

Press release

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Trading update: residential business improving, non-residential and infra markets challenging

Highlights

- Modest increase in turnover in first three months of the year compared with the same period of 2014, due to increase in turnover at Residential;
- Number of homes sold up to and including April total 387, with 348 of these to private buyers (same period last year: 234, with 129 to private buyers);
- Order book € 2.3 billion at end-March at same level as year-end 2014.

Bert van der Els, CEO Heijmans NV: 'We are seeing a continued gradual improvement in the residential market, but market conditions in non-residential and infra remain difficult. We have made a solid start on a complete package of measures aiming to realise a serious improvement in our operating results. The organisational adjustments at Non-Residential, Civil and at Oevermann in Germany are an essential component of these measures. We are making clear moves in the right direction but do not expect to see improvements in operating results before the second half of the year. We will continue to follow our strategy to improve and renew in order to achieve better results after a long period of time.'

Key operational developments

The recovery in the residential market has continued: home sales in the first four months of the year were up compared to the same period of 2014, which had a positive impact on turnover at Property Development and Residential Building. Heijmans is responding to the demand for affordable homes with a short construction period with the Heijmans Huismerk for housing corporations and investors and Heijmans Wenswonen for the private buyers' market. In March, Heijmans started construction on two Wenswonen projects in Veenendaal and Culemborg. We also signed an agreement with housing corporation Cascade for the design and construction of a housing project for senior citizens with a need for home care in Waalwijk. We saw the successful completion of the test period with the first test resident for the Heijmans ONE – the temporary, moveable home for young singles in transition areas, which has been nominated for the international INDEX: Award. The findings of this pilot will be taken into account in the upscaling of this innovative concept to serial production.

In Non-Residential, turnover development in a challenging market is increasingly determined by large, integrated projects in which design and engineering are key components. The realisation of the Timmerhuis in Rotterdam is on schedule and garnered considerable attention during the open day. In April the renovations of De Resident building in The Hague were completed, which meant the Dutch Health, Welfare and Sports Ministry and the Social Affairs and Employment Ministry can now move into their new offices.

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Current production in the infra activities remains under pressure, with turnover down slightly in the first quarter compared to the same period of 2014. In the Energiefabriek project in Tilburg, Heijmans and its client are working hard to realise delivery as planned in the fourth quarter of this year. New contracts include a three-year extension of the asset management contract with Schiphol Airport and the contract for the preparation of the public spaces in the Greenport Venlo area for construction and habitation. In the field of innovation, Heijmans closed a contract with the Helmond local council for the joint development and application of innovative mobility solutions, with Smart Highway set to be the first of these. And with its Go Light Avenue innovation, Heijmans presented a vision of the future of bicycle infrastructure development, which combines infrastructural innovation and interactive communications technology. Also in line with this vision was the launch of Heijmans' BikeScout concept, which uses sensor technology to alert drivers to approaching cyclists at complex road junctions.

Update improvement plan and outlook

In the fourth quarter of 2014, Heijmans launched a far-reaching programme to realise improvements in its underlying operating result. The organisation wide roll-out and deployment of internal improvement programmes in the field of tender and project management, procurement and commerce is now well underway. These programmes devote specific attention to the start-up stages of projects, tight control of go/no go moments, the design and preparation process and contract management. Heijmans has combined the Roads and Civil activities under a single centralised management.

The reorganisation at Civil's cable and pipeline activities is also progressing on schedule and Heijmans has received the requested permit for a collective redundancy plan. The reorganisation at Non-Residential is in progress, we have successfully reached agreements with almost half of the affected employees. The employee insurance agency UWV has rejected the application for a collective redundancy plan. The market conditions and thus the economic necessity for Heijmans to take organisational measures remain unchanged. In close cooperation with the works councils, Heijmans is looking into alternative ways to realise its goals. The reorganisation of the German Oevermann is nearing completion.

Overall, the introduction of the improvement measurements is progressing as planned. As expected, the results of these changes will not be visible in Heijmans' statement of profit or loss before the second half of 2015. Project results in Infra in particular remain under pressure, while the results at Property Development and Residential Building, as well as in Germany, are improving slowly. Heijmans continues to prioritise working capital management and cash flow control.