastructure and construction submarkets in 2016. The market in Belgium features pressure on public spending and a well developed but relatively stable competitive arena. A good sales policy in combination with disciplined tender processes and good project management are the main management measures. Following the close of the

reporting year, it was announced that Heijmans had reached agreement with BESIX on the sale of all the Belgian activities. It is expected that this transaction could be finalised in the first half of 2017.

The markets in which Heijmans operated with Franki and Oevermann in Germany showed a positive development in 2016, especially as a result of increased government investment. These are however highly competitive markets, in which a disciplined and selective acceptance policy and good project management are the primary management measures. For the German activities, special consideration was also given to the available assets in connection with the guarantee of a sufficiently large workforce and use of equipment. This applied in particular to Franki, the foundation specialist. In Q4 of 2016, agreement was reached on the sale of Franki to the Austrian group PORR. The sale of the German subsidiary Oevermann is currently being evaluated.

Procurement prices rose during 2016, particularly for those categories that are staff-related, but also for procurement categories where available production capacity is a key factor. Movements in commodity prices presented a mixed picture. The policy is to hedge these risks as quickly as possible once projects have been contractually accepted. However, this is not possible, or not entirely possible in all cases. The more robust a procurement market, the more effort is demanded of a procurement organisation. In addition, extra attention was given to estimating the sensitive aspects of tenders. Risks continue to exist in the area of procurement prices, in relation to both raw materials and subcontracting. There can also be effects as a result of macroeconomic developments that are difficult to predict, such as the high degree of volatility in oil prices.

Further details of the market conditions are given in the section "Strategy Implementation and Customers", on pages 45 to 51 of this report. Detailed information on procurement is provided in the section 'Procurement and Chain Integration' on pages 65 to 66.

Operational risks

Operational risks dominate the risk matrix. Inadequate management of many of these risks may have a seriously negative impact in the short and long term. Operational risk concerns project development activities and building activities in the context of residential building, non-residential building and infrastructure works. The most important and risk-determining components of the primary process are the tendering

approach, the proposal process, the procurement process and project and contract management. There is a large variety of contracting forms, generally involving - to a certain degree - a fixed price. Errors in design and/or calculation and differences of interpretation regarding design liability therefore can have a negative impact on building costs and consequently result in project losses and negative cash flows. Furthermore, this can result in significant financial and other liabilities. Heijmans also considers the extent to which an appropriate profit margin is and can be calculated as an operational risk. Risks associated in the widest sense with property and land holdings are also treated as operational risks by Heijmans. Finally, risks relating to the ability or otherwise to safeguard the safety of employees, the environment and anyone entering a construction site belong to this category.

Operational risks and management measures

Improve the Core (Focus, Discipline & Excellence)

The realisation of a proper control framework in 2016 with respect to operational risks was largely thanks to 'Improve the Core', a programme designed to improve processes in tender management, project management, procurement and commerce. (The programme was later incorporated in Focus, Discipline & Excellence.) In addition, the following measures apply to the management of operational risks, usually in relation to project management. These also include elements that represent the company's risk appetite:

- Development projects will only be initiated once a substantial percentage of the homes put up for sale has been sold and the buyer has secured the finance;
- Construction of commercial property development projects will only be initiated once the property to be built has been sold (with limited rent guarantees) or has been largely leased;
- A central procurement policy in force to optimise Heijmans' procurement strength, ensure the required quality and mitigate price and delivery risks;
- Specific attention to the financial position of partners, subcontractors and suppliers;
- There is a stratified approval procedure with regard to larger and/or complex projects whereby the largest and most complex projects require the specific approval of the Executive Board;
- Where useful for the purpose of mitigating risk, aligning interests or obtaining access to knowledge and expertise, projects are sometimes acquired and carried out in cooperation with partners;
- In the preparatory phase, risk evaluations of projects to be contracted are made (legal, technical, financial,

integration, safety, logistics, scheduling, environmental factors);

- For projects in a higher risk category, we work with bandwidths for the expected result per project so that specific developments, opportunities and risks can be closely monitored
- Intensive involvement of critical functional disciplines in the management of risks before and during execution. This mainly concerns the legal, purchasing and financial functions;
- Any extra work on assignments is only carried out after agreement has been reached with the principal, unless the contract or regulation stipulates otherwise;
- Regular project reviews with a layered structure whereby larger and/or more complex projects (risk category 3) are evaluated by the Executive Board.

GO! Safety programme

Heijmans places a high priority on healthy and safe working conditions. The management of risks to safety thus receives extensive attention. One important measure in this respect is the GO! safety programme (No Accidents), described in the section 'Health and Safety' on page 55 that is designed to raise awareness of safety. In practice, the measures to manage safety risks are as follows:

- Preventive measures are in place in case disasters occur. Emergency plans are prepared for large building projects so that there can be a rapid response if an emergency occurs.
- The safety policy also applies to the subcontractors engaged by Heijmans. In the Netherlands, this policy focuses on working with VCA-certified subcontractors at the building site so that all VCA (Safety Checklist for Contractors) requirements can be met. This means that all workers on construction sites have completed the basic safety course, and all employees, including subcontractor personnel, participate in information and training sessions organised by Heijmans. They then have the necessary personal protective equipment, and they work with approved equipment and tools.
- Serious safety incidents must be reported immediately to the Executive Board. Those involved explain the circumstances of the incident to the Board and put forward suggestions for increasing safety at work in general.
- In addition, in order to take more effective action against personnel who follow unsafe working practices a system of yellow and red cards has been introduced. This gives guidance to the site manager regarding the action he should take in the event of unsafe conduct.

Human Resource Management

The ability to access qualified and motivated personnel is a necessary condition for enabling the Company to carry out its core activities in a professional way. In this context, Heijmans has various initiatives in place designed to retain sufficiently qualified personnel:

- The management development policy, which aims to promote upward mobility and job rotation and offer a wide range of internal and external training at both operational and (project) management level.
- The annual master class and the management trainee programme are both designed to attract and retain talented young students at an early stage.
- There is regular testing to establish whether the employment benefits are sufficiently competitive, both in financial and non-financial terms.

Risks relating to the availability of qualified staff are clearly growing, although this is actually true of nearly all categories. The underlying causes are twofold. First, the growing demand in the sector and in the economy in general. Second, the fact that skilled employees left the sector in recent years because of the economic crisis. For Heijmans this means striking a balance between constantly making staffing adjustments relating to the rationalising of operating processes, and simultaneously putting in extra and new efforts to maintain operational quality via the inflow of good employees.

Financial risks

Financial risks mainly concern risks that directly or indirectly affect the company's funding, such as availability of sufficient liquidity, sound financial leverage ratios and the availability of sufficient capacity to issue bank guarantees. There are also risks associated with financial valuations, and the risks of losses and financial damage due to the bankruptcy of partners.

Financial risks and management measures

Risks associated with liquidity are mostly described as part of risk management in 2016.

Finance, liquidity and cash flows

Liquidity risk concerns the likelihood that the financing requirement at any time is greater than the remaining credit facilities available to the Company. There are significant fluctuations in the Company's liquidity and therefore its financing requirement during the year. This is partly due to seasonal effects and partly due to normal fluctuations in the working capital, which changes along with construction volume, as well as specific effects on projects. To manage this risk, liquidity forecasts are prepared on a regular basis. These forecasts relate future needs to available financial resources, in order to facilitate timely intervention to resolve any difficulties that may arise. The development of the liquidity position is monitored closely by means of daily and weekly reporting. The Company's liquidity is more or less entirely available in the form of committed credit facilities, the use of which is subject to being able to meet a number of conditions such as financial covenants. The relevant covenants are the Interest Coverage Ratio (EBITDA/interest) and the Leverage Ratio (recourse debt/EBITDA). The company satisfied these conditions for the first three quarters of 2016. Owing to the losses on the loss-making projects, Heijmans would no longer have been in compliance with the financial bank covenants at year-end 2016. Accordingly, the company took the initiative to engage in discussions with providers of finance. By mid-February 2017, this resulted in new arrangements for the financing from the bank consortium, which will consist of ABN AMRO, ING Bank, KBC and Rabobank for the next few years. The key features of the new arrangements are a reduction in the use of debt and a year's extension of the financing arrangements until 1 July 2019. The committed credit facility will be reduced in stages to € 122 million by 30 June 2019.

Revenue from the planned disposals will be largely applied to debt reduction. Any additional contribution to equity capital falls outside these new arrangements. It has been agreed that there is no need for financial covenant tests in Q4 2016 or Q1 2017. Regarding the tests in Q2, Q3 and Q4 of 2017, minimum levels for EBITDA and solvency have been agreed. Agreements have been seen on a minimum EBITDA rising to €20 million and solvency to a minimum of 20%, both by the end of Q4 2017. As from 2018, the existing covenants will apply again: an interest cover ratio of at least 4, to be tested at

the end of every quarter, a leverage ratio of no more than 3, to be tested every six months, as well as for 2016 an average leverage of no more than 2.5, to be tested every quarter. For the details, refer to the financial statements, starting on page 113.

For DBFMO projects, project funding is in principle available for these projects in relation to the initial project planning in combination with reaching specific milestones. The development of this is closely monitored, including any risks that may arise from planning or other sources, such as developments at consortium partners.

In addition to bank facilities that can be used to draw down funds, lines of credit guaranteed by banks are available. In principle, guaranteed lines are not committed. Attention to financing and sufficient guarantees will continue to be important and critical for the company over the next few years. Achieving the objectives for debt reduction and less use of credit are essential aspects of this.

Valuations

In addition to risks relating to financing, Heijmans is also exposed to risks relating to financial valuations. This includes tax credits recognised in a situation in which not enough taxable profit will be realised in the Netherlands in the coming years. There are also valuation risks associated with large balance sheet items such as goodwill and property holdings. On the one hand, given the write-downs of property holdings recognised in recent years and the regular reviews, it can be said that these risks will diminish with the expected recovery in the Dutch housing market. On the other hand, goodwill remains a significant item in the statement of financial position, even when compared with equity.

Estimates are an inherent feature of project valuations, as is the fact that Heijmans is involved in negotiations and discussions of the financial settlement of projects, such as extra work or less work, claims and penalties, delivery times and the level of quality of the work. It may turn out at a later stage that actual results differ from the estimates.

Investments

Risks associated with investments, or the acceptance of long-term obligations and large investments in property, plant and equipment and land holdings are managed using strict procedures whereby explicit approval from the Executive Board is required for all larger investments.

Insurance

An inherent feature of the core activities of Heijmans is that large one-off events may occur that can lead to substantial financial loss. The appropriate risks are insured, as a back-up to the management of operational and financial risks. The policy in this respect focuses on risk areas where very large losses can occur that Heijmans cannot reasonably bear, areas in which risk management is not part of the Company's core competence or in which risk management is adequately placed with a project partner. The insurance programme also covers relevant risks associated with changes in legislation, regulation and applicable case law. On balance, the possibility of insurance in addition to risk management of projects has a crucial role. The most important insurance policies are the construction all-risk insurance for project execution risks, the corporate liability insurance for general liability risks and the professional liability insurance for liability risks arising from construction design and consultancy. Insurance is taken out with reputable and reliable insurers. During the annual meeting with insurers, the premiums are adjusted in line with developments on the insurance

market, the loss statistics and the economic climate. Given the greater number of claims submitted to insurers, relative to the status of losses on Infra and Non-Residential projects, the conditions for risk insurance worsened in 2016, in terms of premiums as well as uninsured risks.

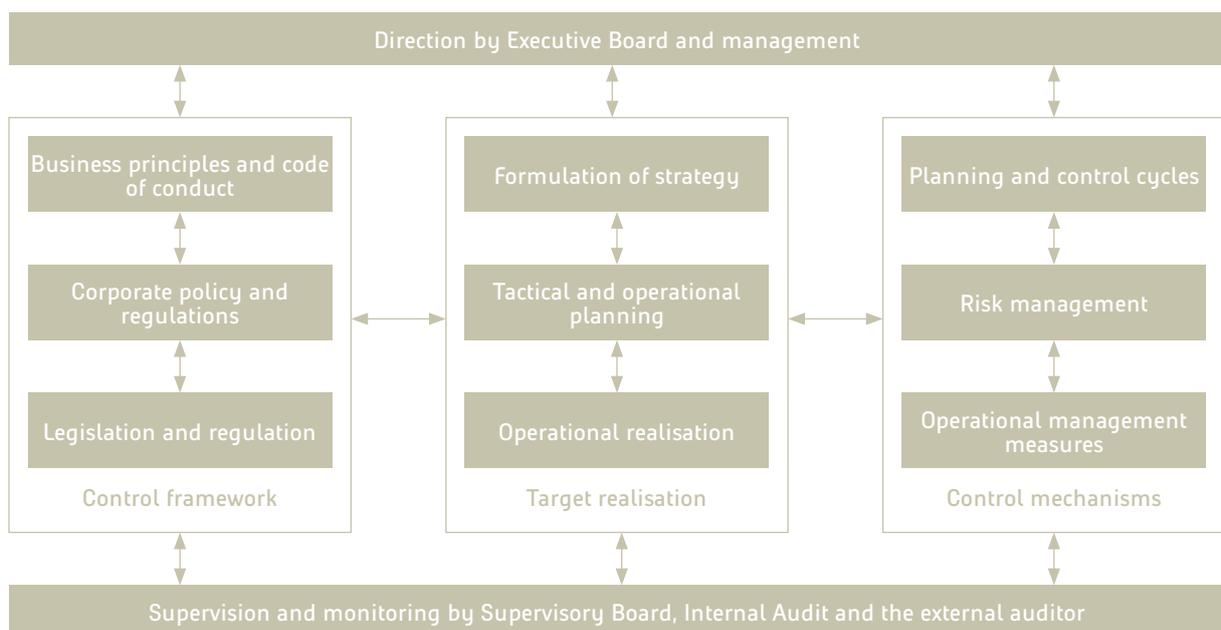
Compliance risks

Ensuring and expressing a high degree of integrity is an essential consideration for this risk category. Inadequate management may lead to reputational damage.

Compliance risks and management measures

Compliance concerns both compliance with legislation and regulations, and the enforcement of an appropriate framework of standards and values. Managing these risks has a high priority, since inadequate management could damage the Company's reputation and integrity. Various measures are in force to prevent such risks, such as the Heijmans conduct code, obligations explicitly included in management regulations with respect to compliance with legislation and regulation, the procedure for integrity-sensitive positions and a whistle-blower's procedure.

The nature of the construction and infrastructure sector is that we work extensively with personnel and subcontractors whose involvement in a project is only temporary. With regard to the outsourcing of works and the hiring of temporary personnel, the main contractor has to take account of specific legislation and regulation and



risks, for instance the Foreign Nationals (Employment) Act and risks relating to chain and recipients' liability. Observance of the control measures in effect in this respect is especially important given the increasingly tight labour market, and the fact that the government is taking an ever-stricter stance with regard to breaches of prevailing legislation and regulation. Attention is also required with regard to observance of statutory requirements by subcontractors and employment agencies in relation to pay and working conditions for the workforce. Finally, significant changes have been and are being made with regards to engaging self-employed persons to carry out work. Although the operation of these government measures is still crystallizing, and therefore not entirely clear, Heijmans is paying close attention to ensure proper implementation.

The centrally managed tax legislation department plays an important part in the monitoring of compliance with relevant laws and regulations.

Other general management measures

The various elements in the internal risk management and control system at Heijmans are shown in diagram form in the figure above.

Important aspects of the control framework are:

- **Management regulations and instructions** for the management of operating companies/business units. These regulations and instructions define the authorities and the framework within which management operates, and address such matters as contracting for projects, making investment commitments and reporting obligations and accountabilities;
- **Code of conduct:** the conduct desired of Heijmans employees is established in a code of conduct under the slogan "the power of Heijmans, a question of character" [de kracht van Heijmans, een kwestie van karakter]. Important themes in the code of conduct are safety, integrity and competition;
- **An accounting manual** that prescribes the internal and external financial reporting principles to be applied and the procedures to be followed for this purpose;
- **Business process systems** that include a structure for the primary and secondary processes of building and property development activities, including risk management systems enabling project-related risks to be identified and managed. The aim here is to achieve uniformity of processes throughout the group;
- **Specific register with explanations** as an extra safeguard of integrity for senior management and specific positions.

The control mechanisms at Heijmans include the following:

- **a planning and control cycle**, with periodic reporting by operational management on the trends in relevant markets, the financial state of affairs relative to the budget, the financial and operational status of projects, and safety;
- **regular project reviews**, also often referred to as 'work in progress meetings', in which the development of projects is discussed and evaluated on the basis of fixed formats;
- **periodic review meetings** between the responsible operational management and the group management;
- **monitoring of developments in the liquidity position** of group elements and specific projects with various tools and frequencies;
- **company-wide risk management process audits**, designed firstly to establish whether management measures are properly observed in the context of project-specific risks, and secondly to control other company-wide risks. Central organisation and coordination with feedback and follow-up primarily at business-flow level.

Risk management highlights in 2016

A number of items of attention in relation to risk management for the coming years were formulated in the 2015 annual report. The following measures and/or actions were taken in this context in 2016:

1. Complex and integrated projects

The management of large and mostly integrated projects at Infra and Non-Residential in the Netherlands, with extra attention given during the start-up phase;

Risk management was dominated in 2016 by these efforts, as part of the endeavour to improve the company's risk profile. The highly negative result for the year was the impact of the manifestation of known project risks and disputes with customers concerning a number of large projects. Considerable attention is being devoted to further implementing improvement measures already announced. Specific start-up reviews have therefore already been conducted. New measures and actions were also taken. The increased attention to management of these types of risks in recent years is due to the fact that responsibilities have increasingly been shifted to contractors during this period, as a result of new types of contract. Especially for large projects, these additional responsibilities concern design, the obtaining of licences, environmental management and verification of the delivery quality. This requires new skills, different from those demanded in the past. What is evidently a factor is that a good number of customers,

mainly at lower government levels, are ill-equipped or skilled to direct projects subject to these new-style contracts. This mainly applies to large Infra and Non-Residential projects, where the results - like in the year before - were under severe pressure and negatively affected by the effort applied to resolve a number of disputes or complex situations. As the leading causes for the emergence of these risks with large projects, Heijmans points to:

1. Designs that turned out to be too ambitious, including overestimating the possibilities for further optimisation.
2. Underestimation of risks and costs; the risks were certainly identified, but poorly estimated financially.
3. Work accepted that exceeded core competences, also due to the ambition to implement the strategy vigorously.
4. Implementation and organisation not at the right level, or not soon enough; start-up phase needs to be improved, control the design process more firmly, clearly identify and assign responsibilities.
5. Contract management still falling short. Primarily concerns contract management as applying to customers, including professionalizing the internal escalation procedure professional and manageable, both during contract preparation as well as the realisation phase. Focus on the scope of design responsibility.
6. Pricing. Given the tough competitive pressure on being able to include sufficient margin and buffers in costs.

Measures phased in to address these causes include:

- A. Go/No-go policy applying at different stages in the tender process, with a greater number of checkpoints for tenders that are deemed unfeasible during the submission process.
- B. Lower limit for project margins and more cost buffers, differentiated according to project type.
- C. Collaboration with risk-bearing partners, in any case on projects requiring competences that are not close to Heijmans' core set.
- D. Sharpened market focus at Infra, primarily on the mobility sector.
- E. Management boards of Infra and Non-Residential radically changed.
- F. Specific start-up reviews in the initial months following contract acceptance.
- G. Stronger assurance of legally sound contract management.
- H. Project responsibility organised better, including more focus on ownership as a cultural value.

- I. Risk analysis and review during tender phase further expanded.
- J. A more critical assessment of the design during the tender phase.
- K. Design and processing costs priced differently.
- L. Improvements made to the design and engineering processes.
- M. Closer monitoring of tender budgets.

While extra attention from the Executive Board and other senior management has clearly been devoted to this theme, and the proposed changes to the tender and preparatory phases have been introduced, these improvements had little visible effect on the financial results for 2016. Better performance on projects awarded recently is financially overshadowed by losses mainly related to the settlement of disputes involving a number of projects such as Tilburg energy factory, N23, Drachtsterweg in Leeuwarden, and RIVM new-build. The benefits of the improvement measures will only be visible in the next few years. This theme will continue to be a high priority in the coming period, and this will be expressed in the further implementing and refining of the changes introduced, and strict enforcement of the approach and discipline, with the appropriate tone at the top.

2. Process improvement

Consistent direction regarding the implementation of the "Improve the Core" programme with respect to tender management, project management, procurement and sales

Under this improvement programme, more steps were taken in 2016 in all areas earmarked for improvement; in the second half of 2016, "Improve the Core" was incorporated into "Focus, Discipline and Excellence".

Continuation of the GO! safety programme, with higher targets

In 2016, additional intensive work was done on the GO! safety programme (No Accidents). Extensive attention is now permanently devoted to attitudes and behaviour in relation to safety, which has led to an improvement in the safety figures. Good progress, too, was also made in regards to safety in Germany. Thanks to new measures, safety is receiving considerable attention. Safety will continue to be an important theme in 2017.

Continued rollout of the SAP-ERP environment including the introduction of follow-up initiatives designed to achieve the desired business benefits;

According to planning, the implementation of a new ERP platform based on SAP should now be virtually complete. After the initial rollout of this system at a division of Infra (Roads) in 2014, further implementation was started at the rest of Infra (Civil) in 2015, the group service departments, materials management and Residential Building. The complex rollout to Non-Residential was realised efficiently in 2016, without disturbing the operating activities. The system for financial consolidation was also modified so it forms an integral part of the new SAP environment. The new platform is intended to ensure that the supporting processes are modernised, control of and efficiency of the processes will be further improved, administrations will be further centralised and operational support will be improved. During the implementation of the system, attention was continuously devoted to a number of specific aspects in the context of risk management, such as the specifying of obligations, the management of authorisations and the systematic application of automated controls. The implementation of a new ERP system involved a substantial change process, plus the risks that are associated with such processes. The special attention devoted in particular to the change aspects during the rollout contributed to the successful introduction at the various business units without noteworthy business interruptions. Only the rollout to Property Development still needs to be realised in 2017. This same year will also see the Change Team optimising use of the system, including realisation of the intended business benefits.

Guaranteeing compliance relating to HR risks

In 2016, there was much consideration given to implementing changes arising from various pieces of HR legislation in the Netherlands, or to compliance with existing regulations. Specifically, this concerned the Labour Market Fraud (Bogus Schemes) Act, chain liability, amendments to regulations applying to self-employed persons, foreign workers, and protection of personal data.

3. Financial position

Continuation of the "Fit for Cash" programme including intensive monitoring and management of liquidity in the light of the desired improvement of profitability;

As intended, "Fit for Cash" had a high priority in 2016. In fact, liquidity growth came under much greater pressure

in the second half of the year than had been allowed for in the planning. The cause was unfavourable developments with a number of large projects. These developments had an immediate significant impact on liquidity. The resulting pressure on the ability to continue satisfying the financial covenants, in combination with the necessary and appropriate external communications on the issue, made it difficult to implement additional improvements to working capital management. At the same time, a more professional approach to the monitoring and management of liquidity has been adopted. From the new ERP environment, rolled out by now to almost all our activities in the Netherlands, it is now definitely possible to make the next improvements in the area of proper and timely invoicing for projects and services. .

Strengthening the financing of the Company

A major objective for 2016 was to improve the balance between profitability and the use of credit. The adverse developments on a number of large projects meant that no progress could be made with achieving this goal. The above-mentioned developments led to increased use of credit, as well as to reduced buffers and buffer capacity. On the measuring dates of 31 March, 30 June and 30 September, Heijmans satisfied the financial covenants agreed with the bank consortium. However, as recognised in advance, the credit available under the covenants on those dates was limited, due in part to the poor operating results. As a result of the losses on the loss-making projects, Heijmans would no longer have been in compliance with the financial bank covenants at year-end 2016. Accordingly, the company took the initiative to engage in discussions with providers of finance. By mid-February 2017, this resulted in new arrangements for the financing from the bank consortium. The key features of the new arrangements are a reduction in the use of debt and a year's extension of the financing arrangements until 1 July 2019. (See also the description in the section "Financing, liquidity and cash flows"). The degree of credit usage fluctuates widely due to the nature of the company's activities. Seasonal factors and specific issues in relation to payment schedules and developments at projects are influencing factors in this context.

Although failure to comply with the conditions cannot be ruled out due to a number of risk factors, barring unforeseen circumstances Heijmans expects to be able to operate in 2017 within the agreements made with the banks .

4. Organisation, risk, and audit manager

A stronger audit programme carried out by the risk and audit officer

A new risk and audit manager for the group was appointed in spring 2014, with the aim of bringing the internal audit programme to a higher level. Many audits of essential core processes were carried out in 2016. The findings were shared at project and operating company level, as well as with the Executive Board and the Supervisory Board, with the objective to make immediate improvements. The risk and audit manager's primary aim continues to be the initiation and realisation of adequate operating audits including clear feedback to the management concerned. As extra time and energy had to be spent on financing and strategy adjustments, especially in the second half of 2016, there might have been limitations on following up suggestions from the audits for improvements to processes. This issue will be addressed in 2017 again. The focus of the audit programme in 2017 will be on items that are vitally important for the financial success of a project:

- Compliance with tender and project management procedures
- Effective contract management
- A qualified and committed project team
- Control over opportunities and risks
- Effective project control
- Fit for Cash
- Learning capacity

5. Other items of attention

Besides actions and measures already planned, in 2016 additional attention was needed for adjustments to the HR organisation. This was particularly so in the context of retaining and attracting good employees, in the widest meaning of the word. In addition, new advances were made in 2016 with understanding and managing the land and property holdings. Regular analyses are made of the development potential and/or value development of the strategic land holdings and the areas included in land exploitation, including the associated funding. Attention is also being devoted to information on and the possibility of recouping the incurred plan costs that form part of the reported value of property holdings. The net capital invested by Property Development fell in 2016 because it was possible to dispose of some holdings, but mainly thanks to faster production. Both from the point of view of control of financial resources and as part of its strategy, the Executive Board strives to reduce the amount of capital invested in real estate.

On several occasions in 2016, the company's IT environment was the target of attempted break ins or abuse. The controls in place were apparently adequate to prevent any damage. The frequency and forms of such incidents mean that managing this risk area must continue to receive high priority and that a professional approach remains a requirement.

Conclusions for 2016

The measures described above have been effectively implemented, so that progress has been made and processes have been changed to reduce the risk profile. Nevertheless, we have to conclude that the risks associated with a few large, complex projects, especially of Infra Nederland, were apparently difficult to manage in 2016. Under new leadership, causes have been reanalysed, and measures tightened once again. In several situations, the decision was taken to limit the risks by cutting the losses. Part of the justification was to secure the financing of the company for the future. In addition, supplementary and radical measures have been adopted for the areas of cost reduction, cash-flow improvement, and risk management. Their implementation in the next few years has to be carried out with discipline. Heijmans is convinced that, in time, all the measures will bring about the necessary improvement in the company's result. Risk management has a high priority regarding the development of the result, especially at Infra Netherlands and specifically on the larger projects. Although more or less all the risks occurring were identified (in the form of threats), more of these risks manifested than had been estimated. The measures introduced will be fully persevered with.

The emphasis of risk management continues to be on project control and liquidity direction as well as the reduced use of credit. Progress was difficult for several larger projects in 2016, and we cannot exclude the possibility that the financial impact of known risks will turn out to be more negative than expected. While a project-driven business such as Heijmans may have loss-making projects, the aim is to limit their number and effect. Against this background, we will vigorously continue our efforts to improve the tender and project management and the procurement process.

In relation to the financial reporting risks of which we are aware, the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting as reflected in the 2016 financial statements (beginning on page 113) does not contain any material misstatements. Significant and sweeping additional efforts had to be made in 2016 regarding the

management of several large Infra and Non-Residential projects in the Netherlands, as well as to secure financing. Although this has clearly improved the risk profile, the higher uncertainty regarding the estimation of the forecast project results on completion of the works associated with the as-yet unfinished RIVM, N23 and Wilhelminasluis has yet to be specified. The uncertainty concerns the forecast project result on completion of the work. Taking the above into account, together with the improvement measures carried out in 2016, we can state that the risk management and control systems generally function satisfactorily. It is not possible to provide absolute assurance, however. Heijmans is therefore unable to guarantee that material misstatements, fraud or violations of legal requirements cannot occur.

The optimisation and monitoring of the proper functioning of the internal risk management and control systems remains an important area of focus for the Executive Board. The Executive Board discussed the structure and the functioning of the internal risk management and control systems with the Audit Committee and the entire Supervisory Board frequently and intensively during the year.

No issues relating to integrity that affect the risk profile occurred during the reporting year.

Focus of risk management in 2017

Many of the items of attention and actions from previous years will be followed up in 2017, with the addition of certain other actions and/or measures.

In practice, this means:

- Management of risks relating to large, usually integrated projects forming part of Infra and Non-Residential activities.
- Tender process; taking on new projects that align well with our existing core competences.
- Implementation of corporate culture elements from "Focus, Discipline and Excellence".
- Cash management. Intensive monitoring and managing of liquidity, while keeping in mind the appropriate use of the available financing facilities.
- Realising the intended reduction in the use of credit.
- Finalising the planned disposal of activities outside the Netherlands; monitoring the related risks, including those concerning demerger items.
- Continuation of the GO! safety programme.
- Continued rollout of the newly implemented SAP-ERP environment including the introduction of follow-up initiatives designed to achieve the desired business benefits.
- Keep paying attention to cyber-security in a professional manner.
- A solid audit programme carried out by the risk and audit officer
- Improving the HR organisation, with a view to recruiting and retaining good employees.
- Ensuring compliance with respect to HR-related risks as a result of the Labour Market Fraud (Bogus Schemes) Act (WAS), sequential liability, changes to regulations for self-employed persons, employment of foreign nationals and the protection of personal information - knowing that changes have either been made or will be made in the regulations for many of these domains.
- Ensuring that the relevant findings and recommendations coming from the organisation are translated into visible improvements.

The Supervisory Board



Drs. 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. Steps down in 2018. *Principal additional positions:* member of the supervisory board of Ordina N.V., member of the supervisory board of Persgroep Nederland B.V., member of the supervisory board of Jaarbeurs Utrecht, Chair of Stichting Royal Haskoning, Chair of the advisory board of H&S Group, and member of the board of the Ondernemingskamer.



Ing. 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. Steps down in 2018. *Principal additional positions:* Chair of the supervisory board of Atlas Services Group.



R. (Ron) Icke RA (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. Steps 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 board of supervision of the Land Registry, board member of Stichting Administratiekantoor V.O. Zee, board adviser Star Group B.V. and board adviser Partou B.V.



Drs. 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. Steps 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.



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, steps down in 2019. *Principal additional positions:* member of the supervisory board of TNT, Chair of the advisory board of Airbus Defence and Space Netherlands, Chair of the Economic Board of Drechtsteden.



Report of the Supervisory Board

The Supervisory Board has taken note of the report of the Executive Board for the 2016 financial year. The financial statements have been audited by Ernst & Young Accountants LLP and were furnished with an unqualified audit opinion on 24 February 2017. The auditor's statement is included on page 200 of the financial statements. We recommend that the General Meeting of Shareholders adopt the 2016 financial statements and grant discharge of liability to the members of the Executive Board. We approve the proposal by the Executive Board not to distribute a dividend on the ordinary shares, in view of the development of the operating result and the net result for 2016.

Position and major developments in 2016 Role and powers of the Supervisory Board

The Supervisory Board supervises the policy of the Executive Board and the general state of affairs at the Company and its affiliated companies, and advises the Executive Board. In the performance of its duties, the Supervisory Board acts in the interests of the Company and its affiliated companies and considers the legitimate interests of the stakeholders in the Company. The Supervisory Board is also involved in the social aspects of business operation relevant to the Company. The Articles of Association of Heijmans N.V. and the Regulations for the Supervisory Board of Heijmans N.V. contain rules with respect to board meetings and resolutions. Both 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 supervision exercised by the Supervisory Board over the Executive Board concerns matters including the strategy and achievement of objectives, the risks associated with business activities, the design 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 paragraph 'Corporate Governance: General' in the Corporate Governance section in this annual report) and the social aspects of business conduct relevant to the Company.

Accents and activities in 2016

Development of the result and funding

Partly in view of the way the results were developing, the Supervisory Board has been intensely involved in the situation. The need to adjust the company's culture, already recognised in 2015, in order to achieve better management of operating processes and projects, was part of the motivation for changes in some managerial positions in the business segments, and for steering the company in accordance with "focus, discipline and excellence".

The importance of the 'margin before volume' policy, continuing further professionalization of the organisation, and improving the internal processes were all discussed extensively during the meetings. The Supervisory Board was consulted many times on the settlement of loss-making projects, and reducing the risk profile of a number of projects.

Company strategy was a major theme in 2016. In consultation with the Supervisory Board, the Executive Board analysed a variety of scenarios at the end of 2016 in order to produce a better risk profile and improve the financial leverage ratios. Following intensive discussions between the two Boards, the decision was made to begin the process of selling foreign subsidiaries. Other measures were also taken to improve the capital structure of the company. The Executive Board conducted an intensive dialogue with the banks, motivated by the recognised necessity of improving the capital structure and the related financing. The Executive Board received the active support of the Supervisory Board.

As a final point, the Supervisory Board gave considerable attention to the business plan for 2017, including the above-mentioned disposal of foreign subsidiaries; risk mitigation; cost reduction; and the expected cash-flow developments, including the consequential need for financing and in relation to the applicable covenants with financiers. In the opinion of the Supervisory Board, the extension obtained for the financing, together with the related agreements, will enable Heijmans to turn the company into a stronger Dutch enterprise.

Improvement

Company-wide improvement is seen as a very important theme. Straightforward, suitable working processes and quality standards are crucial in order to reduce costs and increase efficiency. The internal knowledge and experience acquired can be used far more effectively, so that a routine is created and a generic approach can be taken to projects. Estimating, mitigating and managing risks form a crucial part of this.

Renewal

The Supervisory Board has taken note of the progress made in the area of renewing and innovating.

Frequency of meetings and attendance

The Supervisory Board held six regular meetings with the Executive Board in attendance in 2016. A Supervisory Director was unable to be present for a number of meetings. There were also nine additional meetings. The supervisory directors who could not attend made use of the possibility to discuss the agenda items with the Chair in advance, and were therefore able to express their views. Nine meetings were also held in the form of a conference call.

As part of its meeting in June 2016, the Supervisory Board visited the A9 Gaasperdammerweg project. Prior to the meeting, the project management gave a detailed presentation on the project, which led to a detailed discussion of project management at the meeting. Individual members of the Supervisory Board also visited some projects.

The Company's external auditor attended the meeting at which the financial statements for 2015 were discussed. The Supervisory Board is represented a number of times each year at the consultation meetings of Heijmans' Central Works Council (CWC). There is regular consultation between the supervisory directors and the members of the Executive Board, depending on each supervisory director's specific portfolio. This applies in particular to the Chair of the Supervisory Board and the chairs of the various committees, i.e. the selection and appointments committee, the audit committee and the remuneration committee.

Resolutions

The important resolutions of the Supervisory Board in 2016 included the following:

- Approval of resolutions by the Executive Board for adopting and amending the Company's operational and financial targets.
- Approval of the 2016 business plan and budget of Heijmans N.V., which spell out the strategic principles of the policy.
- Approval of the proposed dividend distribution by Heijmans N.V.
- Approval of the proposal by the Executive Board regarding the appropriation of the result of Heijmans N.V. in the 2015 financial year.
- Approval of the decision made by the Executive Board to have the syndicated credit facility extended by one year.
- Approval of the proposal submitted by the Executive Board to begin the process of selling foreign subsidiaries in support of the objective to improve the capital structure of the company.
- Approval of the specification of the criteria for the short-term and long-term variable remuneration of the Executive Board.
- The decision to appoint R.F. Majenburg as a member of the Executive Board for a period of one year, after the closing of the General Meeting of Shareholders on 13 April 2016.
- The decision to reappoint A.G.J. Hillen as a member of the Executive Board for a period of four years, after the closing of the General Meeting of Shareholders on 13 April 2016.
- The decision to reappoint A.G.J. Hillen as Chair of the Executive Board with effect from 1 December 2016.

Executive Board

The composition of the Executive Board changed in 2016. In the course of the year, Mr M.C. (Mark) van den Biggelaar and Mr L.J.T. (Bert) van der Els announced their intention to leave Heijmans. Mr van den Biggelaar is stepping down as from 28 February 2017. The decision of Mr van der Els is based on his wish to step down on reaching the age of 62. He will step down as a member of the executive Board, after the closing of the General Meeting of Shareholders on 12 April 2017. Both have provided leadership for the company over a succession of years. The Supervisory Board wishes to thank them for the commitment and dedication they have shown in difficult times.

In the reporting year, the Supervisory Board appointed

Mr R.F. (Ruud) Majenburg as a member of the Executive Board, after the closing of the General Meeting of Shareholders on 13 April 2016. On 1 December 2016, Mr A.G.J. (Ton) Hillen took over the position of Chair from Mr van der Els. Until a successor is found for Mr van den Biggelaar, Mr A.S. (Age) Lindenberg will be acting CFO.

The Executive Board will consist of three members, with the following areas of attention:

- Mr A.G.J. (Ton) Hillen, Chair: General Affairs, Property Development, Residential Building, Non-Residential, PPP, Sustainability, HR & Management Development, PR & Communications
- Mr R.F. (Ruud) Majenburg: Infra, Procurement, Materials Management, Facility Management, Innovation
- Vacancy for a CFO (Mr Lindenberg is acting CFO): Finance, Investor Relations, ICT, Legal Affairs, and Pensions.

Self-evaluation by the 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-evaluation as a best practice. The members of the Supervisory Board discussed their own performance among themselves, partly in relation to the situation in 2016. A great deal was asked of the Supervisory Board in terms of commitment and involvement regarding, for example, the changes in the composition of the Executive Board, the strategic change of direction, the company being in control, and continuity of the financing. The Supervisory Board was able to actively support the Executive Board at critical points in the radical decision-making of the past year. Whenever it was required, all members were able to contribute constructively from their individual knowledge and experience.

Diversity

The composition of Heijmans' Supervisory Board features diversity in terms of gender, background and experience. Under the Management and Supervision Act, larger companies are obliged to strive to achieve 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 Supervisory Board is female, and thus represents 20%. Given the total number of seats, the target ratio of 30% will not be achieved. For further background information on all the supervisory directors, see page 98 of this annual report. The target

profile for supervisory directors is stated on the website, under the heading "Corporate Governance". In the event of vacancies (other than reappointments) the Supervisory Board proposes to strive to increase the diversity of its available expertise and the profiles of the supervisory directors.

Committees

The Supervisory Board has appointed three committees: the Audit Committee, the Selection and Appointments Committee and the Remuneration Committee. Regulations have been formulated for each committee establishing the role of the committee in question, its composition and how it carries out its duties. These regulations can be found on the Heijmans website under the heading "Corporate Governance" and then under 'Codes, Articles of Association, Regulations'.

Audit Committee

The Audit Committee comprises three members of the Supervisory Board and has duties in 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. These matters include the half-yearly report, the financial statements, the budget, the reporting of the external auditor, other financial reporting, the operation of internal risk and control systems, the relationship with and the evaluation and reappointment of the external auditor, the pension plans, and the changes in the Company's financing requirement and debt position, including the relationship with the company's financiers.

In addition, the Audit Committee discussed the valuation of land holdings, the state of affairs at the company excess pension fund, the implementation of the ERP system SAP, the Company's tax position, future amendments to IFRS regulations, the list of issues, and the proposal to reappoint EY as the external auditor for the 2016 and 2017 financial years, as well as integrity and compliance and the introduction of the possibility of anonymous reporting of abuses, 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 2016. The external auditor also attended a number of meetings. The Committee consulted the auditor on one occasion without the Executive Board present.

When relevant, managers with responsibility for finance, auditing, risks and compliance attended the meetings of the Audit Committee, together with the Chair of the Executive Board, and the CFO. Relevant items for which approval by the full Supervisory Board was required were submitted to the full Supervisory Board accompanied by 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 directors and members of the Executive Board. The Committee also evaluates, at least once a year, the performance of the members of the Executive Board. It also conducts individual performance assessment interviews with the members of the Executive Board at least once a year.

The Selection and Appointments Committee met on two occasions last year. There was also regular mutual consultation. In connection with the departure of Mark van den Biggelaar announced in November, the Committee has initiated a process to find a new CFO / member of the Executive Board. In consultation with the full Supervisory Board, the Committee has proposed the appointment of Ton Hillen as Chair of the Executive Board, with effect from 1 December 2016.

This committee consists of Ms P.G. Boumeester, Mr S. van Keulen (Chair) 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 directors of Heijmans in 2016 was in line with this remuneration policy, details of which are given on page 107 of this annual report. Apart from their three regular meetings in 2016, the Committee met among themselves and with departing members of the Executive Board a number of times to discuss the rules applying to the termination of their respective employment contracts. The Committee submitted proposals on the subject to the Supervisory Board. In addition, the Committee discussed and submitted proposals for the remuneration of Mr R.F. Majenburg on his appointment to the Executive Board, as well as for the remuneration of Mr A.G.J. Hillen on his appointment as Chair of the Executive Board. Apart from the foregoing, the matters the Remuneration Committee handled included setting the targets for the variable remuneration, the variable remuneration itself, the Management and Supervision (Public and Private Companies) Act, and the Bonus Investment Share Matching Plan.

Composition of the Supervisory Board

Mr A.A. Olijslager stood down from his position on the Supervisory Board, after the closing of the General Meeting of Shareholders on 13 April 2016. On the same date, the Supervisory Board appointed Mr S.S. Vollebregt as its Chair. As a result, Supervisory Board has consisted of five members since 13 April 2016. At the above-mentioned General Meeting of Shareholders, the Supervisory Director stepping down, i.e. Mr R. Icke, was reappointed for a period of four years.

The current composition of the Supervisory Board, together with the particulars of the members and the main and other positions held by them, is given on page

98 of this Annual Report. Apart from Mr. Van Gelder (as a former Chair of the Executive Board of Heijmans N.V. until 1 July 2010), all the other supervisory directors qualify as independent in the sense of Article III.2.2 of the Dutch Corporate Governance Code.

Conclusion

Heijmans is going through a rough patch, and needs to pull out all the stops to get back on track. To make the job even tougher, margins in construction continue to be under pressure. Heijmans will have to perform well, and be predictable in its results. Under the banner "Focus, Discipline and Excellence", the Executive Board, backed up by the Supervisory Board, is taking the lead. It is going to put more emphasis on strategic focus, a strict selection policy, optimum cost structure, safety, and stronger financial leverage ratios. Both the Supervisory board and the Executive Board are aware that this asks a great deal of commitment and engagement from every one of Heijmans' employees. The Supervisory Board wishes to thank the Central Works Council, all employees and the Executive Board of Heijmans for their commitment during the past year.

's-Hertogenbosch, 24 February 2017

*Sj.S. Vollebregt, Chair
R. Icke RA, Vice-Chair
P.G. Boumeester
R. van Gelder
S. 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 contracting;
- The remuneration policy must be consistent with the Company's corporate governance policy;
- Remuneration must be guided by the strategic and financial objectives and must to a significant degree be performance-based, 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 Executive Board of Heijmans N.V. operates as a team with ultimate responsibility clearly resting with the Chair, although the other Executive Directors are, in addition to their specific areas of responsibility, also accountable for the overall end result.

Relationship with the Corporate Governance Code

Heijmans endorses the principles relating to the remuneration of executive directors stated in the Corporate Governance Code. Heijmans moreover 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 directors as well as the compensation stated in the Code in the event of involuntary dismissal.

Positioning of the remuneration packages

The policy is designed to position the remuneration packages at a median level compared to other remuneration packages paid to directors of comparable enterprises in the Netherlands. Moreover, the remuneration package must be competitive and contain the right incentives to generate good policy 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 directors of Heijmans N.V.

The system chosen comprises a 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 amount to a maximum of 150% of the fixed salary, or be reduced to zero. "At target" performance will result in 50% of the total variable payment consisting of the variable annual bonus, and 50% consisting of the annually recurring variable remuneration on a three-year basis. 50% of the variable annual bonus depends on annually established financial targets, and 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 only becomes 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 set by the Supervisory Board. Thereafter, a right to a variable annual bonus for the year in question lapses. 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 granted conditionally in a previous financial year if, in the Supervisory Board's opinion, this remuneration results in an unfair or unreasonable situation because of very exceptional circumstances in the relevant assessment period (measure of last resort). The Supervisory Board has the right to final review and possible adjustment of any award of variable remuneration. The principles of the

remuneration policy for executive directors of Heijmans N.V. were established by the GMS on 28 April 2010. The targets for determining the variable remuneration of members of the Executive Board are set by the Supervisory Board. This concerns the financial targets and the qualitative performance targets used to determine the annual payment and the long-term payment for the preceding three-year period.

Activities in 2016

Apart from their three regular meetings in 2016, the Committee met among themselves and with departing members of the Executive Board a number of times to discuss the rules applying to the termination of their respective employment contracts. The Committee submitted proposals on the subject to the Supervisory Board. In addition, the Committee discussed and submitted proposals for the remuneration of Mr R.F. Majenburg on his appointment to the Executive Board, as well as for the remuneration of Mr A.G.J. Hillen on his appointment as Chair of the Executive Board.

Apart from the foregoing, the matters the Remuneration Committee handled included setting the targets for the variable remuneration, the variable remuneration itself, the Management and Supervision (Public and Private Companies) Act, and the Bonus Share Matching Plan.

Variable remuneration

Given the net result for 2016, the Supervisory Board has decided to grant neither a short-term bonus nor a long-term bonus for this year to the members of the Executive Board.

Remuneration of members of the Executive Board

In addition to the amounts for gross fixed remuneration

in €	Gross fixed salary		Pension expense		Expense allowances, including reimbursement of car expenses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
A.G.J. Hillen *	414,632	395,823	116,917	111,172	24,512	29,610	556,061	536,605
R.F. Majenburg **	386,903	-	85,135	-	26,063	-	498,101	-
L.J.T. van der Els ***	497,068	493,926	102,160	102,160	30,444	30,444	629,672	626,530
M.C. van den Biggelaar ****	406,907	395,661	73,059	79,475	34,712	33,847	514,678	508,983
Total	1,705,510	1,285,410	377,271	292,807	115,731	93,901	2,198,512	1,672,118

* Chair of the Executive Board with effect from 1 December 2016 and member of the Executive Board with effect from 18 April 2012

** Member of the Executive Board with effect from 13 April 2016

*** Member of the Executive Board with effect from 28 April 2010, and Chair of the Executive Board from 18 April 2012 to 1 December 2016

**** Member of the Executive Board with effect from 1 September 2009

and pension contributions disclosed in the above table for each member of the Executive Board, the following amounts are recognised in the statement of profit or loss:

- For Mr A.G.J. Hillen, the conditional short-term variable remuneration of €0 has been recognised (2015: expense of €79,132). For long-term variable remuneration, a benefit of €95.781 (2015: €0) was recorded. In respect of the Share Matching Plan, an expense of €1,876 has been recognised (2015: €1,876).
- For Mr R.F. Majenburg, the conditional short-term variable remuneration of €0 (2015: €0) has been recognised. For long-term variable remuneration, an expense of €64.484 (2015: €0) was recorded.
- For Mr L.J.T. van der Els, the conditional short-term variable remuneration in the form of income of €98.753 (2015: expense of €98.753) was recorded. For long-term variable remuneration, a benefit of €246.882 (2015: €0) was recorded. In respect of the Share Matching Plan, an expense of €5,877 has been recognised (2015: €5,877).
- For Mr M.C. van den Biggelaar, the conditional short-term variable remuneration in the form of income of €79.132 (2015: expense of €79.132) was recorded. For long-term variable remuneration, a benefit of €197.831 (2015: €0) was recorded. In respect of the Share Matching Plan, an expense of €1,876 has been recognised (2015: €1,876).

Pension

The pension scheme for 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 concerns the accrual of retirement pension, surviving dependants' pension and orphan's pension. These two Board members also receive compensation for the loss of pension accrual on their salaries in excess of €100.000. In deviation from the above, each of the two other members of the Executive Board receives a fixed payment for the accrual of an individual pension provision.

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/depositary receipts for ordinary shares of the Company and hold

these for an extended period. Executive directors 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 "participant" decides to invest, the contribution 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. The participant is however 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 only becomes 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 the proposal by the Remuneration Committee in 2011.

Remuneration Committee

The members of the Remuneration Committee are Ms P.G. Boumeester, Mr S. van Keulen (Chair) 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, 24 February 2017

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 his 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 position as at 31 December 2016 and the business conducted during the 2016 financial year by the Company and its affiliated companies, of which the data presented in its financial statements, and that the annual report provides information on the principal risks with which the issuing institution is confronted.

's-Hertogenbosch, 24 February 2017

A.G.J. Hillen

R.F. Majenburg

L.J.T. van der Els

M.C. van den Biggelaar

Financial statements 2016

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1. Consolidated statement of profit or loss

x € 1,000

		2016			2015		
		Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
6.1	Revenue	1.369.680	514.111	1.883.791	1.450.040	528.543	1.978.583
	Cost of sales	-1.334.976	-466.578	-1.801.554	-1.334.518	-487.940	-1.822.458
Gross profit		34.704	47.533	82.237	115.522	40.603	156.125
6.3	Other operating income	721	1.132	1.853	1.791	2.035	3.826
	Selling expenses	-32.163	-6.730	-38.893	-35.186	-7.437	-42.623
6.4	Administrative expenses	-106.129	-25.339	-131.468	-119.726	-25.090	-144.816
6.5	Other operating expenses	-1.590	-6.126	-7.716	-1.473	-32	-1.505
Operating result		-104.457	10.470	-93.987	-39.072	10.079	-28.993
6.6	Financial income	2.482	2.340	4.822	1.462	2.229	3.691
6.6	Financial expense	-11.277	-1.320	-12.597	-12.478	-713	-13.191
6.11	Result of joint ventures and associates	-4.662	2.622	-2.040	3.979	4.148	8.127
Result before tax		-117.914	14.112	-103.802	-46.109	15.743	-30.366
6.7	Income tax	-349	-6.343	-6.692	7.431	-4.323	3.108
Result after tax		-118.263	7.769	-110.494	-38.678	11.420	-27.258
The entire result after tax is attributable to the shareholders.							
Earnings per share (in €)							
6.19	Earnings per ordinary share after tax	-5,52	0,36	-5,16	-1,87	0,55	-1,32
6.19	Earnings per ordinary share after tax and dilution effects	-5,52	0,36	-5,16	-1,87	0,55	-1,32
	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

	2016	2015
1. Result after tax	-110.494	-27.258
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	-568	429
Other comprehensive income that is never reclassified to the statement of profit or loss:		
Changes in actuarial results on defined benefit plans	-17.418	16.565
Tax effect on changes in actuarial results on defined benefit plans	4.371	-4.137
Other comprehensive income (after tax)	-13.615	12.857
Comprehensive income	-124.109	-14.401

The entire comprehensive income is fully attributable to the shareholders.

2b. Consolidated statement of changes in equity

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 1 January 2016	6.423	242.680	-14.918	375	229	58.466	-27.258	265.997
Result after tax	-	-	-	-	-	-	-110.494	-110.494
Unrealised results	-	-	-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	-	-	-	-	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

x € 1,000

2015	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 2015	5.839	222.152	-27.346	-54	219	105.759	-47.293	259.276
Result after tax	-	-	-	-	-	-	-27.258	-27.258
Unrealised results	-	-	12.428	429	-	-	-	12.857
Total realised and unrealised results for the reporting period:	-	-	12.428	429	-	-	-27.258	-14.401
Transactions with owners of the group:								
Bonus Investment Share Matching Plan		-	-	-	10	-	-	10
Share issue	584	20.528	-	-	-	-	-	21.112
Appropriation of result for 2014								
Transferred to retained earnings	-	-	-	-	-	-47.293	47.293	0
Total transactions with owners	584	20.528	-	-	10	-47.293	47.293	21.122
Balance at 31 December 2015	6.423	242.680	-14.918	375	229	58.466	-27.258	265.997

3. Consolidated statement of financial position

x € 1,000

Assets		31 December 2016	31 December 2015
Non-current assets			
6.9	Property, plant and equipment	54.507	89.928
6.10	Intangible assets	81.619	112.413
6.11	Joint ventures and associates	65.796	76.751
6.12	Other investments	33.615	32.124
6.21	Employee-related receivable	25.111	37.688
6.13	Deferred tax assets	29.946	31.230
		290.594	380.134
Current assets			
6.14	Strategic land portfolio	146.974	172.336
6.14	Residential properties in preparation or under construction	58.156	75.572
6.14	Other inventory	11.304	17.845
6.15	Work in progress	60.196	151.810
6.8	Income tax receivables	38	471
6.16	Trade and other receivables	176.071	266.403
6.17	Cash and cash equivalents	30.249	125.392
		482.988	809.829
6.2	Assets held for sale	282.586	-
Total assets		1.056.168	1.189.963

x € 1,000

Equity and liabilities		31 December 2016	31 December 2015
Equity			
2b	Issued capital	6.423	6.423
2b	Share premium reserve	242.680	242.680
2b	Reserves	-27.919	-14.314
2b	Retained earnings from prior financial years	31.208	58.466
1	Result for the year after tax	-110.494	-27.258
		141.898	265.997
Non-current liabilities			
6.20	Interest-bearing loans and other non-current financing liabilities ¹	58.405	103.335
6.21	Employee benefits	12.333	22.032
6.22	Provisions	2.364	2.732
6.13	Deferred tax liabilities	609	6.793
		73.711	134.892
Current liabilities			
6.20	Interest-bearing loans and other current financing liabilities	118.630	31.770
6.23	Trade and other payables	371.066	580.232
6.15	Work in progress	118.081	148.136
6.8	Income tax payables	65	7.029
6.21	Employee benefits	2.703	3.181
6.22	Provisions	15.366	18.726
		625.911	789.074
6.2	Liabilities held for sale	214.648	-
Total equity and liabilities		1.056.168	1.189.963

¹ The interest-bearing loans include cumulative preference shares amounting to €45.1 million (2015: €45.1 million).

4. Consolidated statement of cash flows - indirect method

x € 1,000

		2016	2015
Operating result - including discontinued operations		-93.988	-28.993
Adjustments for:			
6.2	Exceptional write-down of assets held for sale (a loss on the sale of the subsidiary Franki)	6.094	-
6.3	Gain on sale of non-current assets	-409	-2.062
6.9	Depreciation of property, plant and equipment	16.930	17.592
6.10	Amortisation of intangible assets	1.622	1.505
	Impairment of debtors	140	1.028
6.14	Adjustment of valuation of property investments and land portfolios, excluding joint ventures	17.554	11.200
	Net change in work in progress	28.855	-20.666
	Change in other working capital and long-term provisions	31.994	40.779
	Operating result after adjustments	-55.196	20.383
	Interest paid	-13.380	-14.653
	Interest received	4.561	3.691
	Income tax paid	-4.100	151
Cash flow from operating activities		-68.115	9.572
6.9	Investments in property, plant, and equipment	-14.987	-16.840
	Sale of property, plant and equipment	6.846	5.961
	Capital contributions to joint ventures and associates	-19.774	-1.476
	Dividends received from joint ventures and associates	9.969	5.830
	Loans granted to joint ventures and associates, less loans repaid by them	-4.302	-2.509
Cash flow from investment activities		-22.247	-9.034
2.b	Share issue	-	21.405
2.b	Transaction costs of share issue	-	-293
	Interest-bearing loans drawn down	67.125	74.071
	Interest-bearing loans repaid	-23.896	-44.116
Cash flow from financing activities		43.229	51.067
Net cash flow in the period		-47.133	51.605
6.17	Cash and cash equivalents at 1 January	125.392	73.787
	Cash and cash equivalents relating to assets held for sale	-48.010	-
6.17	Cash and cash equivalents at 31 December	30.249	125.392

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 2016 financial year include the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The Executive Board prepared the financial statements on 24 February 2017. These will be submitted for approval to the General meeting of Shareholders on 12 April 2017.

(1) Statement of Compliance

The consolidated financial statements for 2016 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 the EU-IFRS requires management to make judgements, estimates and assumptions that affect the reported value of assets and liabilities, and the reported value of revenues 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 principles described below have been consistently applied to all periods presented in these annual consolidated financial statements and to all entities belonging to the Group, apart from the changes explained in (3).

Comparative figures have been adjusted for classification purposes, if applicable.

(3) Implications of new directives

The amendments to IFRS 10 and 12 and to IAS 28 adopted by the EU that apply to financial years commencing on or after 1 January 2016 have no significant effect on the consolidated financial statements.

The Group is studying the effects of standards newly issued but which are not yet in effect. These concern IFRS 9 (financial instruments), IFRS 15 (Revenue Recognition) and IFRS 16 (Leases). For the moment, it is expected that IFRS 15 will have a limited effect on the financial results. IFRS 16 will have a significant effect, particularly on the statement of financial position. If IFRS 16 had been applied to the 2016 financial statements, an item "Leased assets rights of use" would have been included on the statement of financial position (under Non-current assets), and an item of comparable size on the equity and liabilities side (under Financial lease commitments). As a result, the total on each side would have been higher by approximately 10%. In the statement of profit or loss, there would have been a movement between the operating result items and the interest items (leaving the net result unchanged). As a consequence, the operating result would have been only a few € million higher, with interest expenses increasing by a similar amount. Amendment of the accounting principles is expected to only have a limited effect on equity. The effect on the financial results for 2017 and later years is expected to be of comparable magnitude.

(4) Accounting principles 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 principles. 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 off 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 value adjustments 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 Financial 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 financial income and expense.

(8) Revenue

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

Revenues from the sales of goods - mainly residential properties 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 principle 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.

Revenues from additional work are included in the overall contract revenues if the client has accepted the sum involved in any way. Claims and incentives are recognised under work in progress insofar as it is probable that these will generate revenue and can be reliably determined.

(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 principle 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 financial leases

Lease payments made under financial leases are apportioned between the financial expense and the reduction of the outstanding liability. The financial 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) Financial income and expense

Net financing costs comprise interest payable on borrowings and financial lease commitments, dividends on cumulative preference shares, 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 principle 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 financial 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 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 principle 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 for 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 financial 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 principle 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
- Machinery: 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 for 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 principle 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 principle 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) Inventory

(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 holdings are measured at cost or net realisable value if lower.

(15b) Residential properties 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 valuation is made in the same way as for construction work in progress (see accounting principle 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 recoverable value is the estimated sale price in the context of normal business operations, less the estimated costs of completion and the costs of sale. Development and construction rights are also recognised under residential properties in preparation or under construction.

(15c) Other inventory

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

Inventory is measured at cost, or at net recoverable value if lower. The net recoverable value is the estimated sale price in the context of normal business operations, less the estimated costs of completion and the costs of sale. The cost of inventory is based on the first in, first out (FIFO) principle, and includes expenditure incurred in acquiring the inventory, the production or conversion costs, and the other costs incurred in bringing the inventory to its current location and current condition. The cost of inventory 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 inventory. 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 inventory of land and premises for sale is valued at cost (including interest and allocated overhead costs), less any write-offs 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 principle 8), in proportion to the progress of the project, less expected losses and progress billings. 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.

Revenues from additional work are included in the overall contract revenues if the client has accepted the sum involved in any way. Claims and incentives are recognised under work in progress insofar as it is probable that these will generate revenue and can be reliably determined.

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 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 principles. 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 inventory, financial assets, deferred tax assets or employee benefits, all of which are measured in accordance with the Group's accounting principles. 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 are adjusted 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 principle 16), inventory (see accounting principle 15) and deferred tax assets (see accounting principle 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 fair value is estimated at the closing date.

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

Impairments 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 value

The recoverable value of an asset is equal to the higher of the fair value minus cost to sell and the 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 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 impairment can be objectively linked to an event that occurred after the impairment was recognised.

An impairment in respect of goodwill is 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) Dividend

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 jubilee 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.

6. Segment reporting

x € 1.000

6.1 Segment reporting

The Group distinguishes the following segments: Property Development, Residential Building, Non-Residential, and Infra, in line with the management conducted by the Executive Board. At year-end 2016, the operations in Germany and Belgium were recognised in the statement of financial position as assets and liabilities held for sale, and in the statement of profit or loss as discontinued operations. The abridged statements of profit or loss for these operations are presented as separate segment information. The comparative figures have been restated accordingly. The segments are managed primarily on the basis of operational results. In accordance with IFRS 8, the segment figures represent data that can be allocated to a segment either directly or on reasonable grounds.

Summary statement of profit or loss by business segment

2016 Business segments	Property development	Residential building	Non- residential	Infra	Other	Dis- continued operations	Eliminations	Total
Revenue								
Third parties	332.253	132.215	293.105	608.725	3.382	514.111		1.883.791
Intercompany	-	164.112	21.941	11.885	67.634		-265.572	0
Total revenue	332.253	296.327	315.046	620.610	71.016	514.111	-265.572	1.883.791
Operating result	-7.604	4.001	-6.894	-81.897	-12.063	10.470	-	-93.987
Financial income								4.822
Financial expense								-12.597
Result of joint ventures and associates	1.671	0	-9.266	2.854	79	2.622	-	-2.040
Result before tax								-103.802
Income tax								-6.692
Result after tax								-110.494

2015 Business segments	Property development	Residential building	Non- residential	Infra	Other	Dis- continued operations	Eliminations	Total
Revenue								
Third parties	278.143	142.246	370.484	657.563	6.667	523.480		1.978.583
Intercompany	-	152.847	50.578	31.943	69.628	5.063	-310.059	0
Total revenue	278.143	295.093	421.062	689.506	76.295	523.480	-310.059	1.978.583
Operating result	-7.010	5.335	-1.193	-27.115	-9.089	10.079	-	-28.993
Financial income								3.691
Financial expense								-13.191
Result of joint ventures and associates	2.410		-97	1.362	304	4.148		8.127
Result before tax								-30.366
Income tax								3.108
Result after tax								-27.258

x € 1,000

Summary statement of financial position and analysis by business segment

2016 Business segments	Property development	Residential building	Non- residential	Infra	Other	Dis- continued operations	Eliminations	Total
Assets	344.906	94.747	153.322	211.557	386.930	282.586	-448.320	1.025.728
Not allocated								30.440
Total assets	344.906	94.747	153.322	211.557	386.930	282.586	-448.320	1.056.168
Liabilities	61.188	93.955	149.626	250.838	200.977	214.648	-270.679	700.553
Not allocated								213.717
Total liabilities	61.188	93.955	149.626	250.838	200.977	214.648	-270.679	914.270
Equity								141.898
Total equity and liabilities								1.056.168
<i>Property, plant and equipment</i>								
Depreciation	38	134	-	4.467	6.703	5.588	-	16.930
Investments	-	60	-	1.751	5.795	7.380	-	14.986
<i>Intangible assets</i>								
Amortisation	-	-	1.021	569	-	32	-	1.622
<i>Joint ventures and associates</i>								
Carrying amount	57.150	-	734	5.714	2.198	-	-	65.796

x € 1,000

2015 Business segments	Property development	Residential building	Non- residential	Infra	Other	Dis- continued operations	Eliminations	Total
Assets	396.333	93.325	125.955	276.532	757.080	352.849	-846.582	1.155.492
Not allocated								34.471
Total assets	396.333	93.325	125.955	276.532	757.080	352.849	-846.582	1.189.963
Liabilities	57.988	86.810	108.453	256.643	40.852	200.227	-28.985	721.988
Not allocated								201.978
Total liabilities	57.988	86.810	108.453	256.643	40.852	200.227	-28.985	923.966
Equity								265.997
Total equity and liabilities								1.189.963
Property, plant and equipment								
Depreciation	42	-	-	3.760	7.969	5.821		17.592
Investments	-	-	-	3.433	7.964	5.443		16.840
Intangible assets								
Amortisation	-	-	1.022	451	-	32		1.505
Joint ventures and associates								
Carrying amount	52.333	-	1	4.322	1.224	18.871		76.751

Transactions between business segments are conducted at 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 Infra segment is highly dependent on public sector contracts.

External revenues break down by country as follows:

	2016	2015
Netherlands	1.369.353	1.451.041
Belgium	230.794	209.718
Germany	283.644	317.824
Total	1.883.791	1.978.583

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

	2016	2015
Netherlands	290.464	297.900
Belgium	18.191	18.255
Germany	59.337	63.979
Total	367.992	380.134

x € 1,000

Underlying operating result by business segment

2016 In € millions	Property develop- ment	Residential building	Non- residential	Infra	Other	Dis- continued operations	Total
Underlying operating result	14,5	4,0	-15,1	-77,9	-11,9	20,0	-66,4
Operating result of joint ventures	-3,4		9,0	-1,7	0,2	-3,0	1,1
Write-downs of property	-18,7						-18,7
Reorganisation costs			-0,8	-2,3	-0,4	-0,4	-3,9
Loss on sale of Franki						-6,1	-6,1
Other	0,0	0,0		0,0	0,0	0,0	0,0
Total exceptional items	-22,1	0,0	8,2	-4,0	-0,2	-9,5	-27,6
Operating result	-7,6	4,0	-6,9	-81,9	-12,1	10,5	-94,0

2015 In € millions	Property develop- ment	Residential building	Non- residential	Infra	Other	Dis- continued operations	Total
Underlying operating result	9,0	5,3	0,3	-26,3	-8,4	15,0	-5,1
Operating result of joint ventures	-4,2		0,0	-0,8	-0,2	-4,4	-9,6
Write-downs of property	-11,6						-11,6
Reorganisation costs	-0,2		-1,5		-0,4	-0,5	-2,6
Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total exceptional items	-16,0	0,0	-1,5	-0,8	-0,6	-4,9	-23,8
Operating result	-7,0	5,3	-1,2	-27,1	-9,0	10,0	-29,0

By underlying operating result, the Group means the operating result adjusted for the operating result of joint ventures, write-downs of investment properties and strategic land portfolios, reorganisation costs, gains and losses on the sale of entities, impairments of goodwill, and, if applicable, other non-operating results disclosed in the table above that the Group considers as exceptional items. The underlying operating result also applies as the basis for calculation for covenant reporting to the bank consortium.

x € 1,000

6.2 Discontinued operations and assets and liabilities held for sale

At the end of 2016, it was decided to limit Heijmans' operations to the Dutch market.

On 17 January 2017, Heijmans sold its subsidiary Franki to PORR Deutschland GmbH. The purchase price of €14 million had been 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 loss of €6.1 on the sale is recognised under Other operating expenses (see note 6.5). € 2.0 million of the loss was treated as an impairment of intangible assets (see note 6.10) and € 4.1 million as an impairment of property, plant and equipment (see note 6.9), before being reclassified under assets held for sale.

On 7 February 2017, Heijmans reached agreement on the sale of all the shares in its Belgian companies Heijmans Bouw, Heijmans Infra, Van den Berg and Heijmans (B) NV to BESIX. Completion of the transaction is expected to take place in the second quarter of 2017, following approval by the competition authorities. The net revenue attributable to Heijmans should be over €40 million in cash. In 2016, these Belgian entities generated a combined result after income tax of €6.3 million.

In addition to the above, the sale of Oevermann is expected to take place within one year of the balance date. In 2016, Oevermann generated a result after income tax of €7.9 million.

All the above entities have been classified as discontinued operations. In 2015, none of them were recognised as discontinued operations or as assets and liabilities held for sale. The comparative figures in the statement of profit or loss have been restated to reflect this. The result after tax of the discontinued operations, excluding the loss on the sale of Franki, is €13.9 million (2015: €11.4 million). At year-end 2016, the entities were recognised in the statement of financial position as assets and liabilities held for sale.

Assets held for sale	31 December 2016
Property, plant and equipment	22.861
Intangible assets	27.143
Interests in joint ventures and associates	18.718
Other investments	2.811
Deferred tax assets	5.749
Other inventory	5.126
Work in progress	43.412
Trade and other receivables	108.756
Cash and cash equivalents	48.010
	282.586

x € 1,000

Liabilities held for sale	31 December 2016
Interest-bearing loans and other non-current financing liabilities	1.271
Employee benefits	13.015
Provisions	8.497
Deferred income tax	8.374
Trade and other payables	165.326
Work in progress	10.708
Income tax payables	7.457
	214.648

The cash flows from discontinued operations amounted to:

Cash flows from discontinued operations	2016	2015
Cash flow from operating activities	-992	43.810
Cash flow from investment activities	-6.985	20.359
Cash flow from financing activities	-928	-8.822
	-8.905	55.347

Group equity includes no unrealised results that after initial recognition have or might have been reclassified to the statement of profit or loss in connection with the assets held for sale.

in € millions	Reported as at 31 December 2016	Pro forma as at 31 December 2016
Total assets	1.056	910
Equity	142	157
Cumulative financing preference shares	45	45
Capital base	187	202
Solvency based on capital base	18%	22%

x € 1,000

The difference between the figure reported for the total assets and the corresponding pro forma figure is due to the omission from the pro forma statement of financial position of the item representing the assets held for sale relating to Franki and the Belgian entities, being an amount of €146 million. For the pro forma statement of financial position, the purchase prices are treated as having been applied to reduce interest-bearing debt. Pro forma equity exceeds reported equity due to the treatment of the gain of around €15 million expected on the sale of the Belgian entities.

6.3 Other operating income

Other operating income from continuing operations	2016	2015
Gain on sale of non-current assets	138	1.479
Miscellaneous	583	312
	721	1.791

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

6.4 Employee expenses, depreciation, and research and development expenses

Employee expenses included under continuing operations in the statement of profit or loss break down as follows:

Employee expenses	2016	2015
Wages and salaries	-281.526	-277.375
Compulsory social insurance contributions	-42.046	-45.701
Defined contribution plans	-29.840	-29.862
Defined benefit plans and jubilee payments	-543	-655
	-353.955	-353.593

The income statement includes an amount of approximately €3.5 million (2015 €2.4 million), of which €3.5 million (2015: €1.4 million) relates to reorganisation provisions and €0 million (2015: €1 million) to wholly or partly vacant property and other expenses deemed directly involved in the reorganisation.

The number of employees at year-end 2016 was 4,716 in the Netherlands (2015: 4,946).

x € 1,000

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

Depreciation	2016	2015
Depreciation of property, plant and equipment	-11.342	-11.771
Amortisation of intangible assets	-1.590	-1.473
	-12.932	-13.244

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	2016	2015
	-2.675	-2.361

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 break down as follows:

Other operating expenses for continuing operations	2016	2015
Amortisation of intangible assets	-1.590	-1.473
	-1.590	-1.473

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

The loss of €6.1 million on the sale of Franki is recognised under discontinued operations in the statement of profit or loss.

x € 1,000

6.6 Financial income and expense

The net financing expense for continuing operations break down as follows:

Financial income and expense	2016	2015
Interest income	2.482	1.462
Financial income	2.482	1.462
Interest expense	-13.097	-14.124
Exceptional write-down of loan	0	-1.250
Capitalised financing costs	1.820	2.896
Financial expense	-11.277	-12.478
	-8.795	-11.016

The cumulative financial expense for 2016 amounts to €8.8 million, which is €2.2 million lower than the €11.0 million for 2015.

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 2016 (2015: 4.20%).

The financial expense item in 2015 includes an exceptional write-down of a loan granted to a previously sold subsidiary.

The average rate of interest in 2016 was below the rate in 2015. 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	2016	2015
Current tax charges or credits		
Current financial year	-4.640	-3.863
Prior financial years	250	176
Amount of the positive effect of losses not previously recognised, receivables or temporary differences used to reduce the current tax charges	-261	484
	-4.651	-3.203
Deferred tax charges or credits		
Relating to temporary differences and losses recognised in the current financial year	24.294	9.319
Relating to the write-off of a deferred tax asset (charge) or to the reversal of a write-off (credit)	-26.755	-3.000
Relating to adjustments for prior years	420	-8
	-2.041	6.311
Total tax charge/credit in the statement of profit or loss	-6.692	3.108

For 2016, the tax charge relating to continuing operations is €0.3 million (2015: credit of €7.4 million).

Analysis of the effective tax rate	2016		2015	
	%	€	%	€
Result before tax		-103.802		-30.366
Based on local tax rate	25,0%	25.950	25,0%	7.591
Effect of foreign tax rates	-1,3%	-1.320	-3,6%	-1.079
Non-deductible expenses	-1,6%	-1.629	-5,4%	-1.638
Non-taxable revenues	-2,6%	-2.746	2,9%	875
Losses not recognised in current financial year and other deferred tax assets and the reversals thereof	-25,8%	-26.755	-10,7%	-3.243
Effect of utilising losses available for set-off	0,2%	250	1,4%	417
Effect of adjustments to estimates for prior years	-0,4%	-442	0,6%	185
Total tax rate	-6,4%	-6.692	10,2%	3.108

x € 1,000

The effective tax rate for 2016 is -6.4% (2015: 10.2%).

The main differences between the profit calculated for financial purposes and that for tax purposes concern the non-deductible interest expenses relating to the cumulative preference financing shares, general limits on expense deductions in the various jurisdictions, the exempt results of participating interests, non-recognition or reversal of losses in the Netherlands, and the notional deduction for interest in Belgium.

6.8 Income tax receivables and payables

Geographical segment	31 December 2016		31 December 2015	
	Receivables	Liabilities	Receivables	Liabilities
Netherlands	38	65	39	76
Belgium	-	-	11	6.168
Germany	-	-	421	785
	38	65	471	7.029

Income tax receivables 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 payables 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 rules for the set-off of losses. Owing to the reclassification to assets and liabilities held for sale, no amounts have been recognised relating to Belgium or Germany for 2016.

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 1 January 2015	84.114	149.400	67.349	4.361	305.224
Investments	1.118	4.577	6.604	4.541	16.840
Disposals	-1.027	-9.081	-6.059	0	-16.167
Reclassifications	764	3.439	-199	-4.004	0
Balance at 31 December 2015	84.969	148.335	67.695	4.898	305.897
Balance at 1 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
Depreciation and impairment losses					
Balance at 1 January 2015	50.157	111.086	49.402	-	210.645
Depreciation	3.475	8.815	5.302	-	17.592
Disposals	-688	-7.929	-3.651	-	-12.268
Reclassifications	60	145	-205	-	0
Balance at 31 December 2015	53.004	112.117	50.848	0	215.969
Balance at 1 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

x € 1,000

Carrying amount					
At 1 January 2015	33.957	38.314	17.947	4.361	94.579
At 31 December 2015	31.965	36.218	16.847	4.898	89.928
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 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 value of investment property was €1.9 million at year-end 2016 (2015: €2 million).

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

The item "Machinery, installations and large-scale equipment" includes approximately €2.7 million in assets that were previously recognised under "Other capital assets". This resulted from the review of the allocation of items. The comparative figures for 2015 have been adjusted accordingly.

x € 1,000

6.10 Intangible assets

Intangible assets consist of goodwill and identified intangible assets.

Cost	Goodwill	Identified intangible asset	Total
Balance at 1 January 2015	183.576	48.359	231.935
Investments	0	0	0
Balance at 31 December 2015	183.576	48.359	231.935
Balance at 1 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

Impairment losses and amortisation	Goodwill	Identified intangible asset	Total
Balance at 1 January 2015	86.552	31.465	118.017
Amortisation	-	1.505	1.505
Balance at 31 December 2015	86.552	32.970	119.522
Balance at 1 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

Carrying amount	Goodwill	Identified intangible asset	Total
At 1 January 2015	97.024	16.894	113.918
At 31 December 2015	97.024	15.389	112.413
At 1 January 2016	97.024	15.389	112.413
At 31 December 2016	68.025	13.594	81.619

x € 1,000

The composition of the carrying amount for goodwill and other intangible assets at year-end 2016 is as follows:

Acquisition	2016		2015	
	Goodwill	Identified intangible asset	Goodwill	Identified intangible asset
IBC (NL-2001)	21.207	-	21.207	-
Burgers Ergon (NL-2007)	31.107	10.255	31.107	11.276
Oevermann (DU-2007) - at year-end 2016, recognised under assets held for sale	-	-	26.970	205
Other	15.711	3.339	17.740	3.908
Carrying amount at 31 December 2016	68.025	13.594	97.024	15.389

The item "Other" mainly refers to the cash-generating unit Infra (€16 million).

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

The remaining amortisation term for the intangible asset that was part of the Burgers Ergon acquisition is 10 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 realisable value, reference is made to the accounting principles.

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 ranged from 12% to 13% (2015: from 10% to 11%), corresponding to a discount rate after tax of 9.7% (2015: 8.6%).

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 growth rates not exceeding 1.5% (2015: 2%).

The realisable value calculated for the impairment test depends on the growth rate used and the period over which the cash flows are realised.

The expected cash flows are discounted using a pre-tax WACC varying between 12% and 13%. 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, in total €61 million (2015: € 62 million) – is sensitive to changes in the assumptions, whereby the realisable value could become lower than the carrying amount of 45 million (2015: €22 million). According to the impairment test, the realisable value of the cash-flow generating unit Non-Residential is currently some €50 million (2015: €120 million) higher than the carrying amount. One significant factor in this context is the change in the EBIT (result before tax and interest) margin. For the test, revenue in future years was assumed to have the same order of magnitude as in 2016. A key assumption is that the EBIT margin reaches 4% of revenue. If the EBIT margin were only 2%, the realisable value would be equal to the carrying amount.

6.11 Joint ventures and associates

The statement of financial position item joint ventures and associates breaks down as follows:

	2016	2015
Joint ventures	61.595	73.304
Associates	4.201	3.447
	65.796	76.751

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% (2015: 20%). This joint venture is of strategic importance for Heijmans, with its share being classified as a material interest.

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

x € 1,000

	2016		2015	
Revenue	25.262		46.621	
Operating result	-2.113		665	
Financial income	7.175		4.775	
Financial expense	-5.011		-4.027	
Result of joint ventures	668		435	
Result before tax		719		1.848
Income tax		21		-329
Result after tax		740		1.519
Unrealised changes in the fair value of cash flow hedges		-3.788		2.172
Comprehensive income		-3.048		3.691
20% share of result after tax		148		304
20% share of other comprehensive income		-758		434
Non-current assets		111.226		99.300
Cash and cash equivalents	3.280		3.706	
Other current assets	25.456		23.765	
Total current assets		28.736		27.471
Non-current financial liabilities	133.083		102.456	
Other non-current liabilities	167		827	
Total non-current liabilities		133.250		103.283
Current financial liabilities	635		7.868	
Other current liabilities	2.487		9.934	
Total current liabilities		3.122		17.802
Net amount		3.590		5.686
20% share of equity		718		1.137

The Group received no dividend from Heijmans Capital in 2016 (2015: nil).

x € 1,000

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

	2016	2015
Interest in the capital of Heijmans Capital	718	1.137
Interest in the capital of Property Development joint ventures	57.150	52.330
Interest in the capital of other joint ventures	-6.247	19.837
	51.621	73.304
Negative asset values recognised in other provisions	9.974	-
	61.595	73.304

The amounts below are the Group's shares of the results of joint ventures relating to continued activities.

	2016	2015
Share of the net result of Heijmans Capital	148	304
Share of the net result of Property Development joint ventures	1.671	2.410
Share of the net result of other joint ventures	-8.074	520
	-6.255	3.234

The Property joint ventures in which the group participates achieved revenue of €49 million in 2016 (2015: €41 million). In total, they have inventory of €122 million (2015: €122 million), mainly in the form of a strategic land portfolio. The aforementioned amounts relate to Heijmans' share.

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 €2 million (2015: €3 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:

	2016	2015
Interests in the equity of associates	4.201	3.447
Interests in the net results of associates	1.593	745
Share of other comprehensive income of associates	-218	393

x € 1,000

6.12 Other investments

	2016	2015
Non-current receivables	33.361	29.904
Other non-current receivables and investments	254	2.220
Balance at 31 December	33.615	32.124

The non-current receivables mainly concern loans granted to property development joint ventures.

6.13 Deferred tax assets and liabilities

The balance of the deferred tax assets and liabilities relating to temporary differences between the value for tax purposes and for financial reporting purposes of items on the statement of financial position, and the value of the tax loss carry-forwards can be broken down as follows:

	Receivables 31 December		Liabilities 31 December		Net value 31 December	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	-	-	510	1.071	-510	-1.071
Intangible assets	-	-	3.291	7.968	-3.291	-7.968
Work in progress	-	-	-	888	-	-888
Employee benefits	-	-	2.473	6.479	-2.473	-6.479
Provisions	90	-	-	817	90	-817
Other items	-	1.317	-	413	-	904
Value of recognised loss carry-forwards	35.521	40.756	-	-	35.521	40.756
Deferred tax assets and liabilities	35.611	42.073	6.274	17.636	29.337	24.437
Set-off of deferred tax assets and liabilities	-5.665	-10.843	-5.665	-10.843	-	-
Net deferred tax assets and liabilities	29.946	31.230	609	6.793	29.337	24.437

x € 1,000

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

	Net value at 1 January 2016	Recognised in income tax	Recognised in other comprehensive income	To assets/ liabilities held for sale	Net value 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
Value of recognised loss carry-forwards	40.756	-3.024	-	-2.211	35.521
Total	24.437	-2.041	4.316	2.625	29.337

The movement in the statement of financial position of the deferred tax assets and liabilities in 2015 breaks down as follows:

	Net value at 1 January 2015	Recognised in income tax	Recognised in other comprehensive income	To assets/ liabilities held for sale	Net value at 31 December 2015
Property, plant and equipment	-1.375	304	-	-	-1.071
Intangible assets	-7.697	-285	14	-	-7.968
Land and strategic land portfolio	-7.604	7.604	-	-	0
Work in progress	-65	-823	-	-	-888
Employee benefits	-2.680	293	-4.092	-	-6.479
Provisions	-172	-645	-	-	-817
Other items	-1.207	2.111	-	-	904
Value of recognised loss carry-forwards	43.004	-2.248	-	-	40.756
Total	22.204	6.311	-4.078	0	24.437

x € 1,000

Measurement of deferred tax assets

At year-end 2016, the recognised loss carry-forward was €35.5 million, which relates to the loss carry-forward of the Dutch fiscal unity. This loss carry-forward has been set off against the fiscal unity's deferred tax liabilities.

The losses of the Dutch fiscal unity are subject to a loss carry-forward 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 produce 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 2017 business plan, and the long-term forecast. These also underlie the measurement of the realisable value of goodwill (for impairment tests). For the long-term forecast, the average EBIT margin of the Dutch fiscal unity is assumed to grow to approximately 3% of revenue. The remaining settlement term of 9 years is longer than the period currently used until 2021. A factor inherent in the measurement of the deferred tax assets is that the utilization of losses depends on the realisation of the 2017 business plan and the long-term forecasts, which are the Group's best estimates.

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 2016, the tax-deductible losses of the Heijmans NV fiscal unity amounted to €266,3 million (2015: €160.0 million). An analysis of this figure shows that €51.4 million relates to 2012, €69.6 million to 2014, €38.9 million to 2015, and €106.4 million to 2016, of which €124.3 million is not recognized. At year-end 2016, the other tax losses not recognised in the statement of financial position amounted to €41.3 million (2015: €45.9 million). This relates to one German and two Belgian subsidiaries that conduct no operations and are not held for sale.

x € 1,000

6.14 Inventory

	31 December 2016	31 December 2015
Strategic land portfolio	146.974	172.336
Residential properties in preparation or under construction	58.156	75.572
Raw materials and consumables	9.216	15.142
Finished products	2.088	2.703
Total	216.434	265.753
Carrying amount of inventory pledged as security	3.082	14.082
Inventory amount recognised as a charge in the period	352.533	320.574
Finished products measured at net realisable value	3.066	3.497

Strategic land portfolio

The strategic land portfolio comprises land holdings that are measured at cost or net realisable value if lower. Net realisable value of an individual land position can be the direct or indirect recoverable value. The net realisable value depends on the expected manner and timing of realisation. Accordingly, the value is generally derived by using an indirect method for determining the recoverable value. The indirect recoverable value is the estimated revenue in the normal course of business, less the estimated costs of completion and selling. To calculate the present value of the expected cash flows, a discount rate of 6% is often used, unless, thanks to favourable financing terms, a different percentage has been set for a joint arrangement. Setting the discount rate takes into account the expected capital structure, operating risks, and circumstances relating to Heijmans or specifically to the project.

Determining the indirect recoverable 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 location, the outcome is an expected trend for land and residential property prices, as well as other variables, that ultimately determine the indirect recoverable value. Twice a year, the Group carries out its own assessment of the values of all the land holdings.

In general, the risk of deviations from the judgements and estimates is greater for strategic land holdings without a site allocation plan than for those with one. Moreover, this risk keeps increasing the longer the expected delay is for the start of the development work.

x € 1,000

The net realisable value of the strategic land portfolio was calculated in 2016 and compared with the carrying amount. This led to a write-down of €17.6 million and a write-down of €1.2 million concerning a joint venture (2015: write-downs totalling €11.2 million and a reversal of an earlier write-down of €0.5 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 completed residential properties.

In principle, the term of the strategic land portfolio is more than 12 months after the closing date (mostly 5 to 10 years). Items in "Residential properties in preparation or under construction" usually have 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 properties in preparation or under construction

Residential properties in preparation or under construction can be analysed as follows:

	2016	2015
Unsold residential properties:		
Costs less provisions for losses and risks	57.147	61.240
Sold residential properties:		
Costs less provisions for losses and risks, plus profits based on percentage of completion	312.784	207.070
less: Progress billings	-311.775	-192.738
Total residential properties in preparation or under construction	58.156	75.572

Revenues from sales of residential properties in preparation and or under construction recognised in the reporting period amounted to €0.3 billion (2015: €0.3 billion). The amounts in question relate to continuing operations.

x € 1,000

6.15 Work in progress

	31 December 2016	31 December 2015
Costs less provisions for losses and risks, plus profits based on percentage of completion	1.683.259	1.461.903
less: Progress billings	-1.741.144	-1.458.229
Balance of work in progress	-57.885	3.674
Positive balance of work in progress (recognised under current assets)	60.196	151.810
Negative balance of work in progress (recognised under current liabilities)	-118.081	-148.136
Balance of work in progress	-57.885	3.674

The value of work in progress is periodically assessed for each project by the project manager and the manager of the unit concerned. The assessment is mainly based on the information in the project files, the project accounting records and the knowledge and experience of the persons involved. Estimates are an inherent feature of this process and of the project activities' valuations, as is the fact that the Group is involved in negotiations and discussions on the financial settlement of projects, such as extra work or reduced work, claims, arbitration and penalties, delivery times and the quality 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 uncertainty surrounding the above-mentioned estimates increases, for example:

- contract types involving special arrangements mean more risks for the Group. Such is the case with a DC contract, under which the Group accepts the design risk. DBMO contracts also include responsibility for maintenance and operation;
- projects are in the design stage. When producing a final design from a provisional one, significant changes may be necessary, which can require a positive or negative adjustment to the initial forecast.

Projects are also fraught with opportunities and risks during execution. Examples include additional work, claims and unforeseen circumstances that could be for the account of the Group.

Revenues from additional work are included in the overall contract revenues if the client has accepted the sum involved in any way. Claims and incentives are recognised under work in progress insofar as it is probable that these will generate revenue and can be reliably determined. When determining the amount to be recognised, specific contractual arrangements and the legislation of the country where a project is being carried out are taken into account.

For claims and penalties imposed by contractors against Heijmans, because of construction overruns for example, these are recognised if it is likely that they will have an adverse effect.

x € 1,000

Bonuses are recognised as revenues 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 progress billings.

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 smaller than the progress billings.

Revenues from work in progress carried out for third parties that were recognised in the reporting period amounted to €1.0 billion (2015: €1.1 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 2016	31 December 2015
Trade receivables	115.963	193.412
Amounts to be invoiced	23.604	28.308
Receivables from joint operations	7.065	13.030
Prepayments	12.848	8.549
Other receivables	16.591	23.104
Total trade and other receivables	176.071	266.403

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 2016, a provision of €2.9 million was formed for impairment of trade receivables (2015: €7.4 million).

Trade and other receivables are mainly short-term.

x € 1,000

6.17 Cash and cash equivalents

	31 December 2016	31 December 2015
Bank balances	28.414	122.955
Cash in hand	1	0
Funds in blocked accounts	1.834	2.437
Total cash and cash equivalents	30.249	125.392

Of the total cash and cash equivalents, €24 million (2015: €13 million) is held by joint ventures and is 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	2016	2015
Outstanding at 1 January	21.407	19.461
Share issue	-	1.946
Outstanding at 31 December	21.407	21.407

Refer to statement 2b for explanatory notes on the changes in equity, and to the Company financial statements for explanatory notes on the authorised share capital, the statutory reserve for participating interests, the hedging reserve, the appropriation of result, and other figures.

x € 1,000

6.19 Result per share

Basic result per ordinary share.

Basic loss per share in 2016 on continuing operations was -€5.52 (2015: loss of -€1.87). The calculation is based on the result after tax attributable to the holders of ordinary shares or depositary receipts for ordinary shares, and on the weighted average of the number of ordinary shares that were outstanding during 2016.

Result attributable to holders of ordinary shares (all operations)	2016	2015
Result attributable to holders of ordinary shares after tax	-110.494	-27.258
Weighted average number of ordinary shares In thousands of shares	2016	2015
Ordinary shares outstanding on 1 January	21.407	19.461
Effect of shares issued on 20 May 2015		1.200
Weighted average number of ordinary shares at 31 December	21.407	20.661

Diluted earnings per ordinary share

The calculation of the diluted earnings per share for 2016 is based on the weighted average number of ordinary shares in 2016, 21,407 thousand, plus the dilution effect of shares allocated 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 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

31 December 2015	Non-current portion	Current portion	Total
Cumulative financing preference shares	45.100	-	45.100
Syndicated bank financing	50.000	-	50.000
Project financing	1.038	11.259	12.297
Other non-current liabilities	6.039	18.973	25.012
Financial lease commitments	1.158	455	1.613
Current account overdrafts with credit institutions	-	1.083	1.083
Total liabilities	103.335	31.770	135.105

x € 1,000

Cumulative financing preference shares

At year-end 2016, 4,510,000 cumulative financing B preference shares were outstanding at €10 a share. The dividend on these shares is 7.9% as of 1 January 2014 and is payable annually, 14 days after the General Meeting of Shareholders. At the General meeting of Shareholders in April 2014, the shareholders voted in favour of authorising the Executive Board for a period of 18 months to repurchase up to 40% of the cumulative financing B preference shares in the Company's capital. Subsequently, the amount outstanding on these shares can be reduced by 40% by cancelling cumulative financing B preference shares. In line with the adopted resolution, Heijmans' Executive Board repurchased 2,100,000 preference shares in July 2015. The dividend will be reassessed 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.

Syndicated bank financing

Of the committed and syndicated bank facility, €256 million were originally due to expire on 31 March 2017 and €246 million on 30 June 2018. This facility is provided by a bank consortium comprising Rabobank, ING Bank, ABN AMRO Bank, KBC, and Deutsche Bank (leaving the consortium on 31 March 2017). Collateral has been provided for the facility. The credit margin on this facility ranged from 2.0% to 3.5%, depending on the leverage ratio of the preceding quarter. The covenants agreed are an interest coverage ratio of at least 4, to be tested at the end of every quarter, a (recourse) leverage ratio of no more than 3 to be tested every six months, as well as from 30 June 2017 an average leverage of no more than 2.5, to be tested every quarter. In principle, if the conditions are not complied with, drawings under the facility are repayable immediately on demand. The Executive Board actively monitors compliance with the conditions.

Due to the losses on the problematic projects, Heijmans would no longer have been in compliance with the financial bank covenants at year-end 2016. Accordingly, the company took the initiative to engage in constructive discussions with providers of finance. On 15 February 2017, this resulted on new arrangements for the financing from the bank consortium comprising Rabobank, ING Bank, ABN AMRO Bank and KBC. The key features of the new arrangements are a reduction in the use of debt and a year's extension of the financing arrangements until 1 July 2019. The committed credit facility will be reduced in stages to €215 million as from 30 June 2017, €180 million as from 30 September 2017, €170 million as from 31 March 2018, €156 million as from 30 June 2018, €145 million as from 31 December 2018, and €122 million as from 30 June 2019. Most of the revenue from disposals will be used for debt reduction. It has been agreed that there is no need for financial covenant tests as at 31 December 2016 or 31 March 2017. Regarding the tests as at 30 June 2017, 30 September 2017 and 31 December 2017, minimum levels for EBITDA and solvency have been agreed. In the case of EBITDA, these minimum levels are €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. For solvency, the minimums are 16% on 30 June 2017, 18% on 30 September 2017, and 20% on 31 December 2017. The solvency calculation is based on capital base divided by total assets. Capital base comprises equity plus cumulative financing preference shares. Based on the business plan for 2017, including the intended disposals abroad, the Group expects to continue operating during the next financial year within the limits of the covenants. Changes in EBITDA and net debt are relevant parameters in this context. The development of net debt is subject to seasonal effects, timing and realisation of divestments and fluctuations due to specific projects, which is mainly relevant for the covenants in mid-year, when the capital requirement is higher. To be measured as from 31 March 2018, the existing covenants will then apply again: an interest coverage ratio of at least 4, to be tested at the end of every quarter, and a (recourse) leverage ratio of no more than 3 for each period of six months. Measurement of the average leverage ratio will commence on 30 June 2018, and this must not exceed 2.5 in any quarter. For next year, the interest-rate spread is likely to be 350 to 500 basis percentage points.

x € 1,000

This will mainly depend on the extent to which disposals are completed in the second half of the year.

The leverage ratio is calculated as the net debt divided by EBITDA (earnings before interest, tax, depreciation and amortisation). The interest coverage ratio is calculated as the EBITDA divided by the net interest expense. The definitions of these items include several adjustments in the reported figures, as agreed upon with the bank consortium in the credit agreement. Key adjustments in relation to the accounting definition of net debt are increase by net debt from joint ventures, and reduction by the amount of outstanding cumulative financing B preference shares and the financing of certain projects that are negotiated without any recourse towards Heijmans (non-recourse). Key adjustments in relation to the EBITDA in accounting terms concern the capitalised interest, results on the sale of business units, fair value adjustments, reorganisation costs, and operating results of joint ventures. The main adjustments with respect to the net interest expense in accounting terms are removing the interest expenses from non-recourse project financing and cumulative financing B preference shares.

Additional collateral has been agreed with the banks. This comprises a pledge of the proceeds from the disposals and a first mortgage on land holdings with a combined carrying amount of almost €80 million. The interest margin to be paid to the bank consortium has been increased. However, it will return to the current level in step with planned reduction in the facility actually taking place.

The reconciliation between the underlying result, EBITDA, net debt and net interest expense as reported and in accordance with the definitions agreed with the bank consortium, and calculation of the ratios is shown below.

x € 1,000

x € 1 million	Note	2016	2015
Interest-bearing debt	6.20	177,0	
Interest-bearing debt to entities held for sale	6.2	1,3	
Interest-bearing debt held for sale	6.20	178,3	135,1
Cash and cash equivalents	6.17	30,2	
Cash and cash equivalents held for sale	6.2	48,0	
Less: cash and cash equivalents	6.17	78,2	125,4
Net debt		100,1	9,7
<i>Adjustments for:</i>			
Net debt of joint ventures	6.11	84,7	75,5
Non-recourse net debt for project financing		-92,6	-87,2
Cumulative financing B preference shares	6.20	-45,1	-45,1
Other		2,0	2,4
Covenant net debt (A)		49,1	-44,7
Operating result	1.	-94,0	-29,0
Exceptional expenses		28,7	14,3
Depreciation and amortisation	6.9/6.10	18,6	19,1
EBITDA of joint ventures		0,7	11,7
Underlying EBITDA		-46,0	16,1
Adjustments for:			
Capitalised interest		1,8	2,9
EBITDA for project with non-recourse financing		-3,6	-1,8
Other		-0,6	0,2
Covenant EBITDA (B)		-48,4	17,4
Net interest expense		9,6	11,1
<i>Adjustments for:</i>			
Joint venture net interest expense		2,1	3,1
Interest on cumulative financing B preference shares		-3,0	-3,6
Non-recourse project financing interest expense	6.20	-3,6	-4,5
Interest on cumulative financing B preference shares		-0,8	-3,2
Net covenant interest expense (C)		4,3	2,9
Leverage ratio (A/B) <3		-1,0	-2,6
Interest cover ratio (B/C) >4 (2015:>3)		-11,3	6,0

x € 1,000

Project financing

Project financing was negotiated for specific (real estate) projects. The repayment schedules for project financing are usually related to the projects' progress. Project financings will generally expire 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 €0.6 million (2015: €1 million) of the total project financing. Regarding the remaining €0.4 million (2015: €11 million), this is therefore financed without right of recourse against Heijmans N.V. or any of its subsidiaries.

Average interest rate	2016	2015
Cumulative financing preference shares	7,9%	7,9%
Syndicated bank financing	3,7%	4,1%
Project financing	2,9%	2,0%
Other bank financing	2,5%	2,6%
Other non-current liabilities	2,9%	3,0%

x € 1,000

6.21 Employee benefits

Movement in the liability for defined benefit plans and jubilee payments

	Liability		Fair value of assets		Net asset relating to vested pension rights and jubilee payments	
	2016	2015	2016	2015	2016	2015
Balance at 1 January	394.715	434.179	407.190	429.889	-12.475	4.290
<i>Recognised in profit or loss</i>						
Service cost	487	525	-	-	487	525
Interest expense/income	9.698	8.551	10.048	8.474	-350	77
Settlements and curtailments	501	122	-	-	501	122
Administrative and other expenses	-	-	-489	-453	489	453
<i>Recognised in other comprehensive income</i>						
Actuarial result experience	6.968	-1.220	-	-	6.968	-1.220
Actuarial result indexing	0	-337	-	-	0	-337
Actuarial result discount rate	50.072	-33.048	-	-	50.072	-33.048
Actuarial result return on investments	-	-	39.840	-18.433	-39.840	18.433
<i>Contributions and benefits</i>						
Employer contributions	-	-	2.912	1.770	-2.912	-1.770
Pension and jubilee payments	-14.197	-14.057	-14.197	-14.057	-	-
To assets/liabilities held for sale	-20.353	-	-7.338	-	-13.015	-
Total at 31 December	427.891	394.715	437.966	407.190	-10.075	-12.475

The pension and jubilee payments relating to continuing operations in 2017 will amount to approximately €14 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 jubilee payments is recognised in the statement of financial position as follows:

	31 December 2016	31 December 2015
Non-current employee benefits	12.333	22.032
Current employee benefits	2.703	3.181
Employee-related receivable	-25.111	-37.688
	-10.075	-12.475

The employee-related receivable concerns a plan that, in accordance with the regulations for valuation in the Pensions Act as specified in the Financial Assessment Framework, is subject to a funding ratio of 99.4% (2015: 103.5%). (See "Stichting Pensioenfondsen Heijmans N.V." below.) The receivable is based on the assumption that this closed plan 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..

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 Pensioenfondsen Heijmans N.V.

"No new members will be admitted to the Pensioenfondsen Heijmans plan. Pension is currently being accrued at an insurer on the portion of salary that exceeds the maximum salary threshold of the industry 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 Pensioenfondsen 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 Pensioenfondsen Heijmans N.V.

While employees stay with Heijmans, the pensions they accrued until the end of 2012 are conditionally indexed. Heijmans pays a contribution each year to cover the costs of this. Approximately 26% 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, 51% are former employees and 23% are pensioners. The average term of the pension liabilities is approximately 17 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 any further

x € 1,000

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 109% at year-end 2016 (2015: 108.9%). The funding ratio as at 31 December 2016 set by policy is 99.4%. It is expected that equity will be at the required level within the prescribed term and that no further measures will be necessary. Supervision of compliance is a responsibility of De Nederlandsche Bank (DNB), the Netherlands central bank. The Board 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. Supervision of this aspect is in the hands of DNB. The indexed value is determined according to the variables set out in the insurance contract. The average term of the pension liabilities is approximately 15 years.

Industry pension funds

The majority of the pensions have been placed with industry pension funds, the main ones being the Pension Fund for the Construction Industry (Bouwnijverheid) and the Pension Fund for the Engineering, Mechanical and Electric Contracting Sector (Metaal en Techniek). Both these funds operate average pay plans with indexation. The funding ratio set by the policy of the Collective Pension Fund for the Construction Industry was 105.4% at year-end 2016 (year-end 2015: 110.9%). The funding ratio set by the policy of the pension fund for the Engineering, Mechanical and Electric Contracting Sector was 92.8% at year-end 2016 (year-end 2015: 98.5%). These funding ratios are calculated in line with the accounting principles used by the various industry 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 has an obligation to pay the predetermined premiums. The Group cannot be obligated to supplement any shortfalls, other than by means of future contribution adjustments. Heijmans has no claim to any surplus in the funds.

Jubilee payments

The jubilee payments are a monthly 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 jubilee payments	2016	2015
Service cost	-487	-525
Interest expense	-9.698	-8.551
Expected return on assets	10.048	8.474
	-137	-602
Administrative and other expenses	-489	-453
Settlements and curtailments	-501	-122
Total expense for defined benefit plans and jubilee payments	-1.127	-1.177

The above expenses relate to operations in aggregate. In respect of continuing operations, the expense for 2016 is €0.5 million (2015: €0.7 million).

The principal actuarial assumptions as at year-end are:

	31 December 2016	31 December 2015
Discount rate	1,75%	2,50%
Expected return on plan assets	1,75%	2,50%
Future wage inflation	2,25%	2,25%
Future pay increases	0-1,5%	0-1,5%
Future indexation	0-0,75%	0-0,75%
Staff turnover	7,0-16,0%	7,0-16,0%
Mortality table	AA Forecast Table 2016 0/0	AA Forecast Table 2014 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 indexation 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 jubilee payments	31 December 2016	31 December 2015
Defined benefit plans:		
- Funded plans	422.736	377.530
- Unfunded plans	-	11.562
Jubilee payments (unfunded)	5.155	5.623
Liability for defined benefit plans and jubilee payments at 31 December	427.891	394.715

Breakdown of plan assets as a percentage of the total	31 December 2016	31 December 2015
Shares	8%	9%
Fixed-interest securities	41%	41%
Liquid assets	0%	0%
Other/insured plans	51%	50%

Stichting Pensioenfonds Heijmans N.V. assets

At Stichting Pensioenfonds Heijmans N.V., approximately 65% 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, €178 million is in fixed-interest securities, €37 million in shares, and €0 million in liquid assets and current receivables. The fixed-interest securities as well as the shares are listed, and these assets are measured at list price. No investments are made in Heijmans shares.

Reasonably possible changes, like those shown below, as of the reporting date to one of the relevant actuarial assumptions, with the other assumptions remaining unchanged, can affect the liabilities associated with the vested pension rights.

x € 1 million	2016	
	Increase	Decrease
Change of 0.50 %-points in discount rate	-34,5	39,1
Change of 0.25 %-points in wage and price inflation, and in indexation	11,6	-4,7
Change of 1 year in life expectancy	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.

x € 1,000

Heijmans expects to contribute approximately €3 million in 2017 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 2016, depending as well 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.

	1 January 2016	Reversal of unused amounts	Additions to provisions	Provisions used/ other changes	To liabilities held for sale	31 December 2016
Warranty obligations	9.696	0	723	-1.464	-7.656	1.299
Restructuring costs	8.409	-23	3.816	-8.182	-569	3.451
Environmental risks	733	0	49	-203	0	579
Other provisions	2.620	-70	10.939	-816	-272	12.401
Total provisions	21.458	-93	15.527	-10.665	-8.497	17.730

Duration of provisions and non-interest-bearing debt	31 December 2016	31 December 2015
Non-current portion	2.364	2.732
Current portion	15.366	18.726
Total	17.730	21.458

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.

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 2017 and the remainder in the years 2018 and 2019.

x € 1,000

Provision for environmental risks

This item represents possible site restoration costs. The costs have been estimated by site, based on government regulations concerning the method of restoration 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.

Other provisions

The other provisions include €10.0 million for negative asset values (2015: nil), €0.3 million for legal disputes (2015: €0.4 million), €1.2 million for quarry restoration liabilities (2015: €0.7 million), and €0.3 million for vacant properties (2015: €0.4 million). Among the remainder is a provision for expenses that might be incurred in connection with occupational disability.

6.23 Trade and other payables

Trade and other payables	31 December 2016	31 December 2015
Suppliers and subcontractors	228.331	359.224
Invoices due for work in progress	18.418	47.495
Invoices due for work completed	31.398	46.099
Pension obligations	2.400	1.493
Employee expenses payable	13.413	25.903
VAT payable	36.005	53.051
Wage tax and social security contributions payable	13.429	16.508
Administrative and costs of sales payable	3.194	11.924
Interest payable	4.826	4.869
Other liabilities	19.652	13.666
Total trade and other payables	371.066	580.232

x € 1,000

6.24 Financial risks and 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 property development is limited, as future residents can only take possession of the new property once they have met all their obligations. The creditworthiness is assessed in transactions involving the development of commercial property, building assignments and infrastructure projects, with additional collateral possibly being requested. Heijmans carries out many assignments for public authorities for which the credit risk is considered extremely limited.

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 part of which are private individuals and public authorities, means there is no concentration of credit risk.

The cash and cash equivalents are held at different banks that are assessed as regards creditworthiness, effectively limiting the liquidity risk.

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.

x € 1,000

The carrying amount of the financial assets exposed to credit risk can be specified as follows:

	31 December 2016	31 December 2015
Other investments	33.615	32.124
Cash and cash equivalents	30.249	125.392
Trade and other receivables	176.071	266.403
Total	239.935	423.919

Other investments are mainly loans granted by the Group to joint arrangements in which it participates.

The geographical distribution of the carrying amount of the trade receivables including receivables from joint operations subject to credit risk is as follows:

	31 December 2016	31 December 2015
Netherlands	122.481	118.718
Belgium	547	42.835
Germany	0	44.889
Total	123.028	206.442

Age analysis of outstanding debtors without impairment, in periods after invoice due payment date:

	31 December 2016	31 December 2015
< 30 days	16.993	13.670
30-60 days	4.238	7.368
60-90 days	555	1.545
> 90 days - 1 year	9.245	12.856
> 1 year	5.878	16.176
Total	36.909	51.615

x € 1,000

Including debtor payments not yet due and debtors for which an impairment was recognised, the balance of trade receivables at year-end 2016 was €116 million (2015: €193 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:

	2016	2015
Balance at 1 January	7.361	7.471
Additions	118	1.028
Withdrawals	-2.862	-334
Release	-152	-804
To assets held for sale	-1.572	-
Balance at 31 December	2.893	7.361

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, both under normal circumstances and exceptional circumstances, without incurring unacceptable risks and without endangering the reputation of the Group.

12-month rolling liquidity forecasts are used to determine whether the Group has sufficient liquidity available. 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 without a repayment obligation;
- €256 million in committed, syndicated bank financing (as from 1 April 2016), to be reduced in steps to €122 million by 30 June 2019 (see note 6.20). A significant part of the reduction needs to result from the disposal of foreign operations. Based on the receivables to arise from the various selling process, the feasibility of completing the disposals within the time limits set for reducing the bank financing is considered realistic;
- project financing for which committed financing is available for most of the anticipated principal sum and duration of the project in question; and
- €5 million in overdraft facilities. These are uncommitted.

x € 1,000

In order to satisfy clients' requirements for bank guarantees, Heijmans has access to sufficient guarantee facilities with various institutions. These facilities are uncommitted.

At year-end 2016, the bank guarantee facilities totalled €505 million (2015: €501 million) provided by 23 parties. After the planned sales of the foreign companies, over €270 million in bank guarantee will remain for the Dutch companies. This is considered adequate to support the budgetted revenue for the next period.

The contractual maturity dates of the financial obligations, including interest payments, are as follows:

31 December 2016	Carrying amount	Contractual cash flow	< 6 months	6-12 months	1-2 years	2-5 years	> 5 year
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	-371.064	-371.064	-371.064	-	-	-	-
Total	-548.099	-568.684	-484.427	-5.037	-4.725	-25.730	-48.765

31 December 2015	Boekwaarde	Contractuele kasstromen	< 6 maanden	6-12 maanden	1-2 jaar	2-5 jaar	> 5 jaar
Cumulative financing preference shares	-45.100	-60.241	-4.452	-	-3.563	-7.126	-45.100
Syndicated bank financing	-50.000	-50.009	-	-	-50.009	-	-
Project financing	-12.297	-12.345	-186	-10.874	-267	-1.018	-
Other non-current liabilities	-25.012	-26.958	-771	-18.984	-2.910	-471	-3.822
Financial lease commitments	-1.613	-1.744	-363	-245	-489	-647	-
Current account overdrafts with credit institutions	-1.083	-1.083	-1.083	-	-	-	-
Trade and other payables	-580.232	-580.232	-580.232	-	-	-	-
Total	-715.337	-732.612	-587.087	-30.103	-57.238	-9.262	-48.922

For the cumulative financing preference shares B, the nominal value on the commitment due date and the interest revision term have both been taken into account. The cumulative financing preference shares do not have a repayment obligation. In the liquidity overview, the nominal value of the loan has been included in the period > 5 years.

x € 1,000

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.

Price risk

Price risk associated with the purchase of raw materials and auxiliary materials, 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 results of the Group. In addition, some of the loans have been concluded at fixed interest rates.

If the interest rate for 2016 had been 2 percentage points higher on average, then the result before tax based on the average level of debt would have been approximately €2.9 million lower (2015: €3.2 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 €2.2 million (2015: decrease of €2.4 million).

The table below shows the periods in which interest rates for interest-bearing financial assets and financial liabilities are reviewed:

	Note	31 December 2016					
		Total	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

x € 1,000

	Note	31 December 2015					
		Total	0-6 months	6-12 months	1-2 year	2-5 year	> 5 year
Other investments	6.12	32.124	18.784	-	11.236	860	1.244
Cash and cash equivalents	6.17	125.392	125.392	-	-	-	-
Cumulative financing preference shares	6.20	-45.100	0	-	-	-45.100	-
Syndicated bank financing	6.20	-50.000	-50.000	-	-	-	-
Project financing	6.20	-12.297	-12.297	-	-	-	-
Other non-current liabilities	6.20	-25.012	-546	-18.933	-2.653	-	-2.880
Financial lease commitments	6.20	-1.613	-329	-216	-449	-619	-
Current account overdrafts with credit institutions	6.20	-1.083	-1.083	-	-	-	-
Total		22.411	79.921	-19.149	8.134	-44.859	-1.636

As at the closing date, 30% (2015: 39%) of the interest-bearing debt had been negotiated at a fixed rate of interest, and 70% (2015: 61%) 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 interest term to maturity of the project financing is 0.2 years (2015: 0.1 years).

The interest-bearing loans are measured at amortised cost rather than at fair value. The measurement 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 2016		31 December 2015	
			Carrying amount	Fair value	Carrying amount	Fair value
Note	Level	Loans and receivables				
6.12	2	Other investments	33.615	34.154	32.124	33.131
6.16	*	Trade and other receivables	176.071	176.071	266.403	266.403
6.17	*	Cash and cash equivalents	30.249	30.249	125.392	125.392
6.20	*	Current account overdrafts with credit institutions	-3.891	-3.891	-1.083	-1.083
6.20	2	Cumulative financing preference shares	-45.100	-51.169	-45.100	-52.946
6.20	2	Syndicated bank financing	-105.000	-105.000	-50.000	-50.000
6.20	2	Project financing	-1.038	-1.038	-12.297	-12.297
6.20	2	Other non-current liabilities	-22.006	-22.515	-25.012	-25.982
6.23	*	Trade and other payables	-371.064	-371.064	-580.232	-580.232
Other financial liabilities						
6.20	2	Financial lease commitments	-	-	-1.613	-1.691
			-308.164	-314.203	-291.418	-299.305

* 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 2016, 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).

To improve the capital structure in the short term, a debt-reduction plan based on the disposal of foreign companies is being carried out. The sale of Franki (completed in January 2017) and the sale of Heijmans Belgie (sales contract signed in February 2017) are actions to realise the plan. A variant on the financial covenants applies during 2017 (see note 6.20 for more information on this).

x € 1,000

6.25 Rental and operating lease contract

	31 December 2016	31 December 2015
Rental contracts		
Instalments due within 1 year	15.177	14.872
Instalments due between 1 and 5 years	36.344	39.689
Instalments due after 5 years	6.148	9.544
Total	57.669	64.105
Lease contracts		
Instalments due within 1 year	23.549	25.001
Instalments due between 1 and 5 years	38.924	40.821
Instalments due after 5 years	1.021	912
Total	63.494	66.734

A charge of €28 million for operating leases was recognised in the statement of profit or loss for 2016 (2015: €29 million). A charge of €16 million for rental costs was recognised in the statement of profit or loss for 2016 (2015: 16 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 lease vehicles (2,370 cars, 850 vans, and 80 trucks) are leased in the Netherlands under an operating contract. 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 terms varying from 12 months to 72 months. These contracts can only be dissolved after compensation is paid for the difference between the market value and the carrying amount (only if the market value is lower), and for the portion of the lease payments representing the management fee or administrative expenses and interest. For trucks, the maximum term is usually 120 months.

The above amounts relate to operations in aggregate. For continuing operations, the figure as at 31 December 2016 for rental contracts is €44.2 million (2015: €56.8 million) and for lease contracts, €53.8 million (€57.4 million). The expense for operational lease 2016 is €23.9 million (2015: €24.4 million).

x € 1,000

6.26 Investment commitments

	31 December 2016	31 December 2015
Contractual commitments for:		
- acquisition of property, plant and equipment	858	1.078
- acquisition of land	92.797	98.614
	93.655	99.692

There are no group guarantees for the capital expenditure commitments (2015: none).

In general, the contractual commitments to purchase land will arise in 1 to 10 years.

Of the investment commitments, €11 million (2015: €11 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 €1 million (2015: €1 million), this amount being Heijmans' portion.

The above amounts relate to operations in aggregate. For continuing operations, the figure as at 31 December 2016 for investment commitments is €93.2 million (2015: €99.5 million).

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.

Bank and Group guarantees	31 December 2016	31 December 2015
Bank guarantees relating to:		
Execution of projects	338.922	274.852
Tenders	2.174	3.074
Other	38.100	45.746
	379.196	323.672
Group guarantees relating to:		
Execution of projects	314.512	354.837
Contingent liabilities	427	4.071
Credit and bank guarantee facilities	141.825	124.245
	456.764	483.153
Total	835.960	806.825

x € 1,000

The Group guarantees associated with financing facilities have been provided in connection with project financing, bank guarantees and credit facilities apply to foreign subsidiaries, joint operations and joint ventures. Heijmans has guaranteed its share of the debt of various joint operations and property joint ventures for a total of €28 million (2015: €21 million).

The Group guarantees issued for divested operations (Leadbitter and Heitkamp) are not included in the above table. They amount to €78 million (2015: €98 million). With regard to work completed and work in progress, the guarantees will be taken over by the buyer if this is possible. Where this is not possible, the buyer has provided a bank or corporate guarantee.

The above amounts relate to operations in aggregate. For continuing operations, the figure as at 31 December 2016 for bank guarantees is €211 million (2015: €164 million), and for Group guarantees, €326 million (2015: €375 million).

Other contingent liabilities

At year-end 2016, the other contingent liabilities with a significant cash impact relating to continuing operations amounted to €26 million (2015: €29 million), and with a limited cash impact to €120 million (2015: €84 million), a total of €146 million (2015: €113 million). Of the total amount, €24 million (2015: €25 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 for these commitments in 2016 (2015: none). Other contingent liabilities relating to discontinued operations are negligible.

At year-end 2016, the joint ventures in which Heijmans participates had contingent liabilities with significant cash impact amounting to €6 million (2015: €9 million), and with a limited cash impact to €20 million (2015: €22 million), a total of €26 million (2015: €31 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 positions in joint ventures and/or their financing. In addition, large and complex projects are carried out in cooperation 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 revenues and total assets of joint operations relating to continuing operations is broken down below by segment.

2016 Business segments in € millions	Property development	Residential building	Non-residential	Infra	Eliminations	Total
Revenue	28,0	15,6	19,3	33,5	-17,4	79,0
Costs	-27,2	-13,7	-18,4	-32,0	17,4	-73,9
Non-current assets	4,0	0,2	0,0	0,8	0,0	5,0
Current assets	55,6	4,0	4,2	22,2	0,0	86,0
Total assets	59,6	4,2	4,2	23,0	0,0	91,0
Non-current liabilities	0,2	0,1	0,0	0,0	0,0	0,3
Current liabilities	11,1	3,1	5,2	21,8	0,0	41,2
Total liabilities	11,3	3,2	5,2	21,8	0,0	41,5
Equity	48,3	1,0	-1,0	1,2	0,0	49,5

2015 Business segments in € millions	Property development	Residential building	Non-residential	Infra	Eliminations	Total
Revenue	24,7	9,8	5,6	75,6	-5,5	110,2
Costs	-24,2	-8,8	-5,3	-72,9	5,5	-105,7
Non-current assets	4,0	0,0	0,0	0,7	0,0	4,7
Current assets	54,3	3,2	3,9	12,7	-0,2	73,9
Total assets	58,3	3,2	3,9	13,4	-0,2	78,6
Non-current liabilities	22,9	0,0	0,0	0,0	0,0	22,9
Current liabilities	7,5	2,6	3,6	9,6	-0,2	23,1
Total liabilities	30,4	2,6	3,6	9,6	-0,2	46,0
Equity	27,9	0,6	0,3	3,8	0,0	32,6

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 personnel.

In 2016, some €1.5 (2015: €0.5 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 benefit.

The total payments granted to Supervisory Directors in 2016 and 2015 were as follows:

in €	2016	2015
Sj. S. Vollebregt – Chairperson*	43.973	24.542
A.A. Olijslager**	13.390	52.875
P.G. Boumeester***	37.723	37.723
R. van Gelder****	42.723	40.223
S. van Keulen*****	42.723	42.723
R. Icke*****	37.723	37.723
Total	218.255	235.809

* Supervisory Director since 15 April 2015 and Chairperson 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

A breakdown of the gross fixed remuneration, variable remuneration, pension contribution and expense allowance for each member of the Executive Board is shown below:

in €	Gross fixed remuneration		Pension contributions		Expense allowances including reimbursement of car expenses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
A.G.J. Hillen*	414.632	395.823	116.917	111.172	24.512	29.610	556.061	536.605
R.F. Majenburg**	386.903	-	85.135	-	26.063	-	498.101	-
L.J.T. van der Els***	497.068	493.926	102.160	102.160	30.444	30.444	629.672	626.530
M.C. van den Biggelaar****	406.907	395.661	73.059	79.475	34.712	33.847	514.678	508.983
Total	1.705.510	1.285.410	377.271	292.807	115.731	93.901	2.198.512	1.672.118

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

** Member of the Executive Board since 13 April 2016

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

**** Member of the Executive Board since 1 September 2009

The members of the Executive Board have been granted conditional short-term variable remuneration for 2015 equal to 20% of their respective basic salaries. For this grant to become unconditional, the conditions stated in the remuneration policy must be met in 2016 or 2017. In 2016, the conditions were not met. The Supervisory Board has invoked its discretionary power to withhold unreservedly the conditional remuneration from Mr Van der Els and Mr Van den Biggelaar, who are resigning from the Executive Board in 2017.

The long-term variable remuneration granted in 2016, amounting to €0, is for the period 2014-2016. For more information, refer to the section on remuneration in the Annual Report.

A reserve of €0.2 million has been formed for the variable remuneration to the current members of the Executive Board for the periods 2015-2017 and 2016-2018 (2015: €0.6 million for the periods 2014-2016 and 2015-2017). Specifically, €102,050 is reserved for Mr A.G.J. Hillen (2015: €197,831), nil for Mr L.J.T. van der Els (2015: €246,882), nil for Mr M.C. van den Biggelaar (2015: €197,831), and €64,484 for Mr R. Majenburg (2015: nil).

The release from existing reserves for the long-term and short-term variable remuneration for members of the Executive Board recognised as income in 2016 was €0.7 million (2015: nil).

As well as the amounts for gross fixed remuneration, pension contributions and expense allowances disclosed in the above table for each member of the Executive Board, the following amounts are recognised in the statement of profit or loss:

- Conditional short-term variable remuneration of €0 for Mr A.G.J. Hillen (2015: expense of €79,132). Net income of €95,781 (2015: €0) for long-term variable remuneration. For the Share Matching Plan, an expense of €1,876 (2015: €1,876).
- Conditional short-term variable remuneration of €0 for Mr R.F. Majenburg (2015: €0). An expense of €64,484 (2015: €0) for long-term variable remuneration.
- Conditional short-term variable remuneration in the form of income of €98,753 for Mr L.J.T. van der Els (2015: expense of €98,753). Income of €246,882 (2015: €0) for long-term variable remuneration. For the Share Matching Plan, an expense of €5,877 (2015: €5,877).
- Conditional short-term variable remuneration in the form of income of €79,132 for Mr M.C. van den Biggelaar (2015: expense of €79,132). Income of €197,831 (2015: €0) for long-term variable remuneration. For the Share Matching Plan, an expense of €1,876 (2015: €1,876).

The total expense recognised in the statement of profit or loss is €1,554.246 (2015: €1,938,764)

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 introduced, whereby directors can decide on a voluntary basis 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 granted him for 2013 to purchase shares in Heijmans. Similarly, Mr van den Biggelaar and Mr Hillen each used 20% of the net short-term bonuses granted them 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 unconditional 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 during the period that the allocated shares become unconditional.

The pension plan for Mr Hillen is arranged through the industry 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 €33,600 (2015: €32,695) and is indexed in accordance with pay increases under the collective labour agreement. In addition, Mr Hillen received compensation of €65,638 in 2016 (2015: €61,203) for the loss of pension accrual on his salary above €100,000. Mr Majenburg receives a fixed amount in the form of pension contributions. In 2016, this was €85,135 (2015: nil). With effect from 1 January 2015, the pension plan for Mr Van den Biggelaar is arranged through the industry pension fund and the directly insured average pay plan. Until the end of 2014, Mr Van den Biggelaar's pension plan was a defined contribution for a retirement pension payable from the age of 65, a partner pension, and an orphans' pension. The pension charge for Mr Van den Biggelaar in 2016 includes compensation of €57,479 (2015: €64,533) for the loss of pension accrual on his salary in excess of €100,000. Mr Van der Els receives a fixed allowance for pension costs.

The pension charge is calculated in accordance with accounting principle 23.

At year-end 2016, the members of the Executive Board owned a total of 139,839 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 2016 is as shown below:

Shares owned on 31 December	2016
A.G.J. Hillen - voorzitter	11.525
L.J.T. van der Els	116.130
M.C. van den Biggelaar	12.184
R.F. Majenburg	0
Total	139.839

Remuneration of former members of the Executive Board

An amount of €180,000 has been recognised in the statement of profit or loss for 2016 (2015: €167,000) 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.

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 principles (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 to certain projects. These are the Dutch National Institute for Public Health and the Environment (RIVM), executed as a joint venture, N23 Westfrisiaweg, and Wilhelminasluis Zaandam.

Dutch National Institute for Public Health and the Environment (RIVM)

It appeared that the original design for the new-build for the Dutch National Institute for Public Health and the Environment (RIVM) and the Medicines Evaluation Board (CBG) did not fully satisfy the specified vibration criteria. After the principal agreed to an extension, the StruktonHurksHeijmans consortium developed a combination of measures such that design now satisfies these criteria for the laboratory units. The construction commencement certificate was issued mid-January 2017, and work itself should begin in the spring of 2017. The measurement of the projects takes the provisionally estimated additional costs into account, as well as a part payment from the principal. For 2016, Heijmans has in net terms formed a provision of €10 million for this project. (This relates to Heijmans' share of 37.5% in the business combination.) The principal and consortium are also still discussing the financial implications. As a result, there is increased estimation uncertainty about the measurement of the project, with a spread of approximately plus €5 million and minus €10 million. Heijmans considers that the risk exposure will remain within the spread, and that the current measurement is the best estimate at this time.

N23 Westfrisiaweg

N23 Westfrisiaweg For the N23 Westfrisiaweg project, there was a difference of opinion on the execution as regards the condition of the soil and its effect on the work. In February 2017, Heijmans reached agreement with the principal, in the form of a letter of intent, on the amended execution and planning, as well as on the financial settlement of the project. In connection with this, the additional matters agreed include the expected release from the risk fund and optimisation that benefit Heijmans, and how residual risks should be dealt with. The new arrangements require formation of a loss provision of €32 million for this project. Although the risk profile has improved significantly for Heijmans, increased estimation uncertainty still applies to the current project measurement, expressed as a spread of plus €5 million to minus €7.5 million. Heijmans considers that the risk exposure will remain within the spread, and that the current measurement is the best estimate at this time. With the signing of the letter of intent, the work temporarily halted has been resumed, and the project will be delivered according to plan at the end of 2018.

Wilhelminasluis Zaandam

With the Wilhelminasluis Zaandam project, there is a difference of opinion with the principal mainly concerning the design of the lock chamber. Heijmans completed the construction of the lock bays. As for the other work, this was halted pending a new design for the lock chamber. Heijmans and the principal are not yet in agreement regarding payment of the supplementary costs for producing the new design, or regarding the related extra costs resulting from the delay to the project. An arbitration procedure has been initiated. For 2016, Heijmans has formed an additional provision of €8 million for this project, which has improved its risk profile for Heijmans. However, the nature of arbitration means there is increased estimation uncertainty concerning the measurement of the project. If Heijmans were found to be completely in the wrong, which it considers unlikely, this would result in a further loss of some €10 million. The upper limit of the spread is approximately €10 million.

Financing

Note 6.20 explains in detail the conditions attached to the new financing. A key condition is the (phased) reduction of the facility to €122 million in 2019. Of major importance to the reduction in debt is the fulfilment of the disposal programme (timing and selling prices), as well as the effective management of project risks. This applies equally to the fulfilment of the 2017 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 portfolio

For more information on the key assumptions used in the measurement of the strategic land portfolio, refer to note 6.14, "Inventory".

Intangible assets

For the main principles used in the annual determination of the realisable value of intangible assets, refer to note 6.10, "Intangible assets".

7. Subsidiaries and joint operations

The following entities were included in the consolidation in 2016. 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 entities recognised as assets and liabilities held for sale, see note 6.2.

	31 December 2016	31 December 2015
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%
Heijmans Utiliteit B.V., Rosmalen	100%	100%
Heijmans Utiliteit Metaal B.V., Rosmalen	100%	100%
Hart van Zuid V.O.F.	50%	0%
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%
Centrale IJkinrichting Borculo B.V., Zeewolde	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.	50%	0%
Sas van Vreeswijk V.O.F.	33%	0%
Heijmans Facilitair Bedrijf B.V., Rosmalen	100%	100%
Heijmans Materieel Beheer B.V., Rosmalen	100%	100%
Heijmans International B.V., Rosmalen	100%	100%
Heijmans (B) N.V., Schelle	100%	100%
Heijmans Infra N.V., Schelle	100%	100%
Van den Berg N.V., Schelle	100%	100%
Heijmans Vastgoed N.V., Schelle	100%	100%
Heijmans Bouw N.V., Bilzen	100%	100%
Heijmans Deutschland B.V., Rosmalen	100%	100%
Heijmans Oevermann GmbH, Münster	100%	100%
Oevermann Verkehrswegebau GmbH, Münster	100%	100%
Oevermann Hochbau GmbH, Münster	100%	100%
Oevermann Ingenieurbau GmbH, Münster	100%	100%
CMG Gesellschaft für Baulegistik GmbH, Münster	100%	100%
Franki Grundbau GmbH & Co. KG., Seevetal	100%	100%

8. Company financial statements

x € 1,000

8.1 General

The company financial statements are part of the 2016 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 principles for measuring assets and liabilities and the determination of results

For determining the accounting principles 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 principles to measure assets and liabilities and the determination of results (accounting principles) applied in the separate financial statements of Heijmans N.V. are the same as those applied in the consolidated EU-IFRS financial statements. Participating interests over which significant control is exercised are recognised using the equity method.

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 participating interests or between participating interests 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 2016

	2016	2015
Administrative expenses	-2.534	-1.969
Operating result	-2.534	-1.969
Financial income	29.885	31.696
Financial expense	-14.221	-15.672
Result before tax	13.130	14.055
Income tax	-3.666	-8.626
Share in profit or loss of participating interests	-119.958	-32.687
Result after tax	-110.494	-27.258

The employee benefits for the members of the Supervisory Board, the Executive Board, the Executive Committee 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 2016 (before appropriation of result)

Assets	31 December 2016	31 December 2015
Non-current assets		
Intangible assets	21.207	21.207
Financial assets	11.732	5.242
Deferred tax asset	35.591	32.089
	68.530	58.538
Current assets		
Receivables	424.434	518.606
Cash and cash equivalents	0	20.748
	424.434	539.354
	492.964	597.892

Equity and liabilities	31 December 2016	31 December 2015
Equity		
Issued capital	6.423	6.423
Share premium reserve	242.680	242.680
Hedging reserve	-193	375
Reserve for actuarial results	-27.965	-14.918
Reserve for Bonus Investment Share Matching Plan	239	229
Statutory reserve for participating interests	58.959	42.059
Retained earnings	-27.751	16.407
Result after tax for the current financial year	-110.494	-27.258
	141.898	265.997
Non-current liabilities	45.100	95.100
Current liabilities	305.966	236.795
	492.964	597.892

x € 1,000

8.5 Notes to the company statement of financial position

Intangible assets (goodwill)	2016	2015
Carrying amount		
Balance at 1 January	21.207	21.207
Balance at 31 December	21.207	21.207

Financial assets	2016	2015
Participating interests in Group companies		
Balance at 1 January	-67.042	-99.687
Share in result of participating interests after tax	-119.958	-32.687
Dividend received from participating interests	-4.101	0
Capital contributions	30.566	52.475
Changes in cash flow hedges	-568	429
Changes in actuarial results relating to employee-benefits	-13.047	12.428
Balance at 31 December	-174.150	-67.042
Set off against receivables from Group companies	-185.882	-72.284
Recognised under financial assets	11.732	5.242

The "Share in result of participating interests after tax" item includes the gains on the sale of participating interests. The participating interests in Group companies are direct or indirect interests in them. The principal Group companies are listed in chapter 7.

Receivables	31 December 2016	31 December 2015
Group companies	424.025	517.950
Other receivables	409	656
	424.434	518.606

The receivables fall due within one year.
The comparative figures for classification purposes have been adjusted.

x € 1,000

Cash and cash equivalents

Cash balances are at the free disposal of the Company.

Equity

2016	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for participating interests	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

2015	Issued capital	Share premium reserve	Reserve for actuarial results	Hedging reserve	Reserve for Bonus Investment Share Matching Plan	Statutory reserve for participating interests	Retained earnings	Result for the year after tax	Total Equity
Balance at 1 January	5.839	222.152	-27.346	-54	219	41.754	64.005	-47.293	259.276
Share issue	584	20.528	0	0	0	0	0	0	21.112
Reclassification	0	0	0	0	0	305	-305	0	0
Bonus Investment Share Matching Plan	0	0	0	0	10	0	0	0	10
Appropriation of result for 2014	0	0	0	0	0	0	-47.293	47.293	0
Comprehensive income	0	0	12.428	429	0	0	0	-27.258	-14.401
Balance at 31 December	6.423	242.680	-14.918	375	229	42.059	16.407	-27.258	265.997

x € 1,000

Authorised share capital

Composition of the authorised share capital is as follows:

Authorised share capital in €	31 December 2016
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 2016, the number of ordinary shares issued was 21,406,880. All the outstanding shares are paid up, which represents a value of €6,422,064 (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.

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.

x € 1,000

Reserve for participating interests

The statutory reserve for participating interests represents the difference between the retained earnings and the direct changes in equity as calculated using the parent company's accounting principles, 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 participating interest individually. This reserve is not freely distributable.

Result appropriation

It is proposed to charge the net result of approximately +/- € 110 million after tax to the reserves.

Liabilities	31 December 2016	31 December 2015
Non-current liabilities		
Financing preference shares	45.100	45.100
Syndicated bank financing	0	50.000
	45.100	95.100
Current liabilities		
Group companies	162.554	227.639
Dividend payable on financing preference shares	3.522	3.563
Banks	29.789	0
Syndicated bank financing	105.000	0
Tax and social security contributions	4.166	4.627
Other liabilities	935	966
	305.966	236.795

x € 1,000

8.6 Liabilities not disclosed in the statement of financial position

Contingent liabilities	31 December 2016	31 December 2015
Bank guarantees	379.196	323.672
Group guarantees to clients	314.939	358.908
Group guarantees to credit institutions	141.825	124.245
	835.960	806.825

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.

Fiscal unity

Together with its Dutch subsidiaries, Heijmans N.V. forms a fiscal unity 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 fiscal unity.

Share in result of participating interests

This is the company's share in the results of its participating interests, all of which are Group companies.

x € 1,000

Auditor's 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	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	-	1.717

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	2015		
	Ernst & Young Accountants LLP	Other EY network firms	Total EY
Examination of the financial statements	1.355	-	1.355
Other audit engagements	96	-	96
Tax consultancy services	-	-	0
Other non-audit services	-	-	0
	1.451	0	1.451

Events after balance date

Until the date of signing, no significant events occurred, other than those explained in the consolidated financial statements, that would have an effect on this annual report.

Rosmalen, 24 February 2017

The members of the Executive Board

A.G.J. Hillen
R.F. Majenburg
L.J.T. van der Els
M.C. van den Biggelaar

The members of the Supervisory Board

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 decision is to charge the result after tax, a negative amount of €110.5 million, to reserves. Given the development of both the operating results and the net result in 2016, it will be proposed at the General Meeting of Shareholders that no dividend should be distributed on ordinary shares and depositary receipts for ordinary shares.

Dividend policy

Heijmans N.V. maintains a dividend policy whereby, except in special circumstances, the payout ratio amounts to 40% of the profit from ordinary business operation after tax.

Independent auditor's report

To: the shareholders and the supervisory board of Heijmans N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the 2016 financial statements of Heijmans N.V. (also referred to as 'the company'), 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 2016, 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 2016, and of its result for 2016 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 2016;
- The following statements for 2016: the consolidated statement of profit and 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 2016;
- The company statement of profit and loss for 2016;
- 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 Auditor Independence Regulation for Assurance Engagements (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, "ViO") and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Professional Code of Ethics for Auditors Regulation (Verordening gedrags- en beroepsregels accountants, "VGBA").

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€9.4 million
Benchmark applied	Approximately 0.5% of the revenues for the financial year
Further information	The revenues provide a stable basis for determining the materiality and revenues are representative of the size and performance of the company. The company incurred a loss in the financial year, therefore the result does not represent a suitable basis for determining the materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons to the users of the financial statements.

We agreed with the supervisory board that misstatements in excess of €0.5 million 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 the parent company 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 Infra, Non-Residential and Property Development. We performed the majority of 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 and foreign activities. We performed specific audit procedures for several other entities, including Residential Building operating sector.

In all, these audit procedures represent the group's entire revenues.

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. These 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.

Risk	Our audit approach
<p data-bbox="193 622 751 656">Funding and covenants (see notes 6.20 and 6.29)</p> <p data-bbox="193 667 751 790">Heijmans recently reached agreement with the bank consortium for the credit facility to be amended, including an extension and a waiver for the covenants as at 31 December 2016.</p> <p data-bbox="193 790 751 1283">Factors having a significant impact on our audit include the availability of sufficient funding to be able to meet liquidity needs, securing adequate guarantee facilities, as well as continued compliance with financing covenants. The assessment thereof is based primarily on the expectations and estimates of the Executive Board. Those assumptions are affected by subjective elements including the estimate of expected future cash flows based on the projected revenues, margins and other results from operating activities. The estimates are based on assumptions, including expectations concerning future economic and market developments. Other important factors to fulfil the financing covenants and the redemption obligation are the completion and timing of the sale of assets (foreign companies), the settlement of several problem projects and the expected impact of the seasonal pattern.</p>	<p data-bbox="751 667 1394 757">We have assessed the new agreed term sheet, paying attention especially to the work of the experts used by the Executive Board.</p> <p data-bbox="751 757 1394 1193">In our audit approach, we used a valuation expert in evaluating the assumptions applied and the forecasts prepared by the Executive Board in the 2017 Business Plan including the Long-Term Outlook. We paid specific attention to the assumptions used in relation to future turnover and the result, including the order portfolio, the sale of assets and the potential effect of the settlement of several problem projects, to enable us to conclude that it will continue to meet liquidity needs and comply with the financial agreements in the coming year. The sensitivity analysis, headroom in the forecast calculations and the measures in place to eliminate any problem areas during the quarters were also included in the assessment. We also performed audit procedures with respect to the accompanying notes in the financial statements drew up by the Executive Board.</p>
<p data-bbox="193 1328 751 1361">Disposal programme (see note 6.2)</p> <p data-bbox="193 1373 751 1753">As part of its adjusted strategic focus on the Netherlands, Heijmans decided to dispose of several foreign companies. Franki and the Belgian companies are either sold or in process of being sold as per beginning 2017. The sale of the German subsidiary Oevermann is underway. Factors having a significant impact on our audit include the determination of the timing of the financial recording in relation to the disposals, the classification as assets held for sale in the statement of financial position and as discontinued operations in the statement of profit or loss and the recognition of the possible results resulting from those transactions.</p>	<p data-bbox="751 1373 1394 1608">We performed specific audit procedures on disposals in relation to the contractual conditions, stipulations applying to the transfer of control and economic risks, transaction results (loss on the sale of Franki) and the recording of those transaction in the financial statements as assets held for sale and discontinued operations. We also performed procedures with respect to the accompanying notes in the financial statements drew up by the Executive Board.</p>

Risk	Our audit approach
Valuation of work in progress (see notes 6.15 and 6.29)	
<p>The valuation of work in progress is affected by subjective elements including estimated costs and projected revenue, whether or not from additional services, technical progress and potential or actual disputes and penalties. This is partly prompted by the nature of the operations, which may be impacted by the complexity of projects, the degree to which the tender process involved estimates and developments during the realization of a project. Correctness and completeness of the recognition of revenue and results of projects, the valuation of receivables and possible claims, as well as the full disclosure of liabilities and provisions relating to the projects are therefore significant for our audit. The process of revenue and result recognition process for projects including the determination of cut-offs involves significant Executive Board estimates and coupled with the valuation of the project-related receivables, full disclosure of liabilities and provisions related to the projects, are therefore significant to our audit.</p>	<p>We tested the project management process and the project outcome estimation process, as well as performed other audit procedures. These procedures included contractual terms and conditions, expenditure, additional or fewer services and (potential) claims and penalties. We also performed procedures with respect to project calculations and result forecasts and the Executive Board's assessment thereof.</p> <p>In connection with this, we discussed a range of (financial) risks and ongoing claims and the associated estimation uncertainties with project officials and the Executive Board, assessing whether these have been adequately addressed in the financial statements. We also performed procedures with respect to the valuation of receivables, expected additional work, (potential) claims and penalties, the completeness of liabilities resulting from projects and the required disclosures of work in progress and related estimates. We paid specific attention to the projects N23 Westfrisiaweg and Wilhelminasluis, as well as to RIVM, that is a joint venture project. We performed additional procedures on the assumptions used for the valuation of the those projects given the high estimation uncertainty applicable on the positions taken.</p>
Valuation of goodwill (see note 6.10)	
<p>Heijmans' intangible fixed assets comprise mainly goodwill. The Executive Board tests goodwill for impairment annually. This test and assessment are largely based on the Executive Board's expectations and estimates of future results of the cash-generating units of which the entities acquired in the past are part. The Non-Residential and Infra business segments are the most significant given the size of the intangible assets.</p> <p>This assessment is significant for our audit, given the complexity of the estimation process, the assumptions used in the estimates and the degree of subjectivity involved, as well as the possible developments in a number of significant projects and on-going sales activities. The net recoverable values are based on the present value of the future cash flows.</p>	<p>In our audit approach, we used our internal valuation expert in evaluating the models and parameters used and set out by the Executive Board in the 2017 Business Plan and Long-Term Outlook. We paid specific attention to the forecasts used in relation to the future revenues and results. In addition, we performed procedures relating to the disclosures on impairment testing included in the financial statements, looking specifically at the disclosure of the assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rate, revenue size, and EBIT margin. In connection with this, we verified whether these disclosures were adequate and provide sufficient insight into the assumptions disclosed and sensitivities of the assumptions underlying the valuation.</p>

Risk	Our audit approach
Valuation of strategic land holdings and land in-use (see note 6.14)	
<p>The valuation of strategic land holdings and land development in use is heavily influenced by market developments in the housing market in the Netherlands and other subjective elements. In general, strategic land holdings are not developed until after a lengthy period, partly on account of changes within provinces and municipalities in the area of land-use planning.</p> <p>Heijmans tests the valuation of its land portfolio for impairment semi-annually. This test has a significant impact on our audit, given the nature of the activities, complexity of the estimation process, assumptions used in it, and its level of subjectivity. The valuation process involves significant Executive Board estimates. The net recoverable value is based on the cash value of expected future cash flows, which depends on the estimate of, among other things, the likelihood of project being realized, the expected time of realization, and the estimate of sale prices and construction costs. The valuation is underpinned internally with qualitative documentation and key figures. In addition, the calculation models land holdings are updated annually.</p>	<p>We performed audit procedures with respect to the estimation process regarding valuation. In addition, we established whether, in the determination of the value, use was made of the correct source data and insight obtained as regards the calculation models used to determine the net realizable value. We discussed the source data, risks concerning the holdings and the associated estimation uncertainties with project officers and Executive Board, assessing whether these have been adequately addressed. We used our own property valuation experts in assessing the assumptions on which the determination of the net realizable value is based. Finally, we examined the disclosures included on the assumptions that have the most significant effect on the determination of the net realizable value, such as the implementation and impact of development plans and the expected development of land and house prices. We tested whether these disclosures were adequate and provided sufficient insight into the selection of assumptions for the valuation.</p>
Valuation of deferred tax assets and liabilities (see note 6.13)	
<p>A deferred tax receivable is recorded for deductible tax losses insofar as it is probable that sufficient taxable profit against which those losses can be offset will be available in future. The assessment thereof has a significant impact on our audit because the estimation process is complex and the assumptions are affected by subjective elements, such as the estimate of expected margins from operating activities and tax results, as well as agreements with the tax authorities. These estimates are based on assumptions, including expectations concerning future economic and market developments.</p>	<p>We paid specific attention to the forecasts that have the most significant effect on the tax result, such as the EBIT margin and non-deductible or deferred items.</p> <p>The underlying forecasts are part of the underpinning of the 2017 Business Plan, including the Long-Term Outlook. We used our own tax experts in performing the audit procedures relating to the tax positions.</p>

Report on the 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 our 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.

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, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as management 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.

We performed our audit with a high, but not absolute, level of assurance, which means that we may not have detected all 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 maintained professional scepticism and exercised professional judgment in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, among other things:

- identifying and assessing the risks of material misstatements of the financial statements, whether due to fraud or error, designed 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding 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 is acceptable, and, based on the audit evidence obtained, establishing whether a material uncertainty exist 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 to the related disclosures in the financial statements in our auditor's report, or, if such disclosures are inadequate, to modify our auditor's report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the company no longer being able 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.

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, 24 February 2017

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 reviewed the sustainability disclosures in the annual report of Heijmans N.V., Rosmalen (subsequently referred to as: "Heijmans") for 2016. The scope of our review is described in the section "Our scope".

A review is aimed at obtaining a limited level of assurance.

Based on the procedures we performed, nothing has come to our attention from which we would have to conclude that the sustainability disclosures, in all material aspects, do not provide a reliable and appropriate representation of:

- the policy and activities for sustainability; and
 - the events and performance in that area during 2016.
- in accordance with the Sustainability Reporting Guidelines, version G4 (Core option) of the Global Reporting Initiative, and the supplementary internally used reporting criteria, as explained in the appendices "Reporting Methodology" and "CPI Table".

Basis for our conclusion

We conducted our review of the sustainability disclosures in accordance with Dutch law, including Dutch Standard 3810N "Assurance Engagements relating to Sustainability Reports". Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our independence

We are independent of Heijmans N.V. in accordance with the Auditor Independence Regulation for Assurance Engagements (Verordening inzake de onafhankelijkheid

van accountants bij assurance-opdrachten, "ViO") and other relevant independence regulations in the Netherlands. Among other things, this means that we cannot undertake any activities that might conflict with our assurance engagement. In addition, we have complied with the Regulation Code of Conduct and Professional Practice Accountants (Verordening gedrags- en beroepsregels accountants, "VGBA").

Our scope

The sustainability disclosures consist of the main sections "Profile and Business Model", "Safety and Health", "Knowledge Intensity", "Procurement and Chain Integration", "Business and Project Sustainability" and "Conduct, Integrity and Dilemmas" in the 2016 annual report.

Limits of our scope

The sustainability disclosures provide prospective information in the form of ambitions, strategy, plans, expectations, projections and risk estimates. An inherent feature of this information is that actual future results may be different from the prospective information and are therefore uncertain. We do not provide any assurance regarding the feasibility or practicability of this prospective information in the sustainability disclosures.

Similarly, the references in the annual report (to www.heijmans.nl, external websites or any documents) are also outside the scope of our assurance engagement.

Responsibilities

Management's responsibilities

The managing board of Heijmans is responsible for the preparation of sustainability disclosures in accordance with version G4 of the Sustainability Reporting Guidelines (core option) and the supplementary internally used reporting criteria as explained in the appendices "Reporting Methodology" and "CPI Table" to the annual report, including the identification of stakeholders and the determination of material issues. The choices made by

the managing board with respect to the scope of the sustainability disclosures and the reporting criteria are set out in the appendices 'Reporting Methodology' and 'CPI Table' in the annual report.

Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the sustainability disclosures so that they are free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the sustainability disclosures

Our responsibility is to plan and carry out an assurance engagement in such a way that we obtain sufficient and appropriate assurance information for us to express a conclusion.

We apply the detailed rules for audit firms when carrying out assurance engagements ("Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten (RA)"). Based on this, we have at our disposal a cohesive quality control system, including established guidelines and procedures for complying with ethical requirements, standards for auditors, other applicable laws and regulations.

Misstatements may arise from fraud or error and are considered material if they, individually or in the aggregate, may reasonably be expected to influence the decisions of users taken on the basis of these sustainability disclosures. Materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

A review is designed to obtain limited assurance. The procedures performed in obtaining limited assurance are aimed at establishing the plausibility of information and are less extensive than those applied in engagements designed to obtain reasonable assurance. The procedures performed consisted primarily of making inquiries of officers of the entity and applying analytical procedures regarding the sustainability disclosures. A review engagement therefore provides significantly less assurance than an audit.

We have exercised professional judgment and have maintained professional scepticism throughout the audit,

in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our main procedures included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues and the characteristics of the organisation.
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of estimates made by management.
- Evaluating the design and implementation of the systems and processes for data gathering and processing of the sustainability disclosures as presented in the annual report.
- Interviewing management (or relevant staff) responsible for the sustainability strategy, policy and performance.
- Interviews with relevant staff responsible for providing the sustainability disclosures, carrying out internal audits of the data and the consolidation of the data in the sustainability disclosures provided in the annual report.
- Analysing data and trends in sustainability information and by taking random samples determining whether the sustainability information is underpinned with internal and external documentation.

Rotterdam, 24 February 2017

Ernst & Young Accountants LLP

Signed by: J. Niewold

Heijmans Share Administration Trust

Report is given below in compliance with best-practice provision IV.2.6 in conjunction with IV.2.7 of the Corporate Governance Code 2008.

Methodology

To emphasise the independence of the Heijmans Share Administration Trust (hereinafter referred to as 'the SA Trust'), its Board of Trustees first meets without the members of the Company's Executive Board being present. The members of the Executive Board and the Chairman of the Supervisory Board then attend 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 2016, the SA Trust had ordinary shares with a nominal value of €6,422,061.90 in administration, for which 21,406,873 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 reporting year.

Meeting of 23 March 2016

The following items were discussed at this regular Board meeting:

- The notes to the 2015 Annual Report of Heijmans N.V. and the press release of 25 February 2016.
- The agenda items for the General Meeting of Shareholders of Heijmans N.V. to be held on 13 April 2016.

- The Annual Report of the SA Trust for 2015.
- The evaluation of the Meeting of Depositary Receipt Holders of 20 November 2015.
- Appointment of a new trustee.

During the meeting, the Board of the SA Trust informed the Executive Board and the Chairman of the Supervisory Board that the following issues - whether requested or not - must be placed on the agenda for the next subsequent General Meeting of Shareholders:

- Further specification of and disclosure of the total loss suffered by the Company.
- The statement that the discussion on project and risk management that has been ongoing for a number of years is still continuing.
- The substandard results of Infra.
- The vision of the Executive Board for the Dutch market, the relationship between customer and contractor, and in particular the allocation of risks.
- The consequences of (continuing) meagre margins in certain sectors of the construction industry for the Company's strategic focus.

This spring, one trustee stepped down and was not eligible for reappointment. The trustee in question was Mr R.P. Voogd. The Meeting of Depositary Receipt Holders did not make a recommendation for the filling of this vacancy. Based on the profile prepared for this vacancy, the Board established that Mr H. Hooghoudt was prepared to accept the position. The Board of the Trust Office appointed Mr Hooghoudt at this meeting as a trustee after both the Executive Board and the Supervisory Board were given the opportunity in accordance with the Articles of Association to state their views with respect to the proposed appointment.

Meeting of 6 October 2016

The items discussed at this regular meeting included the following:

- The 2016 half-year figures for Heijmans N.V.
- The resolution to hold a Meeting of Depositary Receipt Holders on 18 November 2016.
- Composition of the board: at the meeting in the spring of 2017, Mr W.M. van den Goorbergh is going to step down.

During the meeting, the board of the SA Trust made some remarks and put some questions to the members of the Executive Board and the Chairman of the Supervisory Board on the following issues:

- The poor performance of a few large infrastructure projects, the knock-on effects of this, and the way it was communicated.
- Project management, specifically how projects are dealt with if during their execution it appears that losses will probably occur.
- The results of the different business segments and the outlook for them.
- The foreign subsidiaries and their contribution to Heijmans' result.
- The financing of Heijmans, including covenants.

Meeting of 18 November 2016

This additional meeting concerned the preparations for the Meeting of Depositary Receipt Holders on 18 November 2016.

Participation of the Board of Trustees of the SA Trust at the General Meeting of Shareholders of 13 April 2016

The Board of Trustees of the SA Trust was present during the General Meeting of Shareholders on 13 April 2016 and voted in favour of all the resolutions that were put to a vote.

During the General Meeting of Shareholders, the Board of the SA Trust noted that the difficulties Heijmans faced were also related to the very structure of supply & demand in the market. A dominant customer, i.e. the government, and a few parties that can take on the work, with these parties engaging in a price war to avoid underutilisation of capacity. Such a war offers little chance of creating margins as buffers for absorbing setbacks. The Executive Board was asked whether there was greater understanding of this situation, within society and within the government. And if the Executive Board was possibly pessimistic on this point, did it not make sense then to consider intensifying the foreign activities that were producing a good return?

The SA Trust granted authorisation to holders of depositary receipts who attended the General Meeting of Shareholders in person or who allowed themselves to be 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, 2011, 2012, 2013, 2014 and 2015, in its convening notice for the General Meeting of Shareholders the board of the SA Trust offered holders of depositary receipts who were not able 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 13 April 2016

Of the 21,406,873 depositary receipts for shares SA Trust had issued by 13 April 2016, 4,868,228 were registered as present at the meeting (approximately 22.7%; 2015: approximately 29.2%). Of the figure of 4,868,228, the holders of 2,068,861 depositary receipts for shares attended the Meeting, and the holders of another 2,799,367 had issued voting instructions to ABN AMRO. SA Trust was therefore representing 16,538,645 depositary receipts for shares at the AGM, or approximately 77.3%.

Meeting of Depositary Receipt Holders on 18 November 2016

During the Meeting of Depositary Receipt Holders on 18 November 2016, the Board of Trustees of the SA Trust gave an explanation of its policy, partly based on principle IV.2 and the corresponding best-practice provisions of the Dutch Corporate Governance Code.

The three holders of depositary receipts or proxies present represented 9,438 shares/depositary receipts. As at 18 November 2016, the SA Trust had issued a total of 21,406,873 shares or depositary receipts for shares. This means that approximately 0.04% of the shares and depositary receipts for shares issued by the SA Trust were represented at this meeting (in 2015, approximately 0.02%).

Activities

The activities related to the administration of the shares or depositary 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 chiefly concern 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 take external advice in 2016.

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 board of NIBC Bank and Coöperatie DELA. Until 2002, Mr Van den Goorbergh was Deputy Chair and CFO of the Executive Board of Rabobank Nederland.

H. Hooghoudt has been a lawyer since 1975, and a partner at NautaDutilh since 1983. In his practice, he mainly works on mergers, acquisitions, flotations, nationally as well as internationally, and providing advice on corporate governance and corporate finance. He is a member of the board of KNDS N.V.

P.W. Moerland is a supervisory director of Enexis N.V., member of the General Board of de Nederlandse Bachvereniging, Chair of Stichting Berenschot Beheer and Chair of the Board of Supervision of Stadhuismuseum Zierikzee.

Prior to this, between 2003 and October 2013 he was a member of the Executive Board of Rabobank Nederland, and for the last four years as Chair. Between 1980 and 2013 he was Professor of Business Administration at the Royal University of Groningen and Professor of Business Finance, and since 1999 also Professor of Corporate Governance at the University of Tilburg.

J.J.G.M. Sanders is Chair of the supervisory board of Bolsius N.V., Chair of the Stichting Evenementen Lilië Fonds, member of the board of Darling Ingredients Inc. USA, supervisory director of Greenchoice and 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 among other positions he was employed for 16 years at FrieslandCampina, for the last 7 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 2016 amounted to €12,000 for the Chair and €10,000 for each other trustee.

Contact data

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Heijmans N.V.
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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 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 in order to dispose 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 B preference shares. The put option contract that Heijmans Preference Share Trust entered into with Heijmans N.V., whereby the Trust purchases preference shares as soon as Heijmans N.V. issues them, was terminated as proposed by the Executive Board. The Executive Board and the Board of Trustees have jointly established that this put option is no longer suitable or necessary in relation to the underlying objectives. The associated power of the Executive Board to issue preference shares will no longer be on the agenda for the next General Meeting of Shareholders.

The Trust was granted the right of investigation in 2008.

Mr F.J.G.M. Cremers was reappointed as board member of the Trust for the period of four years at the board meeting on 30 March 2016.

The composition of the Board of Trustees is:

Prof. M.W. den Boogert (Chair)
 Dr. F.J.G.M. Cremers
 Drs. H.H. Meijer
 Mr. A. Westerlaken

Stakeholder meetings and interaction

Heijmans endorses the principle of the Corporate Governance Code that the company is a joint venture between various parties involved with the company. The stakeholders are the groups and individuals that directly or indirectly affect – or are affected by – the company's realisation of its goals: customers, employees, shareholders and other capital providers, suppliers and subcontractors, the industry, governments, knowledge and educational institutions, and social groups.

Interaction with stakeholders

The strategy and policy are tested by means of the following:

Road shows and conferences: Heijmans is in contact with its shareholders and potential shareholders on various occasions for the purpose of a dialogue with them. Not only at the general meeting of shareholders and the regular meetings with major shareholders, but also through conferences at which individual discussions and meetings take place with existing and new shareholders. Five roadshows were held and three conferences were attended during the past year.

Analyst meetings: Heijmans holds regular discussions with analysts who follow the company and its shares. An analyst meeting is held during the presentation of the annual and half-year figures, and analyst calls are arranged at the time of the trading updates in the spring and autumn. The annual and half-year meetings can be followed live via a webcast. Participants can also ask questions via a webcast. The audio files of the calls can be heard again and are available on the website. An investor relations manager is available to answer questions from analysts and investors.

Stakeholder meetings: an annual stakeholder meeting is held at each business division for its major clients, suppliers and partners at which policy aspects are discussed.

Works Council meetings: the directors at Heijmans hold regular discussions with the works councils of the Company. The frequency, issues, requests for approval and advice are described in the Corporate Governance section on page 75.

Social media: customers, stakeholders and interested parties can obtain information on Heijmans via the interactive website. All articles can be shared, and contact persons are named for each article with whom a dialogue can be held. Heijmans is also active on Twitter, Facebook, Instagram and LinkedIn, as the company wishes in this way to appeal to a wide target group, in order to sound out the opinions and sentiments of stakeholders and engage in a dialogue with them.

Stakeholder meetings

A number of dialogues were conducted with a typical mix of stakeholder representatives in 2016. This concerned a qualitative analytical method. The following recommendations were made:

Group-wide

In July 2016, a group-wide dialogue meeting took place with suppliers on the importance of safety as part of Heijmans' strategy. The issues discussed were attitude and conduct, transparency and reporting instances of misuse. A number of real-life examples were outlined.

Residential

This stakeholder meeting took place at the end of 2016. The attendees, usually specialists in energy, materials and sustainability, reflected on how up to date Heijmans' strategy was. They indicated that they regarded aspects such as housing health, adaptability and smart technology as important aspects.

Projects

The Non-Residential Stakeholder meeting was held at the beginning of December 2016, and was attended by a variety of customers and suppliers. Heijmans explained how it had adopted the recommendation of the stakeholder meeting in 2015 by developing the BeSense concept. This concept, based on sensor technology, makes it possible to be more efficient with energy, resources and building management. The attendees discussed the subject of "collaboration". The customers and suppliers present emphasised that good collaboration is essential, and that it begins by getting to know each other, defining the "contact rules", and agreeing on performance levels.

Connections

In mid-November, Infra held four meetings for a total of 80 business associates. The location was Eindhoven, during the annual GLOW festival. The meetings centred on the theme of smart lighting, coupled with the introduction and presentation of the Fairytrail concept, which integrates light, safety and attractiveness in walking and cycling paths. Heijmans' strategy was also explained to the attendees. The stakeholders gave feedback on this, mainly saying that they acknowledged the energy issue in construction and for the built-up environment, and that they needed solutions and a vision for multi-use of space. Heijmans' vision and underlying strategy, which link social issues to future spatial development, received wide support and recognition.

DMA (Disclosure on Management Approach)

Material aspects	DMA and Indicators		
	Why material	Management processes	Evaluation processes
Being financially sound	Our stakeholders indicate that delivery of a good price/quality ratio is essential. This also adds economic value, which provides for employment and continuity.	The annual report of Heijmans provides extensive details on the financial values and management processes at Heijmans with respect to financial performance.	Evaluation by internal controls, external auditing, annual reporting and reporting to the GMS.
Satisfied customers and users	The stakeholder group of customers is obviously crucial to Heijmans. The indications we have received from the discussions we have with this group is that delivering added value at a good price leads to customer satisfaction.	Customer satisfaction is measured in various ways at Heijmans, but there is no uniform overall figure available. Elements that ensure that customer satisfaction is measured are the project evaluations, the customer satisfaction surveys for residential building, the numbers of recorded complaints and the snagging lists.	Mechanisms for evaluation are implemented in the context of the ISO 9001 quality management systems.
Health and safety at work	Providing a safe working environment is one of the policy priorities for Heijmans. For the stakeholder group of employees, this is of primary importance. Moreover, many construction works are by their nature potentially dangerous due to the large scale and number of machines in use.	At Heijmans, employees are trained using the VCA methodology. In addition, subcontractors are expected to possess either VCA or equivalent certification. All sorts of physical measures are implemented at construction sites to promote safety.	Evaluation is part of the VCA system. Various indicators are also measured by the specific Quality & Safety organisation. CPIs include the number of accidents, subcontractors holding VCA certification and incident frequency (IF).
Strategy implementation	The most important issue for the stakeholder group of investors and shareholders is publishing and persevering with a strategy.	Heijmans has reported on the progress of its strategy in various places in the report, also in qualitative terms. The strategy focuses on improving the core processes and renewal and innovation, and is expressed in the reports generated by the Lean system.	The strategy is evaluated in the quarterly reports of the various business units to the PLC organisation. Progress is reviewed as well, by the Executive Board and in the reports to the supervisory board.

LEAN6Sigma

LEAN6Sigma

Since 2010, Heijmans has been following a programme of structured improvements to its processes. Over the past few years, this Lean6sigma programme has generated considerable optimisation. In all, 413 projects have been initiated since the programme's implementation. In 2016, there were 76, which is 24 more than in 2015. Since 2014, the focus has shifted from DMAIC projects to the implementation of lean tools. Lean plans and 5S are resources used widely within Heijmans. In addition, a lot of attention is being given to the controlled execution of the primary processes. Using CPIs, the controlling is based on key process steps and the feedback from them. In this way, the Lean6sigma method makes the Tender Management, Project Management, Procurement, GO! and Fit for Cash programmes more robust. Following the implementation of SAP for all business segments, a wealth of uniform data has become available that can be used over the next few years to set up strategic Lean6sigma projects.

In 2016, another improvement event was held, with "Lessons (to be) Learned" as its theme. Green belts and black belts working for Heijmans were there, sharing their experiences with each other and with improvers from other companies. Heijmans is also collaborating with Avans College on teaching the minor Green Belt.

Link between Sustainable Development Goals and Heijmans' activities

The table below shows the relationship between Heijmans' activities and ambitions. It also shows what they can bring to meeting the targets of the Sustainable Development Goals. In producing the table, only the most direct relationships were considered. This was despite the fact that a greater number of indirect relationships can be identified, for example the relationship between health and education.

Heijmans activity	SDG goal	SDG description
Road construction and maintenance; see Bike Scout innovation for example.	3.6	By 2020, halve the number of global deaths and injuries from road traffic accidents
Construction of school and university buildings; "Fresh Schools" programme for the management and maintenance of school buildings.	4a	Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
Heijmans HR policy for diversity and non-discrimination	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
Construction, management and maintenance of water management systems, sewage treatment plants, Tilburg energy factory	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
Making energy systems sustainable; construction of biomass power stations, and sustainable homes and areas	7.2.	By 2030, substantially increase the share of renewable energy in the global energy mix
Heijmans' safety policy, which includes measures, instructions, and tools such as the GO! app	8.8	Protect labour rights and promote safe and secure working environments for all workers
Road construction and maintenance; waterway and airport maintenance	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
Management and maintenance of monuments, museums, and cultural landscapes	11.4.	Strengthen efforts to protect and safeguard the world's cultural and natural heritage
Development of sustainable homes, neighbourhoods and districts	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
Construction of sustainable homes, and development of our own sustainable procurement policy	12.2.	By 2030, achieve the sustainable management and efficient use of natural resources
Development and implementation of a waste-management programme	12.5.	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable procurement policy and integrated reporting in accordance with GRI guidelines	12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
Actively promote sustainable procurement policy to government bodies	12.7.	Promote public procurement practices that are sustainable, in accordance with national policies and priorities
Climate-change-proof construction, construction of water collection basins, dikes and dams	13.1.	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Heijmans guidelines for procuring timber only from sustainably managed forests	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

Reporting system

Scope

In 2016, Heijmans reported key figures for its Dutch activities, on the basis of the disposal strategy.

Information gathering and verification

Regular consultation takes place between those involved in preparing the content and form of this report during the year. A kick-off was held in October at which experiences from the previous year, targets and ambitions were shared. Agreements were made 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 records of operational processes arising therefrom. Examples are Prinsys for HRM-related aspects, energy management systems, but also software such as SMILE regarding quality information and accident statistics. Information from the ERP systems of SAP and CODA among others is included, as is information originating from suppliers such as those supplying the company vehicle fleet, companies providing timber and waste processing and energy companies. The environmental reporting of the asphalt plants is verified externally. The data are submitted to the competent authority. Lastly, there are also 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, we cannot be entirely certain that every incident has been reported.

Reporting system

The sustainability disclosures have been prepared in accordance with Global Reporting Initiative (GRI) G4, the core option, and concern the Dutch activities of Heijmans N.V. The choice of performance indicators is based on the social and inherent relevance as given by the materiality matrix. Where possible, we employ the same terminology used in ISO 26000 and in the Integrated Reporting Framework of the IIRC. Our report covers the reporting period 1 January 2016 to 31 December 2016 inclusive.

This annual reporting is based on the system of the Global Reporting Initiative (GRI). Ultimately, the reporting is at GRI 4 'core' level. The supplement for the Construction sector has also been amended. The reporting on CO₂ emissions is based on the Greenhouse Gas Protocol (GHG). The data originate from consolidated data in business systems. The choice of performance indicators is based on a materiality analysis that includes social and inherent relevance and the degree to which the indicator can be influenced by the organisation. Where possible, we strive to use the terminology as used in ISO 26000. We have granted the limited-assurance engagement to Ernst & Young Accountants LLP. Their assurance report is attached to this report.

Specific remarks per CPI:

- Financial soundness: this includes the financial base indicators according to the definitions in the IFRS accounting manual.
- Strategy and implementation: these indicators are included because of their high scores in the materiality matrix and provide insight into the number of improvement processes running in the organisation, expenditure on innovation and the number of new patents applied for.

- Satisfied customers and end users: The number of complaints received at corporate level and the percentage of homes delivered without snagging items are indicators of this.
- Health and Safety: It includes data on sick leave, accidents and preventive agreements with subcontractors.
- Procurement and chain integration: This indicator is also an expression of the strategy to operate in a more integrated manner with a smaller number of suppliers.
- Sustainability of internal business conduct and chains: Components such as energy usage at offices and the proportion of energy-efficient company cars are measured as part of the total Heijmans CO₂ footprint. The goal that Heijmans divisions should be FSC- and PEFC-certified has lapsed as this has now been achieved. Reporting with respect to waste is according to the ENCORD methodology whereby the components of earth removal and demolition (by third parties) are not yet included.

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 caused by fuels that we purchase and use ourselves (mainly gas, petrol and diesel)
- Scope 2 covers CO₂ emissions caused by electricity usage (this CO₂ is emitted by the electricity company and not by us) and commercial traffic
- Scope 3 covers CO₂ emitted by travel between home and work and public transport

The primary focus is on scope 1, with a secondary focus on scope 2. It is mainly these scopes that are affected by the taking of measures. The majority of the emissions occur in these scopes.

Transparency benchmark

This is an annual survey of the content and quality of social reporting by Dutch companies. Based on a survey of company reporting in 2015, Heijmans took 22nd place in 2016 in a field of 252.

Footprint in the Netherlands

CO₂ emissions in the Netherlands amounted to 52,563 tonnes in 2016, a decrease of 4.9% compared to 2015 (55,269 tonnes). In relation to revenue, there was an increase in CO₂ emissions of almost 10% compared with 2015. By giving extra attention to the emissions from project sites, we see that the increase there is significantly lower than in earlier quarters.

Target for 2012-2016 in the Netherlands

Heijmans has set the target of reducing its CO₂ emissions in relation to revenue by at least 6% over four years, using 2012 as the reference year for both emissions and revenue.

At the end of 2016, we stopped implementing the EMP (Energy Management Plan) 2012 – 2016, and drew up a new plan. The new EMP for 2017 to 2020 includes supplementary measures aimed at a further reduction in CO₂ emissions during this period. Subject for its primary focus will be a reduction in emissions from asphalt plants, projects and leased cars. We have included specific measures in the plan that we will employ over the next few years to reduce our energy consumption and hence our CO₂ emissions.

CPI table

Critical Performance Indicator	Scope	Score 2015	Score 2016	Target 2016	Target 2017 and after
Revenue (x € bn)	NV	2,0	1,9		
Order book (x € bn)	NV	1,7	1,9		
Net result (x € mln)	NV	-27	-110		
Solvency	NV	26%	18%		
Number of Lean projects	NL	52	76		
Expenditure on innovation (x € mln)	NV	4.2	2,7		
Number of patents applied for	NV	17	4		
Homes delivered with no snagging items	NL	50%	54.3%	100%	100%
Complaints received at group level	NV	342	294		
Total sick leave	NL	4.02%	3.71%	< 4.0%	< 4.0%
Number of accidents: total incl. subcontractors	NL	106	94	<80	< 70
Number of fatal accidents	NV	0	0	0	0
Accident frequency (IF figure)	NL	3.9	3.6	< 3	< 2.5
Procurement spend by subcontractors with valid VCA certificate	NL	98%	97%	100%	100%
Employees per training grade (4 categories), score is the ratio between categories 3/4 and total	NL	46%	45%	Increasing	
Procurement spend preferred suppliers ²	NL	46%	51%	50%	50%
CO ₂ emissions scopes 1+2	NL	55,269	52,563	5% reduction in 2016 compared to 2012	5% reduction in 2020 compared to 2016
Total residual material ¹	NL	27,674	25,455	26,290	24,182
Separation of residual material on site	NL	73%	72.2%	70%	70%
Re-use of residual material after removal	NL	92%	91%	90%	90%
Procurement spend at preferred suppliers with framework contracts including signed sustainability statement	NL	89%	91%	100%	100%

Note on specific CPIs:

1: A relatively large amount of rubble was removed in 2015 due to the nature of the projects acquired. This also weighs heavily in the final figure since the reporting is in tonnes (and not volume) and rubble is relatively heavy

2: The definition of Preferred Supplier was changed in 2015, so that the number of preferred suppliers has risen significantly

Note/definition	Sources
Income from realisation of projects (in proportion to the progress of the projects) and sales of goods (mainly homes and land)	Financial statements
Total portion of works in progress not yet completed and projects acquired but not yet in progress at closing 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 Lean6sigma projects in the reporting year	Registration of Lean projects
Expenditure on innovation for group and business segments in 2016	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 homes delivered in reporting year	SMILE
Complaints received in 2016 via online complaint/question form on heijmans.nl and via central Heijmans number	Central complaints registration
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 with absenteeism occurring at Heijmans projects and combination projects where Heijmans is the lead contractor	IRES report
Including subcontractors	IRES report
Incidence Frequency (IF): number of accidents with absenteeism of at least 1 day per million hours worked (excluding combination projects)	IRES report
Percentage of total procurement spend at subcontractors	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 total procurement spend in 2016	Esize, SAP/ERP
SKAO CO ₂ performance ladder, GHG protocol	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 service providers including SITA and Van Gansewinkel
ENCORD Construction Waste Measurement Guide for definitions (including industrial waste, but not excavated material) measured in tonnes	Sum of information from service providers including SITA and Van Gansewinkel
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 service providers SITA and Van Gansewinkel
Percentage of total procurement spend at preferred suppliers with a framework contract. NB: a sustainability statement is not the same as a code of conduct	Esize, SAP/ERP

GRI G4 index

GRI G4 code	GRI G4 indicator	Stated in	Page
Strategy and analysis			
G4-1	Statement from the most senior decision-maker regarding the relevance of sustainable development for the organisation and its strategy.	AR	4, 5, 71
G4-2	Description of key impacts, risks and opportunities.	AR	69, 76, 87, 27
Organisation profile			
G4-3	Name of the organisation.	AR	1, 15
G4-4	Primary brands, products and/or services.	AR	17
G4-5	Location of the organisation's headquarters.	Web	
G4-6	Number of countries in which the organisation operates (with relevance to sustainability issues).	AR	51
G4-7	Nature of the ownership structure and the legal form.	AR	25, 35 + 45
G4-8	Markets served (geographical breakdown, sectors served and types of customers).	AR	35, 48, financial statements
G4-9	Scale of the organisation.	AR	35, 58.
G4-10	Total workforce by employment type, employment contract and region.	AR	58
G4-11	Percentage of employees covered by a collective bargaining agreement.	Web	
G4-12	The organisation's supply chain.	AR	16 + 65.
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain.	AR	9
G4-14	Application of the precautionary principle.	AR	86 - 88
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives that the organisation endorses.	AR	57, 66 + 70
G4-16	Memberships of associations and/or national and international interest groups.	AR	70
Identified material aspects and boundaries			
G4-17	a. Overview of entities included in the consolidated financial statements of the organisation or equivalent documentation. b. Entities in the consolidated financial statements that are not included in the report.	AR	34, 40 + 77
G4-18	Process for defining the report content.	AR	28, 215
G4-19	List of all material aspects identified in the process of defining the report content.	AR	28
G4-20	The boundaries of the material aspects falling within the organisation.	AR	28
G4-21	The boundaries of the material aspects that fall outside the organisation.	AR	28
G4-22	Explanation of the effect of any amendments to the information provided in previous reports, and the reasons for these amendments.	AR	9 + 220.
G4-23	Significant changes from previous reporting periods with respect to the scope and aspect boundaries.	AR	9 + 220.
Stakeholder engagement			
G4-24	List of groups of stakeholders engaged by the organisation.	AR	
G4-25	Basis for identification and selection of stakeholders.	AR	27, 28, 215
G4-26	Approach to stakeholder engagement.	AR	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded. Report the stakeholder groups that have raised an important topic or concern.	AR	28
Report profile			
G4-28	Reporting period.	AR	1 + 220.
G4-29	Date of most recent report.	AR	1
G4-30	Reporting cycle.	AR	1 - 220
G4-31	Contact point for questions.	AR	4
G4-32	a. The 'in accordance' option chosen by the organisation. b. GRI index for the chosen option. c. Reference to the external assurance report if the report has been externally verified.	AR	220 + AR
G4-33	Policy and current practice with regard to seeking external assurance for the report.	AR	101, 102 + 220
Governance			
G4-34	Structure of the highest governance body and the committees responsible for decision-making on economic, environmental and social impacts.	AR	10, 98
G4-35	Process for delegating authority from the highest governance body to senior executives and other employees for economic, social and environmental topics.	AR	75, 77, 92
G4-36	Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether these officers report directly to the highest governance body.	AR	71, 75.
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	AR	27, 75.
G4-38	The composition of the highest governance body and its committees.	AR	10, 98, 103
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer.	AR	98
G4-40	Process for determining the qualifications and expertise of the members of the highest governance body and the criteria for appointing and selecting the members of the highest governance body.	AR	101, 103, 104
G4-41	Processes in place for the highest governance body to ensure that conflicts of interest are avoided.	AR	75, 76, 107
G4-42	The role of the highest governance body and senior managers in the development, approval and updating of the mission and vision, strategies, policy and goals with respect to economic, environmental and social impacts.	AR	98, 75.
G4-43	The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	AR	102
G4-44	a. Processes for evaluating the highest governance body's own performance with respect to governance in relation to economic, environmental and social topics.	AR	103

G4-44	b. Actions taken as a result of the evaluation of the highest governance body's performance with respect to the management of economic, environmental and social topics, including memberships and organisational changes.	AR	101 et seq.
G4-45	a. The role of the highest governance body in identifying and managing economic, environmental and social impacts, risks and opportunities. Include the role of the highest governance body in the conduct of due diligence processes. b. Are stakeholders consulted in the identification and management of economic, environmental and social impacts, risks and opportunities in support of the highest governance body?	AR	101, 28
G4-46	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	AR	85 et seq.
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	AR	71, 102.
G4-48	The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that material aspects are covered.	AR	71, 103
G4-49	The process for communicating critical concerns to the highest governance body.	AR	75, 92
G4-50	The nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address and resolve them.	AR	79, 82.
G4-51	The remuneration of members of the highest governance body, senior managers and executives for the various types of remuneration.	AR	104
G4-52	The process for determining remuneration.	AR	104
G4-53	How the views of stakeholders with respect to remuneration are requested and taken into account, including the results of votes on the remuneration policy and proposals, if applicable.	AR	104
G4-54	The ratio of the annual total remuneration for the organisation's highest-paid individual in each country of significant operation to the median annual total remuneration for all employees (excluding the highest-paid individual) in the same country.	nr	
G4-55	The ratio of percentage increase in annual total remuneration for the organisation's highest-paid individual in each country of significant operation to the median percentage increase in annual total remuneration for all employees (excluding the highest-paid individual) in the same country.	nr	
Ethics and integrity			
G4-56	The values, principles, standards and conduct standards of the organisation, such as codes of conduct and ethical codes.	AR	79 et seq.
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to integrity, such as help lines or advice lines.	AR	79 et seq.
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to integrity, such as escalation through line management, whistle-blowing mechanisms or hotlines.	AR	79 et seq.
Economic performance indicators			
Economic performance			
G4-EC1	Direct economic values that are generated and distributed.	AR	13, 19, 33
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	nr	
G4-EC3	Coverage of the obligations related to the organisation's defined benefit plan.	nr	
G4-EC4	Significant financial assistance received from government.	n/a	
Market presence			
G4-EC5	Ratios of standard entry level wage and local minimum wage at significant locations of operation.	nr	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	nr	
Indirect economic impact			
G4-EC7	Development and impact of infrastructure investments and supporting services.	nr	
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	nr	
Procurement practices			
G4-EC9	Proportion of spending to local suppliers at significant locations of operation.	nr	
Environmental performance indicators			
Materials			
G4-EN1	Total materials used by weight or volume.	nr	
G4-EN2	Percentage of materials used consisting of waste from external sources.	nr	
Energy			
G4-EN3	Energy consumption within the organisation.	Web	
G4-EN4	Energy consumption outside the organisation.	nr	
G4-EN5	Energy intensity ratio.	web / cdp	
G4-EN6	Reduction of energy consumption.	nr	
G4-EN7	Reduction in energy requirements of products and services.	nr	
Water			
G4-EN8	Total water withdrawal by source.	nr	
G4-EN9	Water sources significantly affected by withdrawal of water.	nr	
G4-EN10	Percentage and total volume of water recycled and reused.	nr	
Biodiversity			
G4-EN11	Business locations owned, leased, managed in or adjacent to protected areas, and areas of high biodiversity value outside protected areas.	nr	
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	nr	
G4-EN13	Habitats protected or restored.	nr	
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	nr	
Emissions			
G4-EN15	Direct greenhouse gas emissions by weight (scope 1).	AR	31,
G4-EN16	Indirect greenhouse gas energy emissions by weight (scope 2).	AR	web,
G4-EN17	Other relevant indirect greenhouse gas emissions by weight (scope 3).	AR	cdp, cpi, 221

G4-EN18	Greenhouse gas emissions intensity ratio.	no.	
G4-EN19	Reduction of greenhouse gas emissions.	AR	31, web, cdp, 221
G4-EN20	Emission of ozone depleting substances.	no.	
G4-EN21	NOx, SOx and other significant air emissions.	no.	
Effluents and waste			
G4-EN22	Total water discharge by quality and destination	no.	
G4-EN23	Total weight of waste by type and disposal method.	AR	31, cpi
G4-EN24	Total number and volume of significant spills.	no.	
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III and VIII, and percentage of transported waste shipped internationally.	no.	
G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and run-off.	no.	
Products and services			
G4-EN27	Initiatives to compensate for environmental impacts of products and services and the extent of this compensation.	AR	64, 66, 69
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed, by category.	n/a	
Compliance with legislation and regulation			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulation.	no.	
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	no.	
Other			
G4-EN31	Total environmental protection expenditures and investments by type.	no.	
Supplier environmental assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	AR	65
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain, and actions taken.	AR	65
Environmental grievance mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.	no.	
Labour practices and indicators for decent work			
Employment			
G4-LA1	Total number and turnover rate of the workforce by age group and gender.	AR	58
G4-LA2	Benefits provided to full-time employees that are not provided to part-time employees, by significant activity.	no.	
G4-LA3	Return to work and retention rates after parental leave, by gender.	no.	
Labour and management relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	no.	
Health and safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and provide advice on occupational health and safety programmes.	no.	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by gender and region.	AR	57
G4-LA7	Workers with a high incidence or high risk of diseases related to their occupation.	no.	
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	no.	
Training and education			
G4-LA9	Average hours of training per year per employee by gender and by employee category.	no.	
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	AR	61, 62, 64
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	no.	
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group and other indicators of diversity.	AR	58
Equal remuneration for men and women			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category and by location of operation.	no.	
Supplier assessment for labour practices			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria.	no.	
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain, and actions taken.	AR	28, 65, 82
Labour practices grievance mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms.	no.	
Human rights			
Investments			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	no.	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	no.	
Non-discrimination			
G4-HR3	Total number of incidents of discrimination, and actions taken.	no.	
Freedom of association and collective bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and the right of collective bargaining may be violated or may be at significant risk, and measures taken to support these rights.	no.	

Child labour			
G4-HR5	Operations and suppliers identified as having a significant risk of incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	AR	57
Forced or compulsory labour			
G4-HR6	Operations and suppliers identified as having a significant risk of incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	AR	57
Security practices			
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations.	n/a	
Indigenous rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous people, and actions taken.	n/a	
Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	n/a	
Supplier assessment with regard to human rights			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	AR	57
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	AR	57
Human rights grievance mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms.	nr	
Society			
Local communities			
G4-S01	Effects of operations on the community.	n/a	
G4-S02	Operations with significant actual and potential negative impacts on local communities.	n/a	
Anti-corruption			
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	nr	
G4-S04	Communication and training on anti-corruption policies and procedures.	AR	82
G4-S05	Confirmed incidents of corruption and actions taken.	nr	
Public policy			
G4-S06	Total value of political contributions by country and recipient/beneficiary.	n/a	
Anti-competitive behaviour			
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	nr	
Compliance with legislation and regulation			
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	nr	
Supplier assessment for impacts on society			
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society.	nr	
G4-S010	Significant actual and potential negative impacts on society in the supply chain, and actions taken.	AR	28, 65, 82
Grievance mechanisms for impacts on society			
G4-S011	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms.	nr	
Consumer health and safety			
Consumer health and safety			
G4-PR1	Percentage of significant product and service categories for which the impact on health and safety are assessed for improvement.	nr	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcome.	nr	
Product and service labelling			
G4-PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	nr	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome.	nr	
G4-PR5	Results of surveys measuring customer satisfaction.	AR	70
Marketing communications			
G4-PR6	Sale of banned or disputed products.	n/a	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome.	nr	
Customer privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	nr	
Compliance with legislation and regulation			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	nr	
Specific standard disclosures for sector			
CRE1	Building energy intensity.	web / cdp	
CRE3	Greenhouse gas emissions intensity from buildings.	web / cdp	
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity.	nr	
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations.	n/a	
CRE6	Percentage of the organisation operating in verified compliance with an internationally recognized health and safety management system.	AR	30, 90, 55 + 71
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.	n/a	
CRE8	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment.	AR	71

Abbreviations

AREY = Assurance Report EY
cdp = www.cdp.net
web = www.heijmans.nl

AR = Annual Report
cpi = CPI table in the annual report
nr = not reported
n/a = not applicable

Glossary

Bike Scout	An intelligent system integrated into the road surface that makes drivers aware of approaching and crossing bicycle traffic.
biodiversity	Biodiversity is proof of nature's richness. This refers to the large variety of animals, plants, habitats and genes.
BrainJoint	A silent joint in roads.
CO₂ emissions consortium	Emission of CO ₂ (carbon dioxide) measured over a certain period. An organisational bundling of different kinds of knowledge and strengths to realise a large project (often an infrastructure project or a major research project) that encompasses an entire organisation or is concentrated on a specific area. Included in the concept is the regulating of the collaboration and the contract's financial aspects.
Ecosystem	A network of businesses, partners and suppliers with which the organisation collaborates.
ERP	ERP aims to maximise the productivity of organisations, control costs and optimally satisfy the wishes of customers. An ERP system encompasses all business processes.
Fit for Cash	An improvement programme designed to improve working capital and create awareness of this topic.
fit for purpose	Suitable for the intended objective.
GO!	An improvement programme designed to eliminate accidents and improve safety and awareness of safety in the organisation.
Green deal	Green deals are agreements between organisations, citizens and governments 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.
procurement spend	Annual expenditure to suppliers.
Chain integration	Cooperation within and between the successive links within an organisation or business column, from suppliers up to the customer.
chain collaboration	Chain collaboration is a type of collaboration between parties who are working together on a single product or process, but in succession.
Climate adaptive	Climate adaptation combats the effects of climate change and can contribute to the Netherlands becoming resistant to climate change. Adaptation is made possible by setting climate buffers.
CPI	Critical performance indicators, or CPIs for short, are variables for analysing the performance of companies
LEAN	LEAN is a business methodology designed to increase efficiency. Application of the LEAN methodology mainly concerns the development of flexible working practices whereby customer demand is the primary focus and waste is as far as possible eliminated.
LEAN6Sigma	Six Sigma is a quality management methodology designed to improve the operating performance of an organisation, by identifying shortcomings in working processes within an organisation and improving these working processes.
Spring Agreement	The Spring Agreement is a performance agreement between the construction sector and the government to make construction more sustainable, and includes agreements with respect to the energy performance of new-build homes.
underwater concrete	Underwater concrete does not differ much from ordinary concrete in terms of composition. The method of installation is designed to prevent the concrete being washed away if it comes into contact with water. This would cause the cement, sand and gravel to be no longer properly mixed.
peripheral zones	Locations situated outside the centre or heart of an area
Framework contract	A framework contract is an agreement between a supplier and a customer to deliver a certain product or service over a fixed period at a previously agreed price and on previously agreed conditions
'scheefwonen'	This refers to the situation where a person living in social rental accommodation is actually earning too much to be allowed to live there.
solar noise barrier	A Solar Noise Barrier combines the functions of noise reduction and energy generation.
Total cost of ownership	The total costs associated with ownership of a product, from acquisition to ultimate management, maintenance and replacement.
tender management	A tender is a procedure in which a party registers as a way to obtain a particular product or service. Tender management refers to the activity carried out for that purpose.
VBDO benchmark	The VBDO benchmark measures the sustainable development of listed companies for their supporting investors and shareholders.

Abbreviations

AFM	Netherlands Authority for the Financial Markets
Arbo	The Dutch Working Conditions Act
AscX	Amsterdam Small Cap Index
GMS	General Meeting of Shareholders
VAT	Value added tax
CAR	Contractors' All Risks Insurance
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO₂	Carbon dioxide
CWC	Central Works Council
CRM	Customer relationship management
DBMFO	Design Built Maintain Finance Operate
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EWC	European Works Council
ERP	Enterprise Resource Planning
FSC	Forest Stewardship Council
FTE	Fulltime 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
CPI	Critical Performance Indicator
MBO	senior secondary vocational education
SRP	Socially responsible procurement
NEPROM	Nederlandse Vereniging van Projectontwikkeling Maatschappijen, or The Netherlands Association of Property Developers and Investors
NEVI	Dutch association for procurement management
NGO	Non-governmental organisation
NYSE	New York Stock Exchange
OECD	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
RIVM	Dutch National Institute for Public Health and the Environment
EB	Executive Board
SAP	Systems, Applications and Products for data processing
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	Veiligheid, gezondheid en milieu Checklist aannemers, or Health, safety and environmental checklist for contractors
WAS	Wet aanpak Schijnconstructies, or the Dutch Labour Market Fraud (Bogus Schemes) 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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