

Press release

Date 23 February 2017

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Heijmans: annual results 2016, adjustment strategy and new financing agreements

Highlights

- Revenues 2016 € 1.9 billion (2015: € 2 billion)
- Growth number of homes sold to 1,962 homes (2015: 1,791 homes)
- Significant impact project losses € 90 million, clear improvement risk profile loss-making projects
- Underlying operating result 2016 € 66 million negative (2015: € 5 million negative)
- Net loss € 110 million in 2016 (2015: net loss € 27 million)
- Strategy adjusted: fully focused on Dutch market, tightened focus on core competencies in property development, residential building, non-residential, infrastructure
- Dutch order book at year-end 2016: € 1.9 billion (year-end 2015: € 1.7 billion)
- New agreements with financiers, including extension of financing to 1 July 2019: phased reduction of credit facility to € 122 million
- Solvency ratio approximately 18%, >20% after planned divestment foreign operations

Key figures *

x 1 € million

	H2 2016	H2 2015	2016	2015
Revenues	938	1.057	1.884	1.979
Underlying operating result **	-59	6	-66	-5
Operating result	-79	-13	-94	-29
Result after tax	-98	12	-110	-27
Earnings per share (in €)	-4,59	-0,56	-5,16	-1,32
Order book Netherlands	1.863	1.669	1.863	1.669
Net debt	100	10	100	10
Number of FTE	6.241	6.582	6.241	6.582

* Unless otherwise noted, the key figures are presented for all operations. In the consolidated income statement (see attached sheets) the results of the continued and discontinued operations are shown separately.

** underlying operating result is the operating result corrected for operating result joint ventures, write down on property assets, restructuring costs, book result on sale of subsidiaries and other extraordinary items.

Ton Hillen, CEO Heijmans:

"With a loss of € 110 million, we are reporting a dramatic result for 2016. This is largely due to settlements we have agreed and provisions we have taken on a number of loss-making projects. At the same time, the agreement we have reached with the relevant clients regarding these projects have led to a clear improvement in the company's risk profile going forward. In addition, we were also able to reach agreements with our banking consortium about an extension of the financing

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agreements through to 1 July 2019. This has secured our financing and safeguards the company's continuity. We have also adjusted our strategy, to the effect that we will now focus exclusively on the Dutch market, with a tightened focus on our core competencies in property development, residential building, non-residential and infrastructure. The divestment of our foreign operations is in line with this strategy and will make a significant contribution to the reduction of our debts. In the years ahead, we will focus on returning to profitability, the reduction of our debts and the structural improvement of our financial leverage ratios, with a commercial focus on market segments in which we are strong and where we can realise healthy margins. On top of this, we will be able to build on our solid position in the Dutch residential market and the enormous growth opportunities this offers and a well-filled order book that is in line with our strategy. This is how we will work on a sustainable recovery of our company."

Key developments second half of 2016

The underlying operating result was exceptionally negative in 2016 and amounted to € 66 million negative (2015: € 5 million negative). The net loss amounted to € 110 million (2015: loss of € 27 million). The largest negative impact on the underlying operating result was caused by a number of loss-making projects Heijmans previously reported on. This primarily refers to the Drachtsterweg Leeuwarden, Energiefabriek Tilburg, RIVM, Wilhelminasluis Zaandam and the N23 Westfrisiaweg projects. Heijmans has in the past period conducted extensive consultations with clients with the aim of minimising the uncertainty regarding these projects. This has led to a number of settlements and provisions related these projects, totalling around € 90 million.

With regard to the N23 Westfrisiaweg project, Heijmans recently reached agreement on 15 February 2017 on the approach, planning and financial settlement of this project. Heijmans took a loss provision of € 32 million on this project in 2016. In the case of the RIVM project, in which Heijmans has a share of 37.5%, it turned out that a new design was required to meet vibration resistance requirements, which led to delays in the project. We expect construction to start in the spring of 2017. The client and the consortium are still discussing the financial consequences. Heijmans took a provision of € 10 million for this project in 2016. The contract for the Energiefabriek Tilburg was terminated as of 1 December 2016, and the client now bears full responsibility for the operation and maintenance of the installation. The total loss on this project in 2016 amounted to € 23 million. Heijmans reached a settlement with its client regarding the Drachtsterweg project in Leeuwarden, as a result of which Heijmans took a loss of € 6 million in 2016. With regard to the Wilhelminasluis project in Zaandam, work has been halted due to a difference of opinion on the design of the lock chamber and arbitration proceedings have been started. Heijmans set aside an additional provision of € 8 million for this project in 2016. In addition to the above-mentioned projects, Heijmans also suffered a number of smaller losses on projects, totalling € 10 million. These projects and the financial settlement of same were all completed in 2016.

As a result of the losses on the loss-making projects, Heijmans would no longer have been able to meet the requirements of its financial bank covenants at year-end 2016. The company therefore initiated proactive and constructive negotiations with its financiers, which have resulted in an extension of its financing agreements to 1 July 2019.

Strategic adjustment with tightened focus

Heijmans has developed a strategic plan for the period 2017 – 2019: Focus, Discipline and Excellence. The aim of this plan is to realise a sustainable recovery of the company and a return to profitability, a debt reduction and a structural strengthening of the company's financial leverage ratios. Heijmans will implement this adjusted strategy in this coming period.

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Heijmans is developing into a company focused on the Netherlands with a tighter focus on core competencies in the segments Property Development, Residential Building, Non-Residential and Infrastructure. The previously announced divestments of the Belgian and German activities are part of this strategy. Heijmans is transforming into a core company with a volume of approximately € 1.5 billion.

The main focus of this strategy will be the selective acquisition of new contracts in property, construction and infrastructure disciplines, in which Heijmans has the requisite expertise, as well as the expansion of Heijmans' role as director and the development of long-term relationships with clients through services, maintenance and management contracts. Heijmans is focusing on market segments in which the company can deliver real added value, by transferring vision, expertise and direction into tangible results for its clients and their customers. The importance of partnering in large-scale projects will increase in the years to come. Heijmans will focus strongly on controlling costs to achieve an optimum cost structure appropriate to the new scope of the company. Although there is no question of a large-scale reorganisation, Heijmans will continue to streamline its organisation and reduce overheads. The roll-out of SAP/ERP software, which was launched in 2014 and which we continued to implement in 2016, made a significant contribution to the uniform management of processes, with the aim of realising the targeted business benefits. Heijmans has already published more detailed information on its strategy in the press release on its preliminary annual results, the refinancing and the strategic adjustment on 16 February of this year.

2016 in retrospect

Property Development, Residential Building

In 2016, Heijmans benefited from strong growth in the residential market, which led to a large increase in revenues and results at Property Development. Revenues amounted to € 332 million in 2016 (2015: € 278 million), while the underlying operating result was € 15 million (2015: € 9 million). The number of homes sold increased to 1,962 (2015: 1,791), with 1,019 of these homes sold to private individuals and 943 to investors. The value increase of homes was reflected in the average price including transaction costs (to private buyers, excl. VAT) of the homes sold: this amounted to € 243,000 in 2016 (in 2015: € 229,000).

Residential Building recorded revenues comparable to the previous year of approximately € 296 million (2015: € 295 million). Heijmans is opting for controlled growth in this sector. On the procurement side, the recovering housing market led to mounting pressure from suppliers and subcontractors, both in terms of pricing and availability. Residential Building also wants to maintain a selective focus on projects with healthy margins. Residential Building booked a underlying operating result of € 4 million in 2016 (2015: € 5 million).

In late 2016, Heijmans won a number of new projects for the development and realisation of homes, including 74 homes in Amsterdam's Spaarndammerbuurt neighbourhood, 95 homes in Son en Breugel and 94 homes in the town of Pijnacker. In December, Heijmans delivered its 1000th Huismerk Home in Leidsche Rijn and completed the transformation of the Wijnhavenkwartier in The Hague.

Non-Residential

Non-Residential recorded a decline in revenues in 2016 due to delays in the RIVM project and a cautious policy on the acquisition of large-scale projects: € 315 million (2015: € 421 million). The non-residential new-build market is stabilising in terms of volumes and the number of players in the market remains relatively large, which is resulting in pressure on prices. Non-Residential is maintaining a selective acquisition policy in a number of target markets. The underlying operating

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result at Non-Residential was below par in 2016 at € 15 million negative (2015: nil), largely due to the strongly negative result from the RIVM project.

The maintenance and management operations, in which technical services play a key role, performed well. In 2016, Heijmans won a number of new contracts, including a multi-year service and maintenance contract for the University of Leiden and a maintenance contract for the European Patent Office in Rijswijk. Heijmans currently has a number of long-term maintenance contracts, including contracts for the Timmerhuis in Rotterdam and a number of ministries in The Hague. The multi-year 'Hart van Zuid' area development project in Rotterdam is currently in full swing, and in the project to realise new housing for the Amsterdam Court House, Heijmans has started the demolition work on the old building.

Infra

Infra reported a decline in revenues, largely due to the stagnation in production or problems on projects. In addition, over the past year Infra has further tightened its acquisition of new contracts. Revenues amounted to € 621 million in 2016 (2015: € 690 million). Infra recorded a significant negative result in 2016, due to the financial impact of the Energiefabriek Tilburg, Drachtsterweg in Leeuwarden, the N23 Westfrisiaweg and Wilhelminasluis Zaandam projects. The underlying operating result amounted to € 78 million negative (2015: € 26 million negative). The majority of the Dutch Infra activities are performing according to plan, but this performance was more than offset by the loss-making projects.

In late 2016, the Heijmans and Eurocoles consortium was awarded the preliminary contract for the Wintrack II TenneT project. The project was awarded definitively in February 2017. This project includes the design and realisation of high-voltage masts and foundations along two routes. Also in late 2016, Heijmans completed and delivered the N309-A28 road reconstruction project in Gelderland and the A12 Parallel structure was officially opened.

Via the GO! (*Geen Ongevallen*) programme, Heijmans continues to focus on safety. Heijmans is targeting safety across the entire chain by also applying the GO! principles to alliances with partners, suppliers and subcontractors. The number of accidents among our own staff and temporary employees continued to decline in 2016, in comparison with 2015. In the past year, we also took steps to implement integrated safety measures in the design stages of projects. The Dutch IF figure for 2016 was 3.6.

Financial results

Revenues

Revenues declined in 2016 compared with the previous year to € 1.9 billion (2015: € 2 billion), as a result of Heijmans' selective acquisition policy and stagnation in the production of a number of projects at Non-residential and Infra. The revenues at Property Development increased, thanks to the growth of the residential market and the strong product range of available homes. Revenues at Residential Building were virtually unchanged. The combined revenues from the Belgian and German operations amounted to a total of € 514 million in 2016 (2015: € 529 million).

Operating result

The underlying operating result is the operational result adjusted for the operational result from joint ventures, excluding any adjustments for the valuation of real estate or land holdings, restructuring costs and other extraordinary items. In 2016, the underlying operational result amounted to € 66 million negative (2015: operating result € 5 million negative).

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Underlying operating result x € 1 million	H2 2016	H1 2016	2016	2015
Property development	9	6	15	9
Residential	2	2	4	5
Non-residential	-15	0	-15	0
Infra	-63	-15	-78	-26
Netherlands	-67	-7	-74	-12
Belgium	3	4	7	8
Germany	10	3	13	7
Concern	-5	-7	-12	-8
Underlying operating result	-59	-7	-66	-5
Correction operating result joint ventures	6	-5	1	-9
Write down on property assets	-18	-1	-19	-12
Restructuring costs	-2	-2	-4	-3
Book loss sale Franki	-6	-	-6	-
Operating result	-79	-15	-94	-29

The continued growth of the residential market led to a higher underlying operating result at Property Development (2016: € 15 million versus € 9 million in 2015) and a virtually unchanged underlying operating result at Residential Building (2016: € 4 million versus € 5 million in 2015). Residential Building did see an increase in procurement prices at suppliers in the year under review, due to the market growth. This exerted downward pressure on the result. Residential Building operates in a cost-driven market and controlled growth with a clear focus on quality remains important in that market.

Non-residential recorded a underlying operating result of € 15 million negative in 2016, with the results strongly impacted by the RIVM project. Heijmans took a provision of € 10 million on this project. The project was hit by delays due to the fact that a new design was required to fully meet the standard vibration resistance requirements for laboratory spaces. This made it impossible to realise any production in 2016. Lower revenue levels also played a role, as this led to a lower coverage of general overheads.

Heijmans Infra operations in the Netherlands recorded strongly negative results, with a loss of € 78 million in 2016 (2015: loss of € 26 million). The loss was largely due to settlements and provisions on the N23 in Noord-Holland, the Energiefabriek in Tilburg, the Drachtsterweg in the province of Friesland and the Wilhelminasluis in Zaandam projects.

Heijmans' Dutch group companies recorded an underlying operating result of € 74 million negative in 2016 (2015: € 12 million negative), while its German and Belgian companies recorded a combined positive result of € 20 million (2015: € 15 million) and Heijmans reported corporate/other expenses of € 12 million (2015: € 8 million).

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x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	938	946	1.884	1.979
Underlying operating result	-59	-7	-66	-5
Correction operating result joint ventures	6	-5	1	-9
Write down on property assets	-18	-1	-19	-12
Restructuring costs	-2	-2	-4	-3
Book loss sale Franki	-6		-6	
Operating result	-79	-15	-94	-29
Result before tax	-90	-14	-104	-30
Income tax expense	-8	2	-6	3
Result after tax	-98	-12	-110	-27

Non-operational items

A number of one-off items also had a negative impact on the results for 2016. This included a total of € 19 million in value adjustments on property assets. These pertained to revaluations of land and real estate holdings in the peripheral regions of the Netherlands, where lagging house price movements were outpaced by rising purchasing costs. This and delays in public sector plan developments both had a negative impact on values. In addition, Heijmans suffered a book loss of € 6 million on the previously announced sale of the German company Franki and incurred costs of € 4 million for organisational changes.

Financial income and expenses

The balance of financial income and expenses declined by € 2 million compared to 2015. In 2016, the average interest rate percentage was lower than in the previous year. In addition, in 2015 we recognised a one-off item related to a write-down on an outstanding loan. The average debt utilisation was slightly higher, however, especially in the fourth quarter.

Capital position, net debt and financing

As a result of the losses on the loss-making projects, Heijmans would no longer have met the requirements of its financial bank covenants at year-end 2016. The company therefore initiated proactive and constructive negotiations with its financiers, which have resulted in an extension of its financing agreements to 1 July 2019.

The banking consortium will in the years ahead comprise the four banks ABN Amro, ING, KBC and Rabobank. The core elements of the new agreements are a reduction in the usage of loan facilities and a year's extension.

The negative results in recent years have resulted in an average increase in the usage of loan facilities. Together with its banks, Heijmans has concluded that it needs to reduce its debt levels to arrive at healthy financial leverage ratios. It was with this goal in mind that Heijmans adjusted its strategic focus to a company concentrated on the Netherlands. The previously mentioned divestment of the Belgian and German activities is in line with this adjusted scope. Heijmans is currently investigating the sale of its German subsidiary Oevermann. Following the planned divestments and the introduction of other measures, solvency ratio will return to above 20%. The proceeds from the divestment will be largely used for debt reduction and as a result the committed

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credit facility will be reduced in phases to € 122 million as of 30 June 2019. The agreements do not include any additional strengthening of the shareholders' equity.

With respect to the financial covenants, the agreements stipulate that these will not be tested for Q4 2016 and Q1 2017. With respect to Q2, Q3 and Q4 2017, the parties agreed to minimum levels for EBITDA and solvency. The agreement includes a minimum EBITDA, rising to € 20 million in Q4 2017, and solvency increasing to a minimum 20% in Q4 2017. The existing covenants will once again be applicable from 2018 onwards, which means the Interest Cover ratio must be tested at a minimum level of 4 at the end of every quarter, the Leverage ratio must be tested at a maximum level of 3 at the end of every half-year period and the Average Leverage ratio must be tested at a maximum level of 2.5 at the end of every quarter.

Additional collateral has been agreed with the banks in a number of instances. This pertains to the pledging of the proceeds from the sale of the divestments, as well as a first right of mortgage on land holdings with a total book value of almost € 80 million. The interest rate due to the banks has been raised, but this will return to the current levels when the proposed reduction of the facility is realised.

Net result

The net result amounted to € 110 million negative (2015: € 27 million negative). This leads to a result per share of - € 5.16.

Order book

The order book for the Dutch operations amounted to € 1.9 billion at year-end 2016 (year-end 2015: € 1.7 billion). This does not include the Wintrack II and Zuidasdok projects, which were won in early 2017. Around 62% of the total forecast revenues for 2017 are currently in the order book (2016: 67%).

Dividend

In view of the development of both operating result and net result for 2016, Heijmans has decided that no dividend will be paid on (depository receipts for) ordinary shares for the financial year 2016.

Corporate Governance

Management

Age Lindenbergh has been appointed as interim Chief Financial Officer in view of the departure of Mark van den Biggelaar. He will remain in this position provisionally through June 2017. As previously announced, Bert van der Els will step down as member of the board after the Annual General Meeting of Shareholders on 12 April 2017. The management of the company will then consist of Ton Hillen, chairman of the Executive Board and Ruud Majenburg as member of the Executive Board. They will be assisted by Age Lindenbergh as interim CFO.

The Preference Share Trust Heijmans

The put option agreed between the Preference Share Trust Heijmans (Stichting Preferente Aandelen Heijmans) and Heijmans N.V., on the basis of which the Stichting would buy preference shares as soon as Heijmans N.V. would issue these, has been terminated. The Executive Board, together with the Board of the Trust, determined that this put option is no longer appropriate and/or necessary in view of the underlying objectives. The associated authority for the Executive Board to issue preference shares will no longer be put on the agenda of the upcoming Annual General Meeting of Shareholders (AGM).

The call option agreed between Heijmans N.V. and the Trust, on the basis of which the Trust is entitled to acquire preference shares in the capital of Heijmans N.V., remains fully in force.

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Outlook

The secured financing has created a solid foundation for the continuity of Heijmans. The financial delimitation of the loss-making projects, the divestments of Franki and the Belgian activities and the measures introduced to streamline the organisation and tighten its focus into a Dutch core company are key steps on the road to the company's recovery, with healthy financial leverage ratios and healthy results. Heijmans' focus in 2017 will be on the recovery of profitability, the continued implementation of the adjusted strategy and the realisation of the proposed debt reduction, as well as the repositioning of the Dutch core company. Heijmans has a well-filled order book with contracts that are in line with the company's strategic parameters.

About Heijmans

Heijmans is a listed company that combines activities related to property development, residential building, non-residential building, roads and civil engineering in the fields living, working and connecting. Our constant focus on quality improvements, innovation and integrated solutions enables us to generate added value for our clients. Heijmans realises projects for private consumers, companies and public sector bodies and, in partnership with its clients, is building the spatial contours of tomorrow. You will find additional information on www.heijmans.nl

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The Executive Board will explain the published results for 2016 today, 23 February 2017, at a press conference and analyst meeting. The agenda and the registration form for the General Meeting of Shareholders of 12 April of this year will be available on the Heijmans website from 1 March 2017 onwards.

Heijmans will publish its annual report and financial statements on 24 February 2017.

This press release was also published in Dutch. In the event of any discrepancies between the original press release and the English-language version of same, the Dutch version shall prevail.

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Addenda to the Heijmans N.V. 2016 annual results press release

1. Results and developments operational activities
2. Consolidated statement of profit or loss
3. Consolidated statement of financial position
4. Consolidated statement of cash flows
5. Information per segment (condensed statement of profit or loss per business segment)
6. Order book
7. Covenants and financing

The financial statements included in this press release have not been audited.

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1. Results and developments operational activities

Residential: Property Development and Residential Building

As in 2015, the housing market once again saw growth in 2016. Low mortgage interest rates, the economic recovery and continued growth in consumer confidence resulted in strong growth in the housing market. This had an impact on the number of transactions and the average selling time and prices. However, there are still clear regional differences. While the Randstad and areas in the vicinity of the Randstad are showing growth, growth is lagging in peripheral areas of the country. Investors and housing corporations invested heavily in the housing market, with investors focusing mainly on new-build and transformation projects and corporations focusing primarily on improving the sustainability of their existing residential stock. There is a clear increase in demand for rental homes.

Inner city new-build projects remain scarce, partly due to a lack of available space, while demand is high. The planning capacity of cities is strongly lagging demand. New development areas tend to be transformation locations, urban peripheral zones, or smaller infill locations, but also transitional areas outside the big cities, such as those in Almere and Vathorst (Amersfoort). The ageing of the population and individualisation is creating demand for more comfort and safety in the home. The elderly tend to in their own homes longer. Heijmans is translating this development into a standard supply of home controls in all new-build houses. This enables residents to control heating, lighting and security, or aspects such as comfort and the monitoring of energy use via a smartphone or tablet, giving residents access to energy consumption data. Last year, Heijmans also took the step of providing all houses with wireless internet facilities as standard upon delivery.

The current economic recovery will also increase demand for commercial property. These are often inner city locations and buildings with a high level of mixed-use functionality. The combination of apartments with a ground floor of commercial space, or a combination of living, working and leisure are now becoming increasingly common. In view of the pressure on the market, increasing the density in planning – while maintaining quality – should provide the opportunity to create additional capacity.

Know-how and expertise in area development remains a key driver for the development of the project portfolio and the organisation's acquisition strength. Both Property Development and Residential Building have been reduced in size in response to pressure during the crisis years. The current market recovery and volume growth is putting pressure on the organisation's resources, especially at Property Development. In the fourth quarter of 2016, Property Development dedicated a great deal of extra energy to get the 'sales window' of homes at the right level, to ensure that the supply responds effectively to the increasing demand.

Property development				
x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	162	170	332	278
Underlying operating result	9	6	15	9
Underlying operating margin	5,6%	3,5%	4,5%	3,2%
Order book	311	275	311	284

Heijmans benefited from strong growth in the housing market in 2016, which translated into a considerable increase in the revenues and underlying operating results from Property Development.

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Revenues amounted to € 332 million in 2016 (2015: € 278 million, while the result was € 15 million (2015: € 9 million). Heijmans sold 1,962 homes in 2016 (2015: 1,791). Of this total, 1,019 homes were sold to private buyers and 943 to investors. The increase in value of the homes is reflected in the average prices of the homes including transaction costs payable by vendor (for private buyers, excluding VAT) of the homes sold. This amounted to € 243,000 in 2016 (2015: € 229,000). The order book had increased to € 311 million at year-end 2016.

In the year under review, Heijmans won a contract to develop 74 homes in the Spaarndammer neighbourhood in Amsterdam. This is a plan developed with input from local residents and 30% of the homes will be social rental housing with the remainder mid-segment rental housing. In addition, Heijmans and investment company IC Nederland signed a contract for the realisation of 350 rental homes in Katendrecht in Rotterdam. This project is part of the overall transformation and area development project in this Rotterdam inner-city neighbourhood. In 2016, Heijmans and ERA Contour were also selected as development partner for 400 homes in the Kralingen neighbourhood for the Rotterdam city council. And Heijmans and investor Vesteda signed an agreement for the development and realisation of 235 homes in Utrecht's Kanaleneiland area. The Wijnhaven project in The Hague, consisting of apartments, offices, shops, bars and restaurants and an annex for Leiden University, were delivered and opened in the year under review.

Heijmans' portfolio of strategic land holdings fell to € 147 million in 2016, from € 172 million in 2015, as a result of the development of holdings and recognised depreciations. Heijmans' unconditional commitments, which will result in the future acquisition of property or land holdings, declined to € 93 million in 2016 (2015: € 99 million). Conditional commitments (related to specific transactions), which may possibly result in the future acquisition of property or land holdings, increased to € 146 million in 2016 (2015: € 113 million). The vast majority of these conditional commitments have only a limited cash impact upon materialisation. These are primarily commitments to buy land the moment a building permit is granted and/or sales percentage is realised. The growth in the market offers opportunities to continue the development of positions in the existing portfolio of land holdings to meet current demand and by doing so reduce capital requirements.

Residential				
x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	144	152	296	295
Underlying operating result	2	2	4	5
Underlying operating margin	1,4%	1,3%	1,4%	1,7%
Order book	327	277	327	286

In 2016, Residential Building recorded revenues comparable to the previous year at € 296 million (2015: € 295 million). Residential Building booked a underlying operating result of € 4 million in 2016 (2015: € 5 million). The order book stood at € 327 million at year-end 2016. As in 2015, Heijmans continued to target controlled growth for Residential Building. A healthy balance between margin and volume should safeguard healthy price-quality ratios in the long term. Customer satisfaction, zero snagging items and a reduction in the required aftercare required remain focal points on this front. Residential Building is also targeting projects for housing corporations and investors, in addition to Heijmans Property Development projects. Approximately 60% of Residential Building's production volume comes from the Property Development portfolio. On the procurement side, the recovering housing market led to mounting pressure from suppliers and subcontractors in 2016, both in terms of pricing and availability.

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Residential Building works closely with Property Development on product innovations, as well as design and (pre)engineering, and as a result idea and realisation complement each other to create the optimum price/quality ratio. Intensive cooperation with partners and suppliers in the chain is crucial in this respect. In this model, it is important to focus on maximum customer satisfaction, zero snagging items and continued standardisation of processes. For instance, Heijmans last year delivered its 1,000th Huismerk home, which is based on these standardisation and process principles, in the Graauwaart area in Leidsche Rijn. In the sub-project Boszoom of the Keijzershof neighbourhood in Pijnacker, a total of 49 Heijmans Huismerk homes were delivered in 2016 and construction began on 53 owner-occupied homes in line with the Heijmans Wenswonen (flexible living) concept. Also in 2016, Heijmans signed a contract with housing corporation Alliantie for the construction of 45 Heijmans ONE homes, the movable one-person home. In Weert, Heijmans placed a total of 30 Heijmans ONE homes in the space of a few days for housing corporation Wonen Limburg.

Non-residential

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	153	162	315	421
Underlying operating result	-15	0	-15	0
Underlying operating margin	-9,8%	0,0%	-4,8%	0,0%
Order book	758	825	758	517

Non-residential recorded a decline in revenues to € 315 million (2015: € 421 million) due to delays in the RIVM project and in the context of a non-residential new-build market that stabilised in 2016. The number of players in the market remains relatively large while the volume of new-build projects has remained the same, which is resulting in pressure on prices and a need to be distinctive. Heijmans Non-residential is maintaining a selective acquisition and tender policy in a number of target markets, as well as a focus on the development and retention of close client connections and the provision of concepts and products based on years of expertise and continuous development. These concepts include standardised construction methods or a proven process approach. The result at Non-residential was below par in 2016, due to a strongly negative project result on the RIVM project. This project required a new design to meet vibration resistance requirements, which led to delays in the process. We expect construction to start in the spring of 2017. The consortium and the client are still discussing on the financial consequences. Heijmans has taken a provision of € 10 million on this project for 2016. The underlying operating result for 2016 was € 15 million negative (2015: nil). The order book stood at € 758 million at year-end 2016.

Heijmans' activities in the market for maintenance and management performed well last year. Non-residential is looking to build long-term relationships with clients by acquiring long-term service contracts. Examples of current contracts include the maintenance for a number of ministries in The Hague, Amsterdam University, TNT's national distribution centres and the High Tech Campus in Eindhoven. In 2016, Heijmans won the multi-year service and maintenance contract for Leiden University and the European Patent House in Rijswijk. In addition, 2016 saw the start of the 15-year maintenance contract for the Timmerhuis in Rotterdam, which Heijmans delivered last year.

On this front, Heijmans is looking to provide smart concepts for maintenance and management. Under the BeSense name, Heijmans has joined forces with partners to develop a concept in which smart sensor system provides insight into use, utilisation and the comfort values of the working environment, and measures functionalities such as CO₂, temperature, light intensity and humidity.

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This real time information enables building managers to manage their buildings more smartly and more efficiently and respond to the desired comfort levels. In 2016, Heijmans launched a pilot project at the Aegon offices in The Hague using sensor technology that provides insight into use and utilisation for cleaning purposes.

Execution has started on the multi-year area development 'Hart van Zuid' project in Rotterdam, a joint venture with Ballast Nedam. And in the spring of 2016, the consortium that includes Heijmans won the PPS contract for the realisation of the new Amsterdam Court House.

Infra				
x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	292	329	621	690
Underlying operating result	-63	-15	-78	-26
Underlying operating margin	-21,6%	-4,6%	-12,6%	-3,8%
Order book	730	787	730	834

Infra reported a decline in revenues, largely due to the stagnation in production and suspension of projects. In addition, Infra tightened its policy on the acquisition of new projects in the year under review. Revenues amounted to € 621 million in 2016 (2015: € 690 million). Infra recorded a strongly negative operating result in 2016, due to the financial impact of a number of loss-making projects. The underlying operating result amounted to € 78 million negative (2015: € 26 million negative). The order book declined to € 730 million.

Infra's 2016 results were largely determined by the outcome of discussions on disputes relating to previously acquired projects with a high risk profile. The main loss-making projects were the N23 Westfriisaweg, Energiefabriek Tilburg, Wilhelminasluis Zaandam and the Drachtsterweg Leeuwarden projects.

With respect to the N23 Westfriisaweg project, Heijmans recently reached agreement on the approach, planning and financial settlement of the project. Heijmans has taken a loss provision of € 32 million on this project for 2016. The contract for the Energiefabriek was terminated on 1 December 2016 and the client now bears full responsibility for the operation and maintenance of the installation. The total loss on this project was € 23 million in 2016. For the Drachtsterweg in Leeuwarden, Heijmans has reached agreement with the client, and the project loss for the company amounted to € 6 million in 2016. Work on the Wilhelminasluis in Zaandam has been halted due to a difference of opinion on the design of the lock chamber and an arbitration procedure has been launched. Heijmans has taken an additional provision of € 8 million on this project for 2016. The financial settlement of these dossiers has led to a strong improvement in the risk profile of these projects.

The contract formats used by the public sector, which were based on delegated risk and responsibility, have resulted in a counter movement in which clients aim for a more equal and fair distribution of opportunities and risks based on a clear division of roles between the principal and the contractor. The Market vision of the Department of Public Works (Rijkswaterstaat) is a clear example of this new approach.

Despite the considerable pressure from the loss-making projects, the majority of the Dutch Infra activities are operating according to plan. The regional Infra, asset management and specialist activities, which together account for around 60% of Infra's revenues, delivered a stable performance in 2016.

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In 2016, Heijmans joined the consortium for the Beatrixsluis near Nieuwegein, for which the financial close was agreed in February. In addition, Heijmans won the contract for the widening of the road between the A1 Apeldoorn-Zuid and the Beekbergen junction. The Heijmans and Eurocoles combination was awarded the preliminary contract for the Wintrack II TenneT project at the end of 2016. The project covers the design and realisation of high-voltage pylons and foundations along two routes. In early 2016, Heijmans and Philips Lighting started work on the development of innovative lighting applications in public spaces for the Eindhoven city council, as well as the multi-year maintenance and management of the public lighting in that municipality.

Belgium

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	116	114	230	210
Underlying operating result	3	4	7	8
Underlying operating margin	2,6%	3,5%	3,0%	3,8%
Order book	259	251	259	270

The revenues of the Belgian activities increased to € 230 million in 2016 (2015: € 210 million). The underlying operating result of € 7 million was at a comparable level to the previous year (2015: € 8 million). The order book stood at € 259 million (2015: € 270 million).

Germany

x € 1 million	H2 2016	H1 2016	2016	2015
Revenues	158	126	284	319
Underlying operating result	10	3	13	7
Underlying operating margin	6,3%	2,4%	4,6%	2,2%
Order book	183	178	183	155

The revenues of the German companies declined to € 284 million in 2016 (2015: € 319 million). The underlying operating result increased sharply to € 13 million (2015: € 7 million). The order book increased to € 183 million (2015: € 155 million).

The activities outside the Netherlands have been recognised as 'Terminated activities and assets held for Sale' in the 2016 financial statements.

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2. Consolidated Income Statement

(x € 1 million)

	2016			2015		
	Continued operations	Discontinued operations	Total	Continued operations	Discontinued operations	Total
Revenues	1.370	514	1.884	1.450	529	1.979
Cost of sales	-1.335	-467	-1.802	-1.334	-488	-1.822
Gross profit	35	47	82	116	41	157
Other operating income	1	1	2	2	2	4
Selling expenses	-32	-7	-39	-36	-8	-44
Administrative expenses	-106	-25	-131	-119	-25	-144
Other operating expenses	-2	-6	-8	-2	0	-2
Operating result	-104	10	-94	-39	10	-29
Financial income	1	2	3	1	2	3
Financial expenses	-10	-1	-11	-12	-1	-13
Share of profit of joint ventures and associates	-5	3	-2	5	4	9
Result before tax	-118	14	-104	-45	15	-30
Income tax expense	0	-6	-6	7	-4	3
Result after tax	-118	8	-110	-38	11	-27

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3. Consolidated Balance Sheet

(x € 1 million)

	31 December 2016	31 December 2015
Non-current assets		
Property, plant and equipment	55	90
Intangible assets	82	112
Share in joint ventures and associates	66	77
Other fixed assets	88	101
	291	380
Current assets		
Strategic land portfolio	147	172
Other inventory	70	94
Construction work in progress	60	152
Trade and other receivables	176	267
Cash and cash equivalents	30	125
Assets held for sale	282	-
	765	810
Total assets	1.056	1.190
Equity	142	266
Non-current liabilities		
Cumulative financing preference shares	45	45
Interest-bearing loans	13	58
Provisions and non-interest bearing debts	16	32
	74	135
Current liabilities		
Interest-bearing loans and other current financing	118	32
Trade and other payables	371	580
Construction work in progress	118	148
Provisions	18	29
Liabilities held for sale	215	-
	840	789
Total liabilities	1.056	1.190

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4. Consolidated cash flow statement

indirect method

(x € 1 million)

	2016	2015
Operating result	-94	-29
Loss on sale of assets held for sale	6	-
Gain on sale of non-current assets and property investments	-1	-2
Depreciation and impairment of property, plant and equipment	17	18
Amortisation of intangible assets	2	2
Impairment of debtors	-	1
Adjustment of valuation of property and land bank excluding joint ventures	19	11
Change of net work in progress	29	-21
Changes in other working capital	-35	48
Change in non-current provisions	1	-7
<i>Operating result after adjustments</i>	<i>-56</i>	<i>21</i>
Interest paid	-13	-15
Interest received	5	4
Income tax paid	-4	0
Cash flow from operating activities	-68	10
Investment in property, plant and equipment	-15	-17
Proceeds from sale of property, plant and equipment	7	6
Loans granted to joint ventures and associates	-10	4
Loans repaid by joint ventures	-4	-2
Cash flow from investment activities	-22	-9
Emission of shares net of transaction costs	-	21
Interest-bearing loans drawn down	67	74
Interest-bearing loans repaid	-24	-44
Cash flow from financing activities	43	51
Net cash flow in the period	-47	52
Cash and cash equivalents at 1 January	125	73
Cash and cash equivalents assets held for sale	-48	
Cash and cash equivalents at 31 December	30	125

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5. Information by segment

Summary income statement by segment

2016 <i>in € million</i>	Property development	Residential	Non- residential	Infra	Other/ eliminations	Discontinued operations	Total
Revenues	332	296	315	621	-194	514	1.884
Underlying operating result *	15	4	-15	-78	-12	20	-66
Correction operating result joint ventures	-3		9	-2	1	-4	1
Write down on property assets	-19						-19
Restructuring costs			-1	-2	-1		-4
Book loss sale Franki						-6	-6
Total extraordinary items	-22	0	8	-4	0	-10	-28
Operating result	-7	4	-7	-82	-12	10	-94

2015 <i>in € million</i>	Property development	Residential	Non- residential	Infra	Other/ eliminations	Discontinued operations	Total
Revenues	278	295	421	690	-234	529	1.979
Underlying operating result *	9	5	0	-26	-8	15	-5
Correction operating result joint ventures	-4			-1		-4	-9
Write down on property assets	-12						-12
Restructuring costs			-1		-1	-1	-3
Total extraordinary items	-16	0	-1	-1	-1	-5	-24
Operating result	-7	5	-1	-27	-9	10	-29

* underlying operating result is the operating result corrected for operating result joint ventures, write down on property assets, restructuring costs, book result on sale of subsidiaries and other extraordinary items.

The underlying operating result is used, because it gives additional insight in the company's performance and is also being used as such by the Executive Board.

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6. Orderbook

Order book (x € 1 million)	31-12-2016	30-6-2016	31-12-2015
Property development	311	275	284
Residential	327	277	286
Non-residential	758	825	517
Infra	730	787	834
Eliminations	-263	-218	-252
Netherlands	1.863	1.946	1.669

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7. Covenants and financing

Financial Covenants *

Amounts x € 1 million	2016	2015
Interest bearing debt	178,3	135,1
Minus: cash and cash equivalents	78,3	125,4
Net debt	100,1	9,7
<i>Adjustments:</i>		
Net debt Joint Ventures	84,7	75,5
Net debt non recourse project finance	-92,6	-87,2
Cumulative preference shares B	-45,1	-45,1
Other	2,0	2,4
Net debt covenants (A)	49,0	-44,7
Reported EBIT	-94,0	-29,0
Extraordinary items	28,7	14,3
Depreciation and amortisation	18,6	19,1
EBITDA JV's	0,7	11,7
Underlying EBITDA	-46,0	16,0
<i>Adjustments:</i>		
Capitalised interest	1,8	2,9
EBITDA non recourse projects	-3,6	-1,7
Other	-0,6	0,2
EBITDA covenants (B)	-48,4	17,4
Net interest	9,6	11,1
<i>Adjustments:</i>		
Net interest joint ventures	2,1	3,1
Net interest non recourse project financings	-3,0	-3,7
Interest cumulative preference shares B	-3,6	-4,5
Other	-0,8	-3,2
Net interest covenants (C)	4,3	2,9
Leverage ratio (A/B) <3	-1,0	-2,6
Interest cover ratio (B/C) >3	-11,3	6,0

* This calculation is based on figures including discontinued operations.

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