Press release

Date 21 August 2019

Heijmans: Further improvement result

Highlights:

- Underlying EBITDA (excl. IFRS 16) improves in first half: € 25 million (first-half 2018: € 20 million), with all business units making a positive contribution;
- Revenue lower in first half: € 730 million (first half 2018: € 780 million);
- Number of homes sold comparable with last year: 1,061 homes sold in first half of 2019 (1,065 homes sold in the first half of 2018);
- Net result after taxes € 15 million (first half of 2018: € 8 million);
- Order book increases to € 2.1 billion at end-June (year-end 2018: € 2.0 billion);
- Net debt (excl. IFRS 16) € 23 million at end-June 2019 (end-June 2018: € 14 million).

Key figures
(x € 1 million)

	H1 2019	H1 2018	2018
Revenues	730	780	1.579
Underlying EBITDA* excl. IFRS 16	25	20	43
Underlying EBITDA* incl. IFRS 16	36	-	-
Result after tax	15	8	20
Earnings per share (in €)	0,71	0,39	0,96
Order book	2.091	2.203	2.014
Net debt excl. IFRS 16	23	14	-31
Net debt incl. IFRS 16	99	-	-
Solvency excl. IFRS 16	27%	24%	25%
Solvency incl. IFRS 16	25%	-	-
Number of FTE	4.624	4.485	4.524

* Underlying EBITDA is the operating result before depreciation including EBITDA joint ventures, excluding write down on property assets, restructuring costs, book result on sale of subsidiaries, release indexation pensions and any other non-operational results, if applicable, that are designated by the Group as special.

Ton Hillen, Chairman of the Executive Board/CEO Heijmans:
'We continued the positive start we made in the early part of the year. There is generally enough work in all the markets in which we are active, but making the right decisions in terms of order intake remains crucial. Despite the lower revenues, caused by the delayed construction start of several inner city property development projects, we managed to further improve our result. This was partly thanks to our selective intake policy. The underlying EBITDA, excluding IFRS 16, increased by 25% to € 25 million and the net margin doubled to 2%. In addition to the improvement of our underlying EBITDA, this was due to the fact that over the past few years we have managed to significantly reduce our financing expenses. We are on the right path to once again making Heijmans a robust company. On the basis of our balanced mix of activities, which are developing in line with expectations, we are looking forward to the second half of this year with confidence.'

Developments first half of 2019

Property Development

Property Development recorded revenues of € 206 million in the first half of 2019, which were lower than in the first half of 2018 (first half 2018: € 245 million). The underlying EBITDA came in at € 11 million (first half 2018: € 13 million), while the margin as a percentage of revenue remained stable at 5.3%. The pipeline of new projects is well-filled and the order book remained at a healthy level of € 451 million at end-June (year-end 2018: € 435 million). The decline in revenue is largely due to longer throughput times at a number of mainly inner city projects, which means construction starts later and revenues from these projects are recorded at a later date.

Property development

x € 1 million	**H1 2019**	**H1 2018**	**2018**	∆ % 2019-2018
Revenues	206	245	503	-16%
Underlying EBITDA excl. IFRS 16	11	13	28	
Underlying EBITDA margin excl. IFRS 16	*5,3%*	*5,3%*	*5,6%*	
Underlying EBITDA incl. IFRS 16	11	-	-	
Order book	451	451	435	

Heijmans sold 1,061 homes in the first half of 2019, which is comparable to the number of homes sold in the year-earlier period (first half of 2018: 1,065 homes). A total of 564 of these homes (53%) were sold to private buyers (in the first half of 2018, this figure was 561 homes), while 497 (47%) were sold to investors and housing corporations. The housing sales prices continued to increase in the first half, due to the pressure on availability, which put further pressure on the affordability of homes for private buyers.

In the spring of this year, Heijmans announced the start of the Porseleinhaven project in Loosdrecht. The transformation of Fenixloodsen I in Rotterdam is approaching completion and all commercial spaces have now been filled. The municipality of Rotterdam has awarded Heijmans the contract for the new-build Parkbuurt project at the Oedevlietsepark, where Heijmans will build a wide range of different types of homes (a total of 137). Rotterdam, Feyenoord Stadium and Stichting Gebiedsontwikkeling aan de Maas (of which Heijmans is one of the partners) also signed an agreement on the Feyenoord City area development project. Heijmans closed a cooperation agreement for the redevelopment and repurposing of listed site Hooge Riet in Ermelo. The listed building will be converted to include a range of attractive apartments, while various types of homes are planned for across the park.

Building & Technology

Building & Technology delivered a solid performance in the first half of this year, as revenues increased to € 390 million (first half of 2018: € 349 million) and underlying EBITDA increased to € 11 million (first half of 2018: € 6 million).

Building & Technology

x € 1 million	**H1 2019**	**H1 2018**	**2018**	Δ % 2019-2018
Revenues - Residential	*225*	*213*	*440*	
Revenues - Non-Residential	*165*	*136*	*286*	
Revenues - Building & Technology	390	349	726	*12%*
Underlying EBITDA excl. IFRS 16 - Residential	*7*	*6*	*11*	
Underlying EBITDA excl. IFRS 16 - Non-Residential	*4*	*0*	*5*	
Underlying EBITDA excl. IFRS 16 - Building & Technology	11	6	16	
Underlying EBITDA margin excl. IFRS 16	*2,8%*	*1,7%*	*2,2%*	
Underlying EBITDA incl. IFRS 16 - Residential	*9*	-	-	
Underlying EBITDA incl. IFRS 16 - Non-Residential	*6*	-	-	
Underlying EBITDA incl. IFRS 16 - Building & Technology	15	-	-	
Order book	1.224	1.205	1.202	

Heijmans' residential building activities recorded an increase in both revenues and result. The order book was also well-filled at € 493 million (year-end 2018: € 508 million). With its Heijmans Huismerk and Heijmans Wenswonen formulas, Heijmans enables its clients to respond to the need for a combination of quality, comfort and affordability. Heijmans recently added a new type of home to its portfolio, primarily in response to the growing demand of one-person and two-person households. These are homes with a bay size of 3.60 or 3.90 metres. These homes will be built at projects in Culemborg (14) and Pijnacker (37). Heijmans recently made a start on the realisation of the Land van Dico project in Uden and the Greenville project in Leidsche Rijn in Utrecht.

Heijmans' non-residential building activities are on track and recorded an increase in both revenues and result. The technical services (maintenance and management) delivered a solid performance, with growth and healthy margins. The order book (of non-residential building activities) stood at the healthy level of € 731 million at end-June 2019 (year-end 2018: € 694 million). The New Amsterdam Court House project is making progress. The new-build project for the headquarters of the European Medicines Agency (EMA) in Amsterdam's Zuidas business district is progressing well. Heijmans has won a contract from the Hanzehogeschool in Groningen for the maintenance of all the educational institute's buildings. And over the past few months, Heijmans has been working on building the project organisation and the start-up of the work for the Schiphol main contract – Terminals 1 and 2 plus piers.

Infra

Heijmans' selective acquisition policy is paying off in the form of improved margins and a better balance between large projects and regional projects, asset management and specialised activities. Revenue came in at € 297 million in the first half of 2019, slightly lower than the year-earlier period (first half of 2018: € 312 million). The underlying EBITDA amounted to € 7 million (first half of 2018: € 6 million).

Infra

x € 1 million	H1 2019	H1 2018	2018	Δ % 2019-2018
Revenues	297	312	654	-5%
Underlying EBITDA excl. IFRS 16	7	6	8	
Underlying EBITDA margin excl. IFRS 16	*2,4%*	*1,9%*	*1,2%*	
Underlying EBITDA incl. IFRS 16	13	-	-	
Order book	773	953	766	

In April, Heijmans won the contract from Hoogheemraadschap Hollands Noorderkwartier (HHNK) for the repair and maintenance of ('polder') roads and cycle paths in the management area to the north of the North Sea Canal (a total of around 1,400 kilometres). In addition, it was announced that the Dutch Ministry of Public Works and Waterways (Rijkswaterstaat) had awarded Heijmans the contract for variable maintenance of a number of motorways in the eastern section of the province of Noord-Brabant. For the coming four years, Heijmans will be working on the energy grid in the North and Centre districts of Amsterdam for grid operator Liander. Heijmans also won the contract to modernise and maintain Liander's medium-voltage units in the province of Noord-Holland and parts of Zuid-Holland for the coming 10 years. The consortium for the Zuidasdok project, in which Heijmans is a 15% partner, is currently in discussion with the client regarding the future steps in this project. In Utrecht, Heijmans is putting the final touches to the waste water treatment plant (RWZI) expected to be opened in October of this year. The renovation work on the Koningstunnel in The Hague is also well underway. As a result, it will be opened to traffic shortly.

Strategy

Over the past few months, Heijmans took a number of steps aimed at putting its strategy 2023 – better, smarter, sustainable - into operation. For instance, Heijmans announced that from next year it plans to reduce packaging to the minimum and set additional requirements for any essential packaging. From 2021 onwards, we will only accept 100% recyclable or renewable packaging. This will apply to both construction projects and to our own business operations. Heijmans will also advocate the creation and use of single-material packaging flows, which means that Heijmans will no longer allow packaging in which different materials haven been integrated on the construction sites where it is active. Heijmans will work with suppliers and sub-contractors on this initiative.

Heijmans has signed an agreement with the Jheronimus Academy of Data Science (JADS) aimed at promoting the exchange of knowledge in the field of data science and making the built environment 'smarter'. Heijmans wants to use this initiative to give a significant boost to digitalisation and data-driven services. Examples of this include the digital monitoring of the locking process and shipping traffic at the Beatrixsluis lock in Nieuwegein and BeSense (a smart sensor system that provides data on occupancy, usage and comfort levels in offices and other working environments). BeSense is developing steadily, and we are seeing a growing client portfolio and expansion into a full-service product for smart and efficient building management. Heijmans' Bikescout, which uses LED lights to warn drivers of approaching cyclists, has also been installed in front of the Centraal Beheer head office in Apeldoorn. These developments all make a significant contribution to Heijmans' ambition to create a healthy living environment.

Financial results

Revenue

Revenue came in at € 730 million in the first half of 2019, lower than the level seen in the year-earlier period (first half of 2018: € 780 million). Revenues increased at Building & Technology, while revenues at Property Development and Infra declined slightly. At Property Development, this was largely due to the longer throughput times at a number of projects, mainly inner city projects, which means construction starts later and the expected revenues from these projects are recorded at a later date. At Infra, Heijmans operates on the basis of a selective acquisition policy.

	H1 2019		H1 2018	**2018**
x € 1 million	*incl. IFRS 16*	*excl. IFRS 16*	*excl. IFRS 16*	*excl. IFRS 16*
Revenues	**730**	**730**	**780**	**1.579**
Property development	11	11	13	28
Residential	*9*	*7*	*6*	*11*
Non-residential	*6*	*4*	*0*	*5*
Building & Technology	15	11	6	16
Infra	13	7	6	8
Corporate	-3	-4	-5	-9
Underlying EBITDA	**36**	**25**	**20**	**43**
Correction EBITDA joint ventures	-3	-3	0	-6
Write down on property assets	0	0	-1	-6
Restructuring costs	-1	-1	0	-1
Release indexation pension	-	-	-	5
EBITDA	**32**	**21**	**19**	**35**
Depreciation/amortisation	-15	-5	-6	-12
Operating result	**17**	**16**	**13**	**23**
Financial results	-3	-2	-5	-8
Share of profit of associates and joint ventures	3	3	0	5
Result before tax	**17**	**17**	**8**	**20**
Income tax	-2	-2	0	0
Result after tax	**15**	**15**	**8**	**20**

Underlying EBITDA

The underlying EBITDA continued to improve in the first half of 2019 and came in at € 25 million (first half of 2018: € 20 million). The underlying EBITDA for the first half of 2019, including the application of IFRS16, came in at € 36 million. All Heijmans' business units made a positive contribution to the company's underlying EBITDA.

Net result

The net result in the first half of 2019 was better than in the same period last year and came in at € 15 million (first half of 2018: € 8 million). This resulted in earnings per share after taxes of € 0.71. In addition to the improvement in the underlying EBITDA, the reduction of Heijmans' financing costs played a prominent role in the improvement of the net result.

Capital position, net debt and financing

Net debt stood at € 23 million at end-June 2019 (end-June 2018: € 14 million). The average debt utilisation declined further, which in turn led to a drop in financing expenses. Property developments inventory position remained more or less the same, as a drop in the number of strategic land holdings was more or less offset by a rise in the number of houses under construction. Heijmans remains strongly focused on strict working capital management and cash management, as a basis for healthy business operations and continued debt reduction. Thanks to the efforts to improve operational results and working capital utilisation, Heijmans has managed to significantly reduce the use of its financing facilities in recent years. This has substantially reduced the company's net interest expenses.

At end-June 2019, solvency stood at 27% (incl. IFRS16: 25%), compared with 25% at year-end 2018. Heijmans remains focused on the continued de-risking of the company, and as part of this effort has installed a selective acquisition policy, project management aimed at increasing the predictability of projects, and the controlled completion of previously acquired high-risk projects.

As a result of the introduction of IFRS 16 'Leases' with effect from 1 January 2019, any assets that are rented or leased (operationally) need to be recognised on the balance sheet, together with a lease obligation of a comparable size. This results in an increase in the net debt (for accounting purposes) and a higher balance sheet total. The latter led to a reduction of around 2% in solvency. Depreciations of the leased assets result in higher depreciations and higher EBITDA (movement within the operating result). In addition, Heijmans now recognises an interest expense on the lease obligation. The consequences of IFRS 16 are not taken into account for the calculation of the financing covenants. See also section 7 'Selected notes' for a more detailed explanation of the impact of IFRS 16.

Order book

The order book is well filled and stood at € 2.1 billion at end-June 2019 (year-end 2018: € 2.0 billion) and includes a good spread of projects. The biggest contribution to the order book came from, among other things, the project for the renovation of high-rise ward sections F and G for the Academic Medical Centre in Amsterdam and the supplementary contract from the Dutch Ministry of Public Works and Waterways for the widening of the Apeldoorn – Azelo section of the A1 motorway.

Outlook

Heijmans is on track to record a good result for 2019. For the full-year 2019, we expect to increase the result on slightly lower revenues while maintaining healthy margins. The long-term outlook for the housing market remains positive and offers opportunities for continued growth. The speed at which supply and demand are being matched in the housing market is currently still too slow, which is driving up prices and puts pressure on affordability. Longer throughput times at a number of property developments mean that Heijmans will record the expected revenue from these projects at a later date. However, Heijmans has a well-filled pipeline. Building & Technology is developing positively and is focusing on controlled growth with healthy margins. At Infra, margin over volume remains a high priority, with the aim of delivering a stable performance at lower revenues, continued improvement of the predictability of projects, risk management and a balanced range of projects. Heijmans expects its net debt position at year-end 2019 to stand around the same level as at year-end 2018.

Trading update

On 30 October of this year, Heijmans will publish a trading update before the opening of the stock exchange.

About Heijmans

Heijmans is a listed company that combines activities related to property development, building & technology, roads and civil engineering in the areas 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 together we are building the spatial contours of tomorrow. You will find additional information at our website: www.heijmans.nl.

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This press release is published in both Dutch and English. In the event of differences between the Dutch and the English version, the former shall prevail.

Addenda to the Heijmans N.V. 2019 first half results press release

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

1. Condensed consolidated statement of profit or loss

x € 1 million

		YTD June 2019 incl. IFRS 16	YTD June 2018 excl. IFRS 16	FY 2018 excl. IFRS 16
	Revenues	730	780	1.579
	Gross profit	87	74	144
	Operating result [1]	**17**	**13**	**23**
	Financial result	-3	-5	-8
	Share of profit of joint ventures and associates	3	0	5
	Result before tax	**17**	**8**	**20**
7.7	Income tax	-2	0	0
	Result after tax	**15**	**8**	**20**
	Earnings per share (in €):			
	Basic earnings per share	0,71	0,39	0,96
	Diluted earnings per share	0,71	0,39	0,96

The result after tax is entirely attributable to shareholders.

1. The financial income and expenses over the first half yeat of 2019 include interest expenses related to lease liabilities as a result of the application of IFRS 16 'Leases', which reflects a movement from the operating result (impact € 1 million).
For a more detailed explanation of the impact of IFRS 16 'leases', please see section 7. Selected notes.

2a. Consolidated statement of comprehensive income

x € 1 million

	YTD June 2019 incl. IFRS 16	YTD June 2018 excl. IFRS 16	FY 2018 excl. IFRS 16
Result after tax	**15**	**8**	**20**
Other comprehensive income that is never reclassified to the statement of profit or loss:			
Changes in actuarial results on defined benefit plans	-1	-31	-37
Tax-effect of other comprehensive income that is never reclassified to the statement of profit or loss	0	8	6
Other comprehensive income (after tax)	**-1**	**-23**	**-31**
Total comprehensive income	**14**	**-15**	**-11**

The total comprehensive inomce is entrely attributable to shareholders.

2b. Consolidated statement of changes in equity

2019 incl. IFRS 16	Paid-up and called-up share	Share premium reserve	Reserve for actuarial results	Retained earnings	Result for the year after tax	Total equity
Balance at 31 December 2018	6	243	-59	-61	20	149
Result after tax					15	**15**
Other comprehensive income			-1			-1
Comprehensive income for the reporting period	0	0	-1	0	15	**14**
Result appropriation 2018 Transferred to retained earnings				20	-20	0
Balans at 30 June 2019	**6**	**243**	**-60**	**-41**	**15**	**163**

2018 excl. IFRS 16	Paid-up and called up share	Share premium reserve	Reserve for actuarial results	Retained earnings	Result for the year after tax	Total equity
Balance at 31 December 2017	6	243	-28	-79	20	162
Adjustment IFRS 15				-2		-2
Balance at 1 January 2018	6	243	-28	-81	20	160
Result after tax					8	**8**
Other comprehensive income			-23			-23
Comprehensive income for the reporting period	0	0	-23	0	8	**-15**
Result appropriation 2017 Transferred to retained earnings				20	-20	0
Balans at 30 June 2018	**6**	**243**	**-51**	**-61**	**8**	**145**

3. Condensed consolidated statement of financial position
x € 1 million

		30 June 2019 incl. IFRS 16		31 December 2018 excl. IFRS 16		30 June 2018 excl. IFRS 16	
	ASSETS						
	Non-current assets						
	Property, plant and equipment	42		44		44	
7.3.2.3	Right-of-use assets [4]	75		-		-	
	Intangible assets	78		79		79	
	Joint ventures and associates	69		72		66	
	Other fixed assets	59		58		63	
			323		**253**		**252**
	Current assets						
	Strategic land portfolio	112		127		143	
	Residential properties in preparation or under construction	71		71		44	
	Other inventory	9		9		11	
	Construction work in progress	81		51		82	
	Trade and other receivables	196		176		214	
	Cash and cash equivalents	49		89		48	
			518		**523**		**542**
	Total assets		**841**		**776**		**794**
	EQUITY AND LIABILITIES						
	Equity		**163**		**149**		**145**
	Non-current liabilities						
	Interest-bearing [1]	52		52		53	
7.3.2.3	Lease liabilities [4]	57		-		-	
	Non-interest-bearing	33		37		33	
			142		**89**		**86**
	Current liabilities						
	Interest-bearing loans and other current financing liabilities	20		6		9	
7.3.2.3	Lease liabilities [4]	19		-		-	
	Trade an other payables	344		369		366	
	Construction work in progress	130		142		155	
	Provisions[3]	20		19		30	
	Other	3		2		3	
			536		**538**		**563**
	Total equity and liabilities		**841**		**776**		**794**
	Solvency rate based on guarantee capital [2]		**25%**		**25%**		**24%**

1. The long-term, interest -bearing liabilities include € 45 million in cumulative preference financing shares.
2. Guarantee capital is defined as equity plus cumulatieve preference financing shares.
3. The short-term and long-term provisions as at 30 June 2019 have been adjusted for comparison purposes (movement of € 12 million from short-term to long-term).
4. As a result of the implementation of IFRS 16 the 'right-of-use assets' and 'lease liabilities' have been recognised in the statement of the financial position.
For a more detailed explanantion of the impact of IFRS 16 'Leases', please see section 7. Selected notes

4. Condensed consolidated statement statement of cash flow

x € 1 million	YTD June 2019 incl. IFRS 16	YTD June 2018 excl. IFRS 16	FY 2018 excl. IFRS 16
Operating result	17	13	23
Adjusted for:			
Depreciation of property, plant and equipment	4	5	10
7.3.2.3 Depreciation of right-of-use assets	10	0	0
Amortisation of intangible assets	1	1	2
Adj. Valuation of property investements and land portfolio's, excl. JV's	0	1	6
Change in working capital	-69	-38	-9
Cash flow from operating activities before interest and tax	**-37**	-18	32
Paid interest lease liabilities	-1	-	-
Other interest padi/received	-3	-5	-5
Tax expepense paid	0	0	0
Cash flow from operating activities	**-41**	-23	27
Cash flow from investment activities	**-3**	-5	-10
Cash flow from financing activities *	**4**	2	-2
Net cash flow in the period	**-40**	-26	15
Cash and cash equivalents at January 1	89	74	74
Cash and cash equivalents at the end op the period	**49**	48	89

* The cash flow from financing activities includes the lease instalments paid with respect to the lease liabilities. For a more detailed explanantion of the impact IFRS 16 'Leases', lease see section 7. Selected notes.

5. Information by segment

Condensed statement of profit or loss by segment

x € 1 million *incl. IFRS 16*	Property development	*Residential*	*Non-residential*	Building & Technology	Infra	Other/eliminations	Total
1st half 2019							
Third parties	206	71	162	233	291	0	730
Intercompany		154	3	157	6	-163	0
Total Revenues	**206**	**225**	**165**	**390**	**297**	**-163**	**730**
Operating result	**8**	**7**	**4**	**11**	**4**	**-6**	**17**
Net financing costs							-3
Result of joint ventures and associates							3
Result before tax							17
Tax result							-2
Result after tax							15
Operating results as percentage of revenues	3,9%	3,1%	2,4%	2,8%	1,3%		2,3%

x € 1 million *excl. IFRS 16*	Property development	*Residentail*	*Non-residential*	Building & Technology	Infra	Others/eliminations	Total
1st half 2018							
Third parties	245	98	133	231	302	2	780
Intercompany		115	3	118	10	-128	0
Total revenues	**245**	**213**	**136**	**349**	**312**	**-126**	**780**
Operating result	**10**	**6**	**-1**	**5**	**6**	**-8**	**13**
Net financing costs							-5
Result of joint ventures and associates							0
Result before tax							8
Tax result							0
Result after tax							8
Operating result as percentage of revenues	4,1%	2,8%	-0,7%	1,4%	1,9%		1,7%

Date 21 august 2019

Underlying EBITDA by segment

x € 1 million *incl. IFRS 16*	Property development	*Residential*	*Non-residential*	Building & Technology	Infra	Other/eliminations	Total
1st half 2019							
Underlying EBITDA (excluding impact IFRS16)	**11**	***7***	***4***	**11**	**7**	**-4**	**25**
Impact IFRS 16*	0	***2***	***2***	4	6	1	11
Onderliggende EBITDA (including impact IFRS16)	**11**	***9***	***6***	**15**	**13**	**-3**	**36**
Adjustment operating result joint ventures	-2		*1*	1	-2	0	-3
Restructuring costs			*-1*	-1	0	0	-1
Bookresult on sale of subsidiaries				0	1	0	1
Total exceptional items	-2	*0*	*0*	0	-1	0	-3
Depreciation/amortisation	-1	*-2*	*-2*	-4	-8	-3	-16
Operating result	**8**	***7***	***4***	**11**	**4**	**-6**	**17**

* For a more detailed explanation of the impact of IFRS 16 'Leases', please see selection 7. Selected notes.

x € 1 million *excl. IFRS 16*	Property development	*Residential*	*Non-residential*	Building & Technology	Infra	Others/eliminations	Total
1st half 2018							
Underlying EBITDA	**13**	***6***	***0***	**6**	**6**	**-5**	**20**
Adjustment operating result joint ventures	-2		*0*	0	2	0	0
Write down on property assets	-1			0			-1
Restructuring costs	0		*0*	0	0	0	0
Total exceptional items	-3	*0*	*0*	0	2	0	-1
Depreciation/amortisation	0	*0*	*-1*	-1	-2	-3	-6
Operating result	**10**	***6***	***-1***	**5**	**6**	**-8**	**13**

Underlying EBITDA is the result before deprecitation and amortisation, including EBITDA joint ventures and excluding the imparment of real estate, reorganisation costs, the impairment of goodwill, the book profit units sold and, if applicable, any other non-operating resulted cited in the above table, which the group deems exceptional.

Condensed statement of financial position by segment

x € 1 million *incl. IFRS 16*	Property development	*Residential*	*Non-residential*	Building & Technology	Infra	Others/Eliminations	Total
30 June 2019							
Assets	371	148	189	337	256	-157	807
Not allocated							34
Total assets	371	148	189	337	256	-157	**841**
Liabilities	318	141	159	300	237	-286	569
Not allocated							109
Total liabilities	318	141	159	300	237	-286	**678**
Equity							**163**
Total equity and liabilities							**841**

As a result of the implementation of IFRS 16 'Leases', assets and liabilities increased by approximately € 75 million. These assets and liabilities are divded across the sectors in a ratio comparable to the impact of IFRS 16 on the underlying EBITDA.

x € 1 million *excl. IFRS 16*	Property development	*Residential*	*Non-residential*	Building & Technology	Infra	Others/eliminations	Total
31 December 2018							
Assets	330	*142*	*167*	309	206	-106	739
Not allocated				0			37
Total assets	**330**	***142***	***167***	**309**	**206**	**-106**	**776**
Liabilities	284	*137*	*155*	292	187	-236	527
Not allocated				0			100
Total liabilities	**284**	***137***	***155***	**292**	**187**	**-236**	**627**
Equity							**149**
Total equity and liabilities							**776**

6. Covenants

Amounts in € millions	2019 H1	2018 FY	2018 H1
Reported Net debt	**99,1**	**-30,7**	**14,5**
Adjustments:			
Corrections IFRS 16	-76,1		
Net debt Joint Ventures	78,5	78,1	96,6
Net debt non recourse project financings	-90,5	-92,4	-100,0
Cumulative preference shares B	-45,1	-45,1	-45,1
Other	0,4	2,1	2,7
Net debt covenants (A)	**-33,7**	**-88,0**	**-31,4**
Reported EBITDA	47,7	34,2	32,4
Extraordinary items	2,1	3,2	12,5
Corrections IFRS 16	-11,2		
EBITDA JV's	8,6	5,8	-3,4
Underlying EBITDA	**47,3**	**43,2**	**41,5**
Adjustments:			
Corrections IFRS 15	-0,6		
Capitalised interest	2,1	1,5	1,3
EBITDA non recourse projects	-3,1	-4,2	-4,2
Other	-1,5	-1,3	-1,3
EBITDA covenants (B) - Interest Cover	**44,2**	**38,9**	**37,4**
EBITDA from disposed subsidiaries	0,0	0,0	0,0
EBITDA covenants (C) - Leverage Ratio	**44,2**	**38,9**	**37,4**
Net interest	**7,7**	**9,4**	**10,6**
Adjustments:			
Net interest joint ventures	1,0	1,1	0,9
Corrections IFRS 16	-1,4	0,0	0,0
Net interest non recourse project financings	-2,9	-2,8	-2,0
Interest cumulative preference shares B	-3,4	-3,6	-3,6
Other	-2,1	-3,9	-3,4
Net interest covenants (D)	**-1,0**	**0,2**	**2,5**
Average net debt covenants (E)	**-30,6**	**-10,9**	**9,4**
Leverage ratio (A/C) <3*	**-0,8**	**-2,3**	**-0,8**
Interest cover ratio (B/D) >4*	**-43,0**	**180,3**	**15,0**
Average Leverage ratio (E/C) <1,0*	**-0,7**	**-0,3**	**0,3**

** A negative outcome in combination with a positive rolling EBITDA is permitted*

7. Selected notes

7.1 Reporting entity

Heijmans N.V. (referred to as the Company) has its registered office in the Netherlands. The Company's interim consolidated financial statements for the first six months of 2019 include the Company and its subsidiaries (collectively referred to as the Group) and the Group's interest in associates and joint arrangements.

7.2 Accounting principles

7.2.1 Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as adopted by the European Union (IAS 34). The interim consolidated financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with Heijmans' consolidated financial statements for the full year 2018.

The Executive Board prepared the interim consolidated financial statements on 20 August 2019.

7.2.2 Use of estimates and judgements

The preparation of the interim report requires the management to form judgements and make estimates and assumptions that may have an impact on the reported value of assets and liabilities and of income and expenses. The management makes the estimates and the assumptions upon which these are based on the basis of experience and other factors that are considered reasonable. The outcome of the estimates forms the basis for the carrying value of assets and liabilities that are not readily apparent from other sources. The actual outcomes may differ from these estimates.

The critical judgements that the management has formed in the application of the Group's accounting principles for financial reporting, together with the significant sources of any estimate-related uncertainties, are the same as those applied in Heijmans' consolidated financial statements for 2018, in view of the fact that there were no special circumstances that required any change in same. For the considerations regarding the application of the new standard IFRS 16, we refer you to the sections below.

7.3 Main accounting principles for financial reporting

The accounting principles applied in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, with the exception of the following effects of IFRS 16 ‘Leases’, which came into effect as of 1 January 2019.

7.3.1 Impact of new standards

The Group has applied IFRS 16 ‘Leases’, including any resulting changes in other standards, with the date of first application set at 1 January 2019. For a more detailed explanation, see section 7.3.2.

In addition, various adjustments to existing standards and interpretations came into effect on 1 January 2019, without these having any significant impact on the interim figures.

At this point in time, there are no new standards that have not yet come into effect that would have had a significant impact on the interim figures of the Group.

7.3.2 IFRS 16 ‘Leases’

IFRS 16 Leases applies to financial years that commence on or after 1 January 2019. IFRS 16 replaces the standards IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an arrangement contains a lease’, SIC 15 ‘Operational leases – Incentives’ and SIC 27 ‘Evaluating the substance of transactions involving the legal form of a lease’.

IFRS 16 has a material impact primarily on the balance sheet, due to the fact that contracts previously classified as operating leases and rental contracts have to be recognised and the presentation of operational leases and finance leases changes in the statement of profit or loss. The item Right-of-use assets is added to the asset side of the balance sheet and the item Lease liabilities of a comparable size is added to the liability side of said statement. Because these items are significant, they are presented separately in the balance sheet. The impact of this change includes a movement in the operating result from operating expenses to depreciation, as well as a movement from operating costs to financial expenses. These effects are explained in numerical terms in section 8.3.2.3.

7.3.2.1 Modified retrospective method applied as of 1 January 2019, making use of a number of practical expedients

The group has applied IFRS 16 as of 1 January 2019 using the modified retrospective method. Among other things, this means that the comparable figures for 2018 have not been restated and that the impact of IFRS 16 has been recognised in the opening balance sheet for 2019. In addition, the Group made use of the following practical expedients permitted under IFRS 16:

- On initial application, the Group did not reassess whether a contract was a lease contract or contained a lease contract. Instead, IFRS 16 was
    - applied to contracts that were previously classified as lease contracts in accordance with IAS 17 and IFRIC 4;
    - not applied to contracts that were previously not classified as lease contracts in accordance with IAS 17 and IFRIC 4.
- Upon initial application, all lease liabilities were measured on the basis of the applicable incremental borrowing rate as at 1 January 2019. Said incremental borrowing rate was determined per portfolio of leases with comparable characteristics. The incremental borrowing rate used was 3% to 5% depending on the useful life of the underlying asset.
- Upon initial application, the carrying amount of the right-of-use assets recognised was deemed to be the same as the liability of the rights of use in question.
- Leases that do not pertain to the lease/rental of office premises or cars and that had a remaining term of less than 12 months upon initial application were not recognised.

7.3.2.2 Summary of new accounting principles

Please find below a summary of the new accounting principles as a result of the application of IFRS 16.

Right-of-use leased assets

On the commencement date of the lease (the date on which the underlying asset is available for use), the Group recognises an asset corresponding with the right of use. The right of use is measured at cost, less any depreciation and impairment and adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets consists of the recognised amount of the lease liabilities, initial direct costs and any lease payments made before the commencement date, less any lease incentives received. Unless the group is reasonably certain that it will obtain ownership of the underlying asset at the end of the lease term, the rights of use are depreciated on a straight line basis from the commencement date to the earliest of either of the following two moments in time: the end of the useful life of the asset or the end of the lease term. Rights of use are tested for any impairment.

Liabilities leased assets

On the commencement date of the lease, the Group measures liabilities at the present value of the lease payments that have not yet been made on said date. These lease payments include fixed lease payments (including what are in-substance fixed lease payments), less lease incentives still to be received, variable lease payments that depend on an index or interest rate, and amounts that are expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will exercise this option. In addition, lease payments include the penalties for the termination of the lease contract if the lease term reflects the Group's exercise of an option to terminate the lease contract. Variable lease payments that do not depend on an index or interest rate are recognised as an expense in the period in which the event or circumstance that triggers said payments occurs.

When measuring the present value of the lease payments, the Group uses the incremental borrowing rate if the implicit interest rate of the lease contact is not readily determinable. After the commencement date, liabilities are increased by the interest and reduced by the lease payments made. The Group remeasures the obligations in the event of changes to the lease contract, any adjustments of the lease term, a revision of what is in-substance a fixed lease payment or any change in the assessment of whether the Group will make use of a purchase option.

Non-lease components are not recognised if these are readily determinable and of a significant size

Non-lease components, which are primarily amounts for maintenance and fuel included in lease instalments, are not recognised if these amounts are readily determinable and if they are significant. In practice, this applies to non-lease payments for cars. For other leases the Group makes use of the practical expedient of treating non-lease components in the same way as lease components.

Short-term leases and leases for underlying assets with a low value are not recognised

The Group makes use of the practical expedient of not recognising short-term leases (leases with a term of less than 12 months and no purchase option), which also applies to leases for underlying assets with a low original value (less than € 5,000). The lease instalments for these leases are recognised as an operating expense on a straight-line basis over the lease term.

Lease term

The lease term is the non-cancellable term of the lease, together with any periods covered by an option to extend if it is reasonably certain that the Group will exercise this option, and terms that are covered by an option to terminate if it is reasonably certain that the Group will not exercise this option.

The Group takes into account all relevant factors that create an economic incentive when assessing the extent to which it is reasonably certain that it will exercise an option to extend.

7.3.2.3 Impact on the balance sheet, statement of profit or loss and statement of cash flows

The impact of IFRS 16 on the condensed balance sheet as per 1 January 2019 is as follows:

Condensed consolidated balance sheet

x € 1 million

	31 December 2018		Adjustment IFRS 16 Leases		1 January 2019	
ASSETS						
Non-current assets						
Property, plant and equipment	44				44	
Right-of-use assets	-		79		79	
Intangible assets	79				79	
Joint ventures and associates	72				72	
Other fixed assets	58				58	
		253		**79**		**332**
Current assets						
Inventory	207				207	
Work in progress	51				51	
Trade and other receivables	176				176	
Cash and cash equivalents	89				89	
		523				**523**
Total assets		**776**		**79**		**855**
EQUITY AND LIABILITIES						
Equity		**149**				**149**
Non-current liabilities						
Interest bearing	52				52	
Lease liabilities	-		56		56	
Non-interest bearing	37				37	
		89		**56**		**145**
Current liabilities						
Interest bearing loans	6				6	
Lease liabilities	-		23		23	
Trade and other payables	369				369	
Work in progress	142				142	
Provisions	21				21	
		538		**23**		**561**
Total equity and liabilities		**776**		**79**		**855**
Solvency rate based on guarantee capital		**25%**		**-2%**		**23%**
Net debt		**-31**		**79**		**48**

The liabilities for rental contracts and operating leases recognised in the notes to the consolidated financial statements for 2018 amounted to approximately € 112 million. In the balance sheet as at 1 January 2019, these liabilities were considerably smaller, largely due to the non-recognition of non-lease components in the lease payments for cars. In addition, the discounting of future lease payments also reduced the amount to be recognised.

The impact of IFRS 16 on the condensed statement of profit or loss through end-June 2019 is as follows:

Condensed consolidated statement of profit or loss
x € 1 million

	YTD June 2019		
	Excl. IFRS 16	Adjustment IFRS 16 Leases	Incl. IFRS 16
Revenues	730		730
Gross profit	**87**	**0**	**87**
Operating result	**16**	**1**	**17**
Financial result	-2	-1	-3
Share of profit of joint ventures and associates	3		3
Result before tax	**17**	**0**	**17**
Income tax	-2		-2
Result after tax	**15**	**0**	**15**

The impact of IFRS 16 on the condensed statement of cash flows through end-June 2019 is as follows:

Condensed consolidated cash flow statement
x € 1 million

	YTD June 2019		
	Excl. IFRS 16	Adjustment IFRS 16 Leases	Incl. IFRS 16
Operating result	16	1	17
Adjusted for:			
Depreciation of property, plant and equipment	4		4
Depreciation of right-of-use assets		10	10
Amortisation of intangible assets	1		1
Change in working capital	-69		-69
Cash flow from operating activities before interest and tax	**-48**	**11**	**-37**
Interest paid on lease liabilities		-1	-1
Interest paid/ received	-3		-3
Tax expense paid	0		0
Cash flow from operating activities	**-51**	**10**	**-41**
Cash flow from investment activities	**-3**		**-3**
Cash flow from financing activities	**14**	**-10**	**4**
Net cash flow in the period	**-40**	**0**	**-40**
Cash and cash equivalents at 1 January	89		89
Cash and cash equivalents at the end of the period	**49**		**49**

7.4 Share Matching Plan

In April 2019, Mr. Hillen purchased 7,500 depositary receipts for Heijmans shares for 30% of his allocated short-term bonus for 2018. Mr. Janssen purchased 5,000 depositary receipts for Heijmans shares for 23% of his allocated short-term bonus for 2018. In the context of the Share Matching Plan, a conditional depositary receipt for a share was allocated for every depositary receipt for a share purchased. These depositary receipts for shares are granted unconditionally after three years.

7.5 Fair values

The table below shows the carrying values and fair values of financial instruments.

x € 1 million	**30 June 2019**	
	Book-value	**Fair value**
Loans and receivables		
Loans granted to joint ventures	24	27
Trade and other receivables	196	196
Cash and cash equivalents	49	49
Cumulative financing preference shares	-45	-51
Syndicated bank financing	0	0
Project financing	-4	-4
Other non-current liabilities	-23	-24
Trade and other payables	-344	-344
Total	**-147**	**-151**

The Group has no financial assets or financial liabilities valued at fair value.

7.6 Seasonal patterns

Regular seasonal patterns in the construction industry have an impact on the reported results, the balance sheet and cash flows. In the first half of the year, revenues and the operating result are historically lower than in the second half of a year. Working capital requirements and net debt are historically higher in June than in December.

7.7 Taxes

Heijmans partly settled the positive result recorded in the first half of 2019 against the non-recognised tax losses as at 31 December 2018, which reduced the tax charge for the first half of 2019 to approximately 50% of what it would have been without this settlement. The tax charge attributable to the result for the first half of 2019 and that was settled against recognised losses was deducted from the deferred tax asset based on the tax loss carry forwards.

8. Statement from the Executive Board

The Executive Board hereby states, taking into consideration what is stated in this report, that to the best of its knowledge the interim financial information related to the companies included in the consolidation, drawn up in accordance with IAS 34 ‘Interim Financial Reporting’, as accepted within the European Union, gives a true and fair view of the assets, liabilities, financial position and the result for the first half of 2019 and that the interim report gives a true and fair summary of the most important events of the first half of the year and the impact of those events on the interim financial statements, a true and fair description of the main risks and uncertainties for the remaining periods of the year, as well as a true and fair view of the most important related party transactions.

’s-Hertogenbosch, 20 August 2019

Ton Hillen, Chairman of the Executive Board

Hans Janssen, member of the Executive Board