

Press release trading update

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Heijmans trading update: results under pressure, increase order book

Highlights

- Turnover down almost 10% in the first nine months 2014 compared with the same period in 2013;
- Pressure on results at Dutch and German infra activities and at Non-Residential;
- Order book around € 2.5 billion at end-September 2014 (year-end 2013 € 1.7 billion);
- Number of homes sold through October rises to 742, from 592 in the same period of 2013;
- Organisational changes at Non-Residential results in 200 job cuts.

Bert van der Els, chairman of the Heijmans Executive Board:

“We see low results across the board. Today it is not certain if we can deliver a positive operating result for the year. A strong focus on cash flow and our solid solvency ratio should help us through. We have to take additional measures to realise the required improvement in returns. Undeniably positive is the increase of our order book and recovery of the residential market. The launch of the Glowing Lines 2.0 and the introduction of Heijmans ONE show that our innovative potential creates opportunities to develop this added value into a know-how and technology-driven portfolio.”

Residential

Turnover in Property Development and Residential Building remained stable in the third quarter of 2014, compared with the same period of 2013. We noted the first signs of recovery in the residential market in the growth of the order book and the number of homes sold. In the first ten months of the year, the number of homes sold increased by 25% to 742, from 592 in the year-earlier period. More than two-thirds of these homes were sold to private buyers. We are deploying the Heijmans Huismerk (private label) to realise efficient development and realisation through standardisation, while at the same time responding to consumer housing demands. The modular design of the houses with a clear set of options and a transparent schedule for the various phases results in greater certainty with regard to the process and delivery, plus a positive price/quality ratio. Heijmans has already delivered a total of 250 Huismerk homes and a further 250 are under construction. In Amsterdam, Heijmans gained the contract for the transformation of the Parooltoren and the Trouw building into a student hotel. In Leiden, Heijmans is realising 178 apartments for, amongst others, housing corporation De Sleutels in addition to the realisation of the residential and retail complex Het Plein van Leiden. And with Heijmans ONE, we are launching an innovative concept in movable homes for the growing number of one-person households, making smart use of temporarily available inner-city spaces.

Non-residential

In recent years Heijmans has invested considerably in improvements to its project and risk management, as well as management of the organisation. The company now manages projects more effectively and also at services we are booking progress in Heijmans' target market segments. However, market conditions remain difficult and competition is fierce, putting a great deal of pressure on margins. Turnover in Non-residential was down more than 20% in the first nine months of the year, compared to the same period of last year. On balance, the returns continue to remain at

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a level which we consider as too low. We believe organisational changes are required, aiming at reducing capacity in both construction and technical installations. This involves more than 200 jobs. The order portfolio increased with the contract for new premises for Eurojust in The Hague and the DBFMO contract for new premises for the national public health and environment agency RIVM and the Dutch medicines assessment board CBG in Utrecht. The Timmerhuis in Rotterdam reached its highest point and we began the renovation of Lounge 2 at Schiphol Airport.

Infra

Roads and Civil are still operating in a difficult market characterised by low margins on large-scale projects and fierce competition for regional contracts. Results are under pressure and will fall well below 2013 levels, due to extra work in the design and engineering phases of a number of complex projects, which will have an impact on the execution phase. The previously launched measures to improve margins and efficiency in the realisation of regional projects are not resulting in sufficient improvement so far. In the fourth quarter of this year, we will assess what additional measures are required to improve returns. Low margins are also affecting Heijmans in Germany, where results in the infra activities are under pressure, in particular at Oevermann. The Belgian activities are performing in line with the planning for 2014. The order portfolio for infra activities increased considerably, with the acquisition of the PPP project A9 Gaasperdammerweg and the DBFM contract for the Veenendaal – Ede – Grijsoord stretch of the A12 as highlights. The water locks complex in the Maas River near Sambeek & Belfeld was taken into use and we started the renovations of the Kreekrak bridge. In Belgium, the realisation of the installations for the Liefkenshoek tunnel is progressing as planned. Heijmans received an additional contract for that project. The launch of the Glowing Lines version 2.0 is the next step in the development of the Smart Highway concept into a full-fledged product. Heijmans also announced it is launching a pilot of another innovation, the energy-generating sound screen, in the city of Den Bosch in January 2015.

Financing

As working capital remains under pressure, Heijmans will continue to focus on cash flow and working capital management. The internal 'Fit for cash' programme ensures that these themes are given undiminished attention at every level of the organisation.

Outlook

In view of the early signs of recovery in the housing market and the growth in the order book we are confident about the future. However, in the short-term the pressure on operating results is greater than previously expected. Partly due to expected one-off charges related to proposed organisational measures, Heijmans expects to report a net loss for the full year 2014. In the fourth quarter of this year, we will develop the plans for said measures in detail, with the aim to create a healthy starting position for the recovery of results in 2015 and 2016.

Annual results

Heijmans will report its 2014 full-year results on 26 February 2015.

About Heijmans

Heijmans is a listed company that combines activities in the fields of property development, residential building, non-residential, roads and civil. Heijmans is active in the Netherlands, Belgium and Germany. Our focus on integrated projects and quality execution enables us to create added value for our clients. Heijmans realises integrated projects for major clients such as companies and public sector bodies, as well as homes for investors and private home buyers. With more than 7,100 employees and more than € 820 million in revenues in the first half of 2014, we are building the spatial contours of tomorrow.

For more information / not for publication:

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