

2016 half year results



Royal BAM Group n.v.



Amsterdam, 18 August 2016

BAM reports improved results and strong cash flows; reiterates full year outlook



Construction: Netherlands profitable and turnaround ongoing; negative result and refocus in Germany



Civil engineering: strong margin improvement



Property: improved results for residential and non-residential activities



PPP: solid performance driven by portfolio; funding PGGM JV increased



Brexit: predominantly FX translation effects



Order book: lower level, improved quality due to tender discipline



Cash flow: strong improvement in working capital efficiency

Revenue and adjusted results per sector

<i>(in € million)</i>	1H16		1H15	
	Revenue	Result	Revenue	Result
Construction and M&E services	1,620	-23.8	1,574	-9.5
Civil engineering	1,671	35.8	1,905	22.9
Property	204	18.2	161	3.7
PPP	116	6.8	93	6.4
Eliminations and other	-207	0.0	-218	0.7
Total sectors	3,404	37.0	3,515	24.2

Construction and M&E services

Market

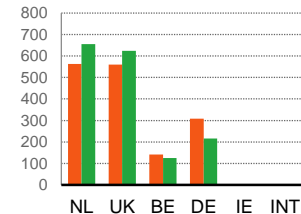
- NL residential growing slowly, non-residential declining; UK Brexit implications remain to be seen; BE stable and DE tough competition.

Business

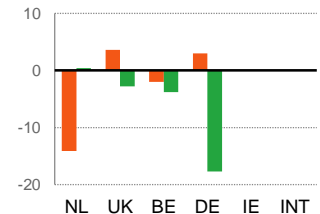
- Revenue:** NL and UK (despite €40m FX) higher; DE impacted by order phasing.
- Result:** NL turn around to profit; DE subcontractor losses Q1 (BE also), and under recovery overhead due to refocusing project portfolio and projects postponed by clients; UK de-risking older projects near completion.
- Order book:** NL lower caused by non residential; UK up adjusted for FX effect (€194m).
- TWC efficiency:** further improved to -10.8% in 1H16.

(in € million)

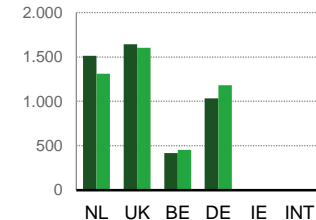
Revenue



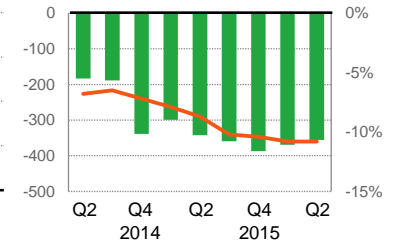
Result



Order book



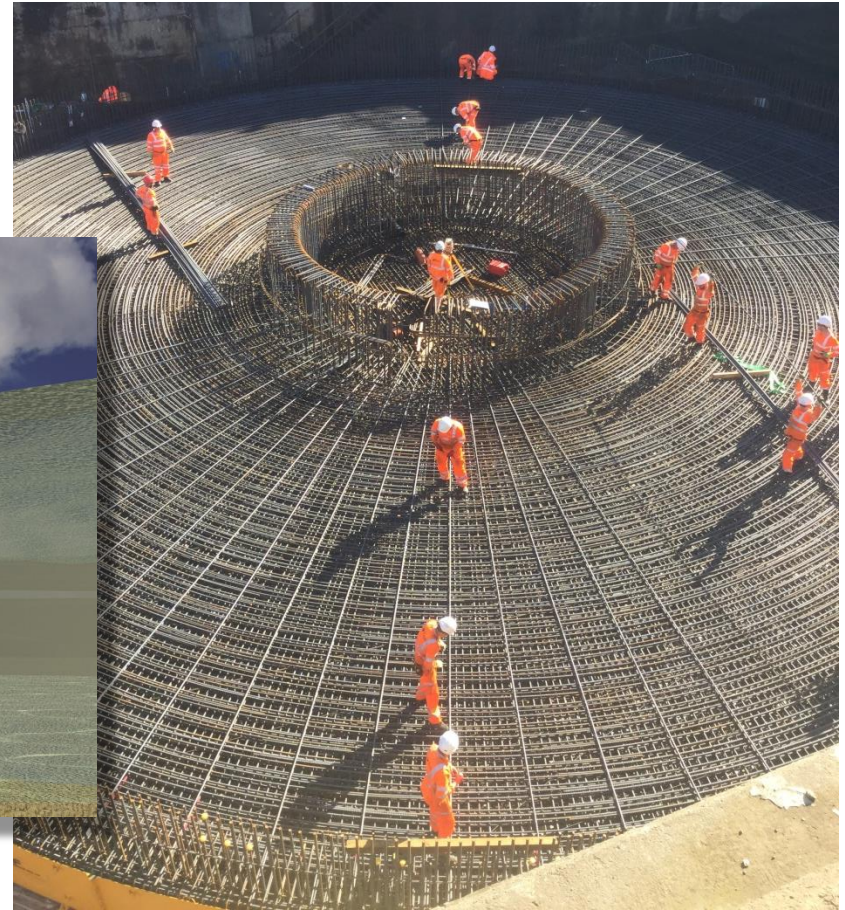
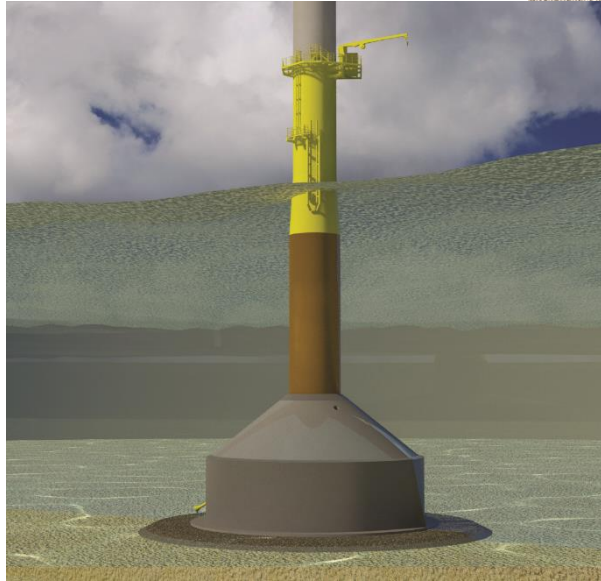
TWC efficiency



■ 1H15 ■ 2015 ■ 1H16

■ Trade working capital Q-end
— Average TWC as % of 4-Q rolling revenue

Gravity based foundation Blyth Offshore Wind Park



Civil engineering

Market

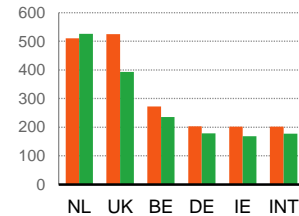
- NL, DE and IE stable; UK Brexit implications remain to be seen; INT oil & gas activities low, strong opportunities on shore. BE impacted by lower government spending.

Business

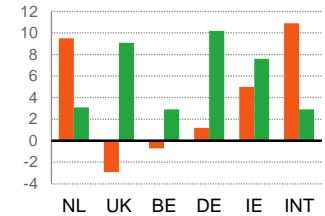
- Revenue:** lower due to order phasing of large multi-year orders won recently and FX (€24m).
- Result:** positive result driven by UK, DE and IE; NL lower due to order phasing; INT impact oil & gas.
- Order book:** UK down including FX (€127m), BE lower due to cancellation one project Q1; DE good order intake.
- TWC efficiency:** ongoing improvement to -7.2% end June 2016.

(in € million)

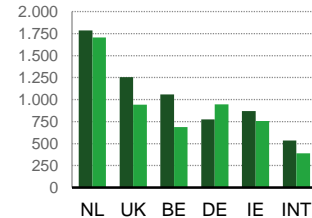
Revenue



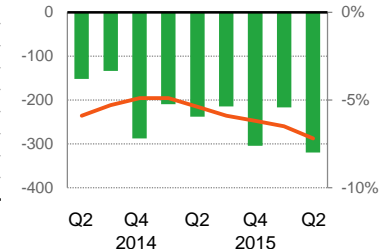
Result



Order book



TWC efficiency



■ 1H15 ■ 2015 ■ 1H16

■ Trade working capital Q-end
 — Average TWC as % of 4-Q rolling revenue

Property

Market

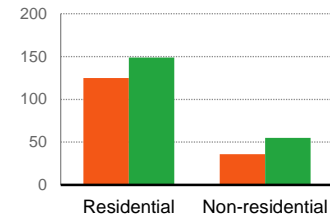
- NL residential market new build houses stagnant due to public planning process;
- Non-residential property NL retail subdued; UK Brexit implications remain to be seen; BE stable.

Business

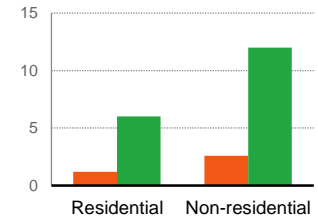
- **Revenue:** residential higher reflecting house sales; non-residential driven by UK.
- **Result:** residential improving margins; non-residential reflecting newly developed office in UK.
- **Homes sold NL:** stable at 1,091.
- **Net investment:** reduced to €635 million, gross investment down by €41 million.

(in € million)

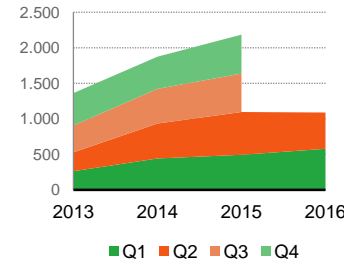
Revenue



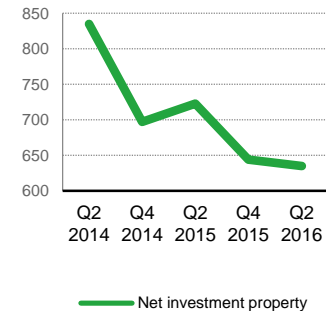
Result



Homes sold NL



Net investment



Xavier apartments Amsterdam



PPP



Market

- Good opportunities in all home markets.

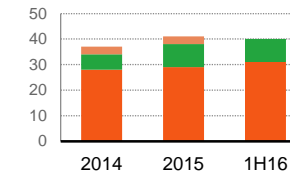


Business

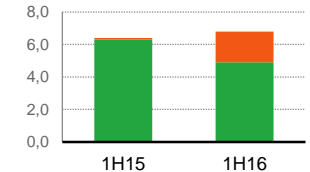
- **Portfolio:** steady in 1H16; no new project wins
- **Result:** solid result from portfolio supported by 2 transfers to JV PGGM.
- **Investment:** injected and committed equity stable.
- **PGGM JV:** PGGM commitment increased by €140 million to €775 million, of which €489 million allocated.

(in € million)

Portfolio *(number)*

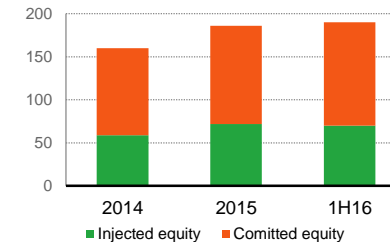


Result



■ In operation
 ■ Under construction
 ■ Result before book profits
 ■ Book profits
■ Preferred bidder

Investment



Income statement

<i>(in € million, unless stated otherwise)</i>	1H16	Margin	1H15	Margin
Total sectors	37.0	1.1%	24.2	0.7%
Group overhead	5.3		-3.1	
Group interest charge	-1.7		-1.5	
Adjusted result before tax	40.6	1.2%	19.6	0.6%
Restructuring	-10.6		-13.1	
Impairment	-0.3		-2.5	
Pension one-off	15.3		-	
Income tax	-12.0		0.7	
Non-controlling interest	-0.1		-	
Net result	32.9		4.7	

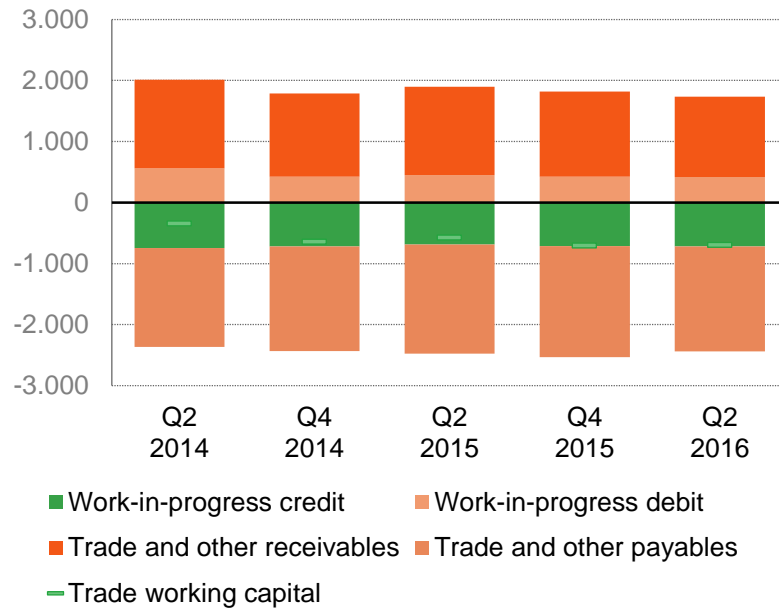
Cash flow analysis

<i>(in € million)</i>	1H16	1H15	FY15
Net cash result	39	28	85
Investments TFA	-21	-22	-53
Δ Trade working capital	1	-96	31
Net Investment Property	11	17	71
Net investment PPP	4	-9	-6
Δ Other working capital	-16	-63	-33
Business cash flow	18	-145	95
Dividend	-2	-	-
Restructuring	-17	-28	-54
Pensions (additional)	-6	-14	-36
Other	-26	21	8
Δ Cash position	-33	-166	13

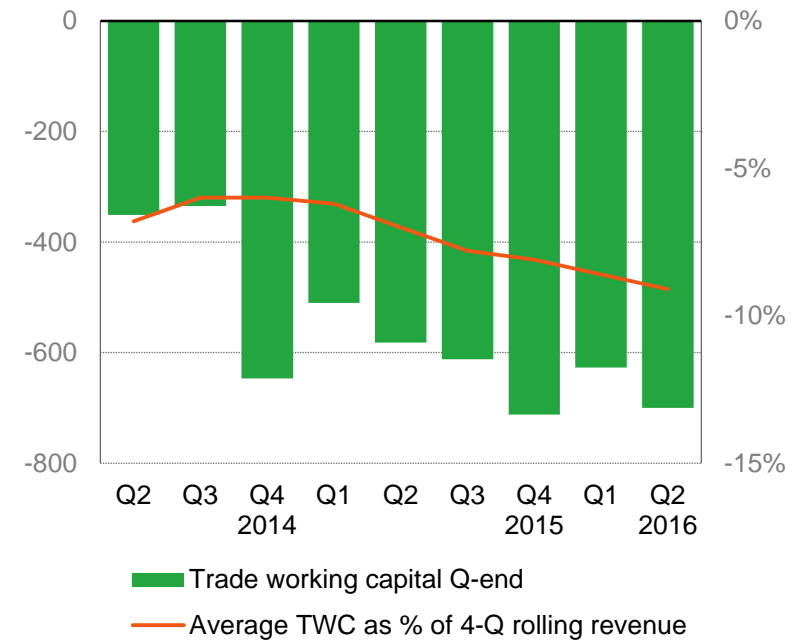
- Business cash flow was positive and improved significantly by €163 million.
- Cash flow from trade working capital improved compared to 1H15. Improvement came from all categories – especially trade receivables.
- Other mainly related to the translation effect of the lower pound.

Trade working capital

Trade working capital
(in € million)



Trade working capital
(in € million and TWC as %)



Financial position

<i>(in € million, unless stated otherwise)</i>	1H16	FY15	1H15
Cash position	604	637	458
Interest-bearing debt	<u>579</u>	<u>597</u>	<u>756</u>
Net cash position (debt)	25	40	-298
Recourse net cash position	355	359	161
Shareholders' equity	841	902	901
Capital base	953	1,027	1,025
Balance sheet total	4,677	4,852	4,911
Capital ratio	20.4%	21.2%	20.9%
Capital employed	1,796	1,804	2,000
Return on capital employed	2.5%	0.2%	-6.5%

- Recourse cash position 1H16 just below year end 2015 due to continued focus on cash management.
- Capital ratio impacted by lower interest rates and FX translation.
- Return on capital employed helped by improved results.

Order book

	1H16	FY15	Δ
Construction and M&E services	4,550	4,608	-1%
Civil engineering	5,427	6,143	-12%
Property	874	926	+6%
PPP	450	558	-19%
Eliminations and other	-701	-735	
Total sectors	10,600	11,500	-8%

- Focus on maintaining tender discipline.
- Quality improved due to new orders with better margins, cash flow and risk profile.
- Civil engineering lower due to slow down oil & gas, cancellation Belgium project in Q1 and weaker pound (€127 million).
- Total impact lower pound €0.3 billion.

Brexit



The **UK is BAM's No.2** home market; well diversified UK operations in Construction, Civil engineering and PPP



Fall in the pound since 23 June **impacted some** H1 2016 **numbers**



BAM has **spoken to staff, customers and supply chain** to assess market reaction



Short term BAM sees no material impact: no UK orders have been cancelled and winning new orders



Longer term consequences remain to be seen; UK and EU expected to try to mitigate negative impact



BAM has a **solid UK order book** and will adjust its operations if required

Outlook

BAM expects the adjusted result before tax for the full year will be higher than the level of 2015.

BAM anticipates a full year restructuring charge of at least €20 million, related to strategy implementation and mixed market conditions.



Annexes

Strategy update

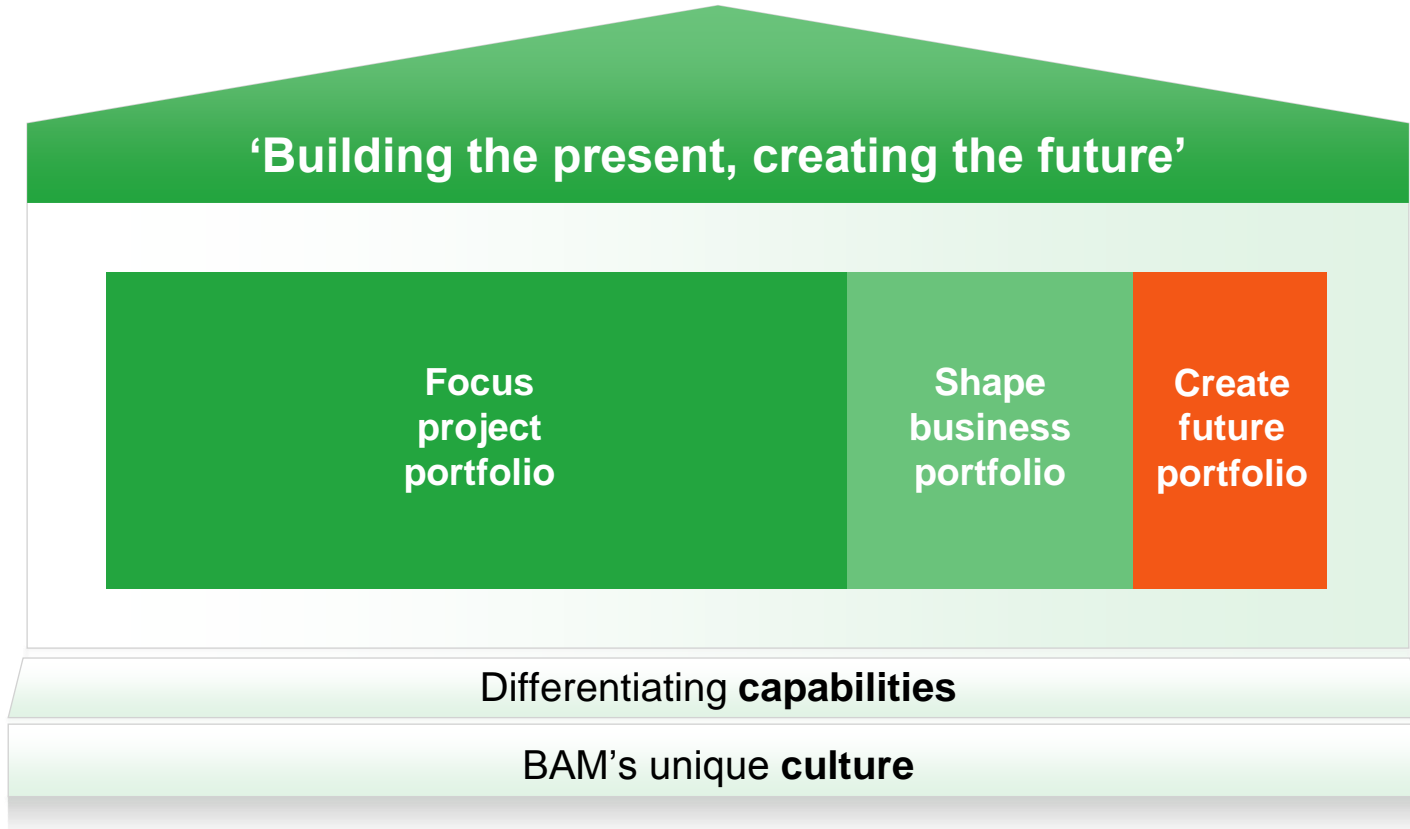
Property investments

PPP investments

Net debt analysis

Revenue sector/country

Strategy 2016-2020



External analysis

Industry economics favour focus on scale or expertise

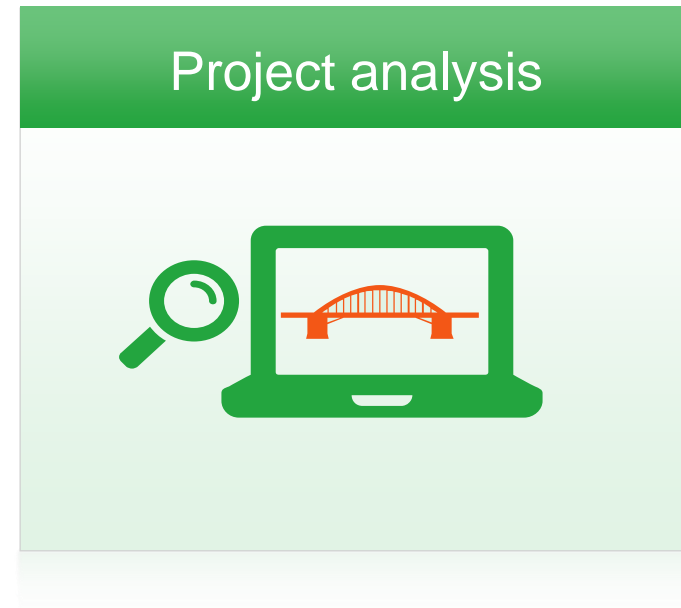
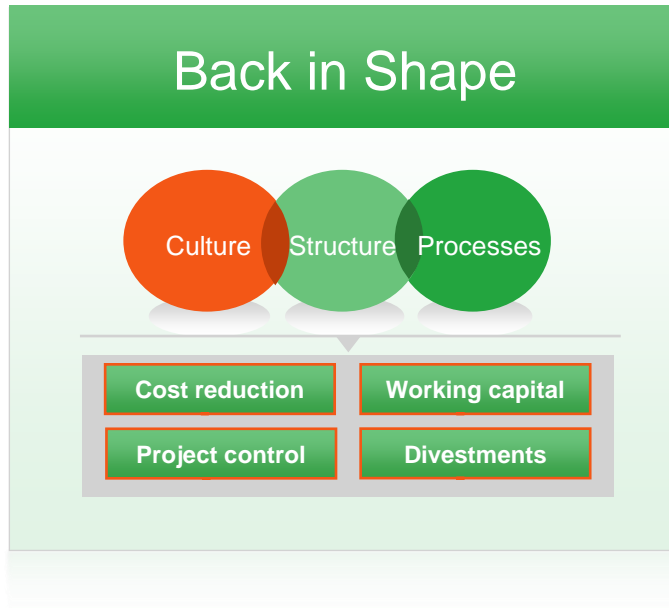
Markets mixed, vulnerable macro outlook



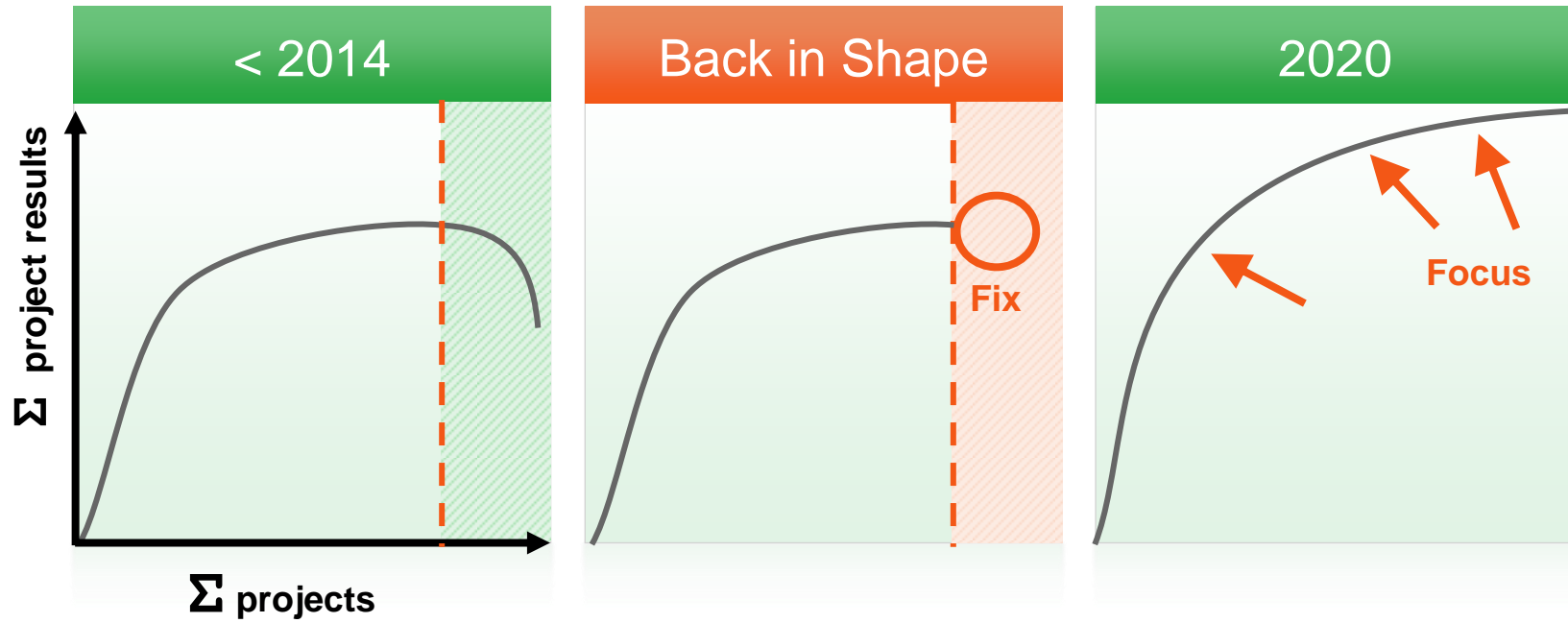
New technologies are reshaping our value chain

Customers face new challenges

Internal analysis



Focusing project portfolio (1)



Focusing project portfolio (2)

Scale



Expertise



Focusing project portfolio (3)

Selection



Stage gate



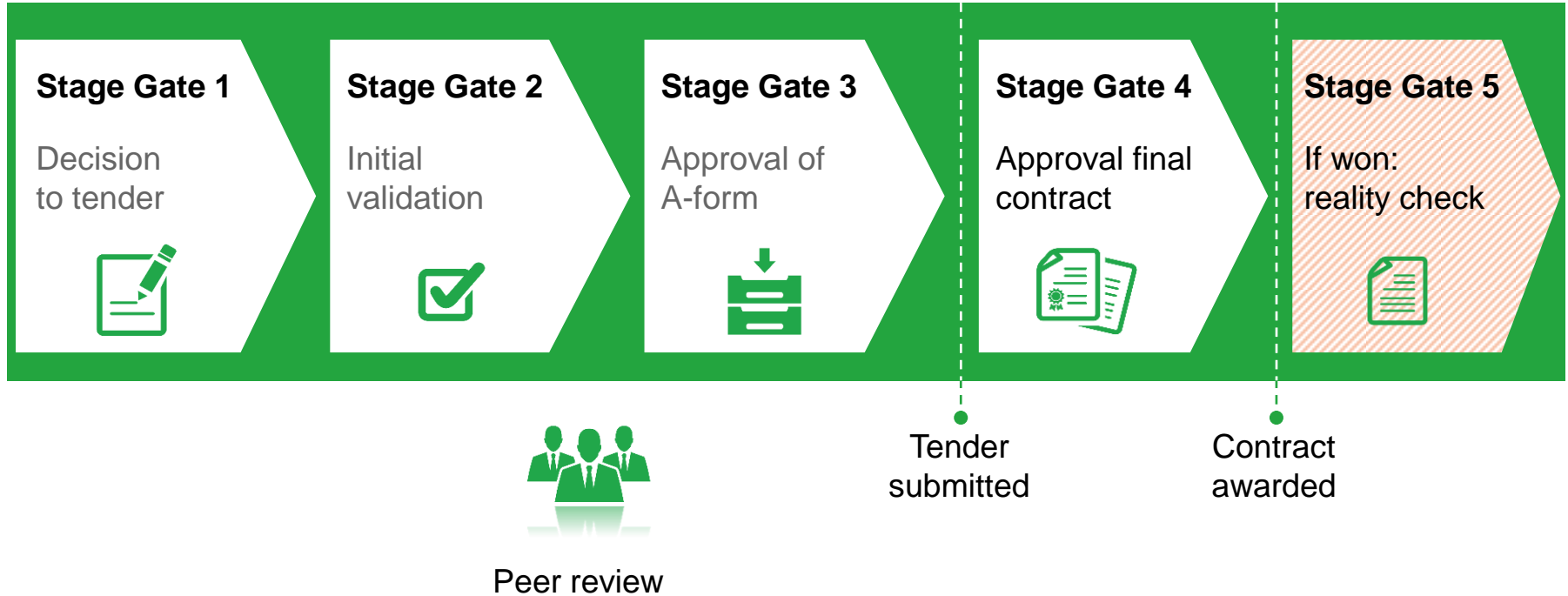
Peer review



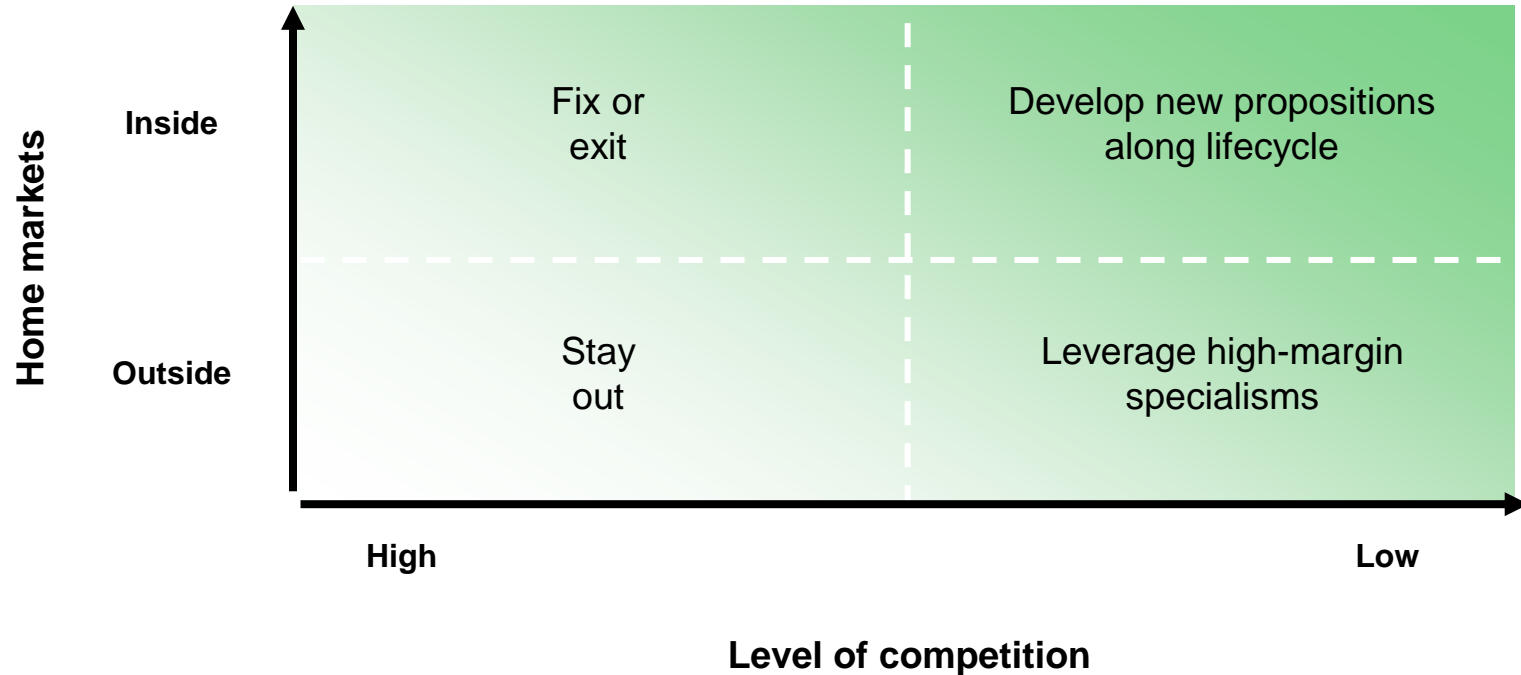
Operational
audit



Focusing project portfolio (4)

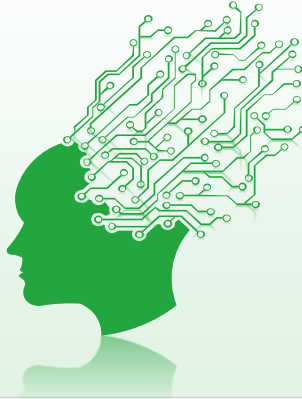


Shape business portfolio



Create future portfolio

Digital construction process

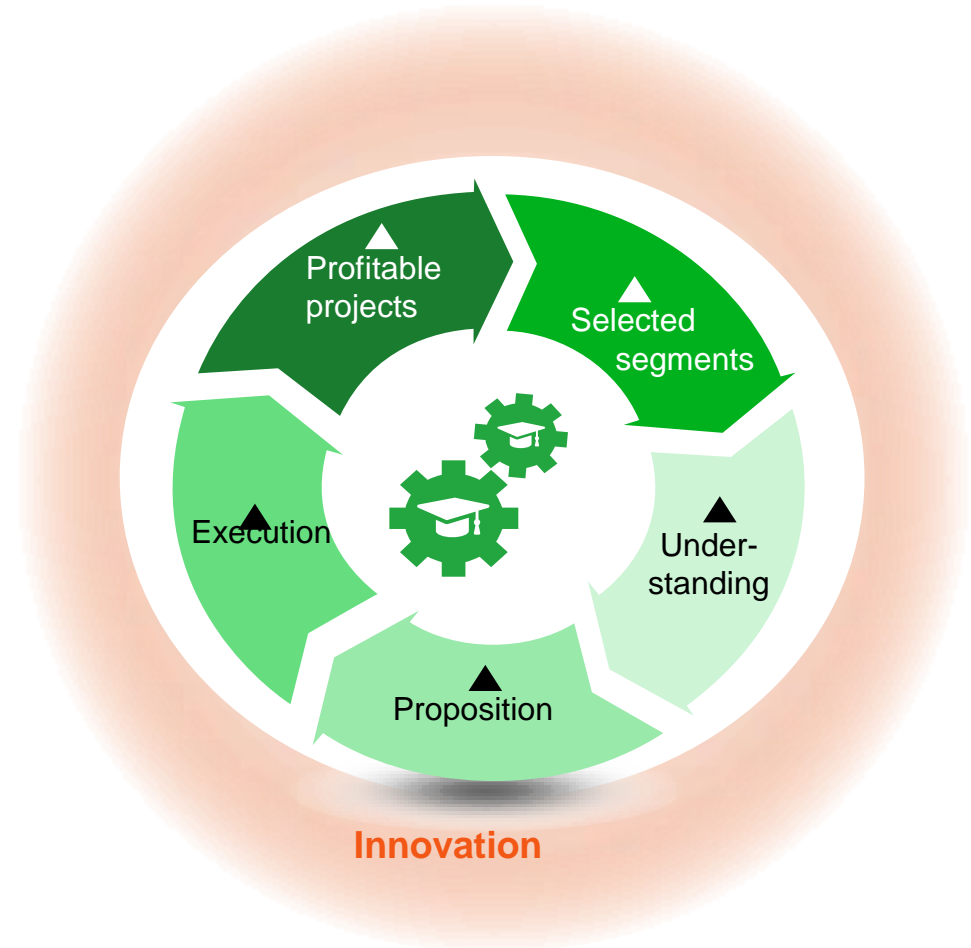


Digital built environment

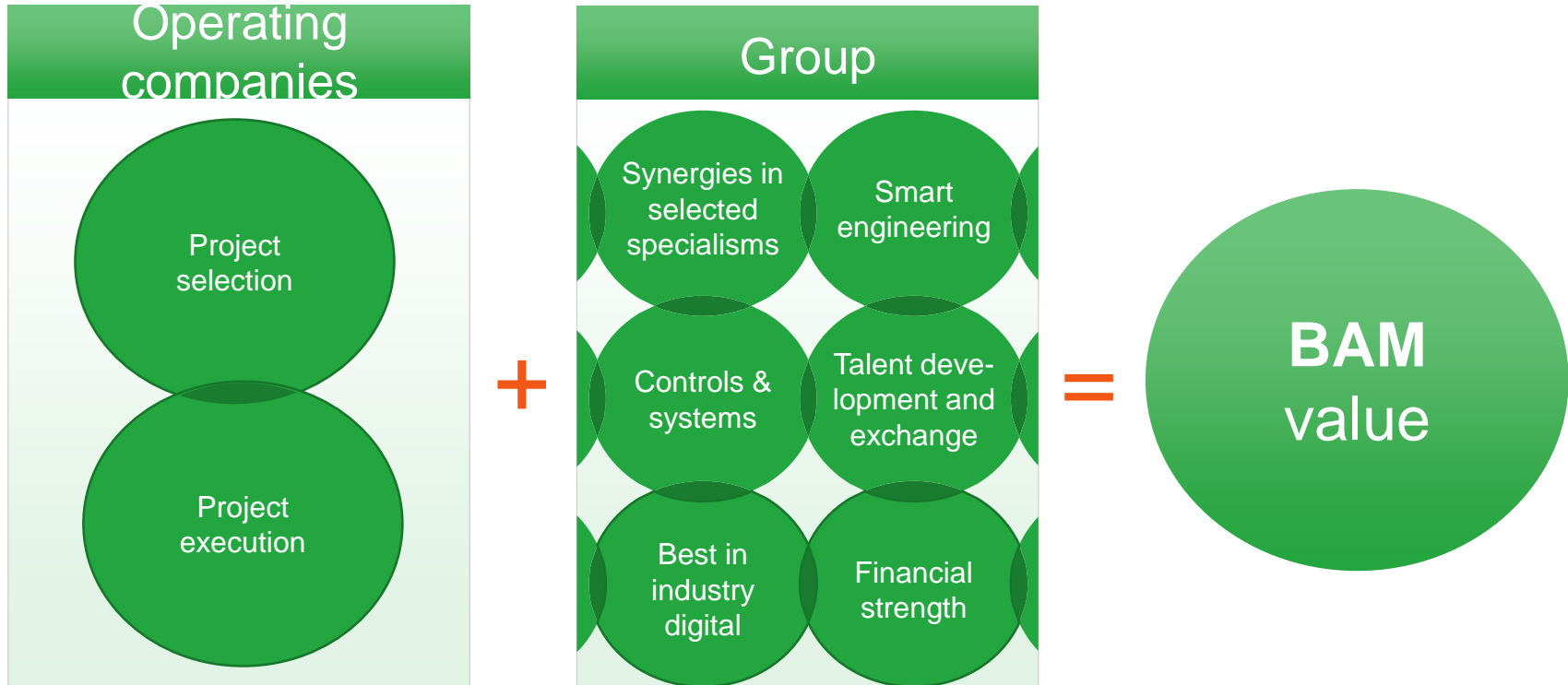


Culture

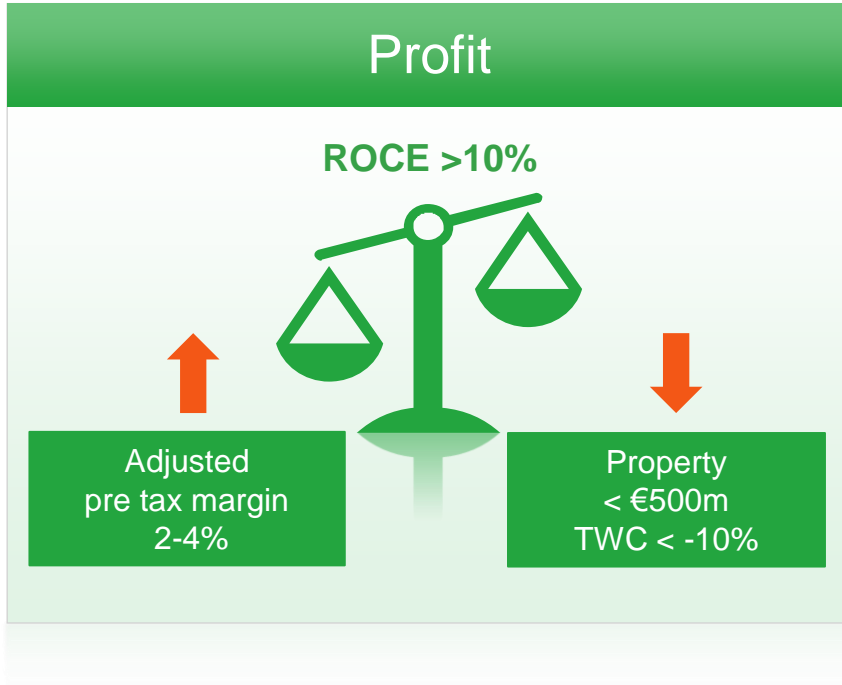
- Performance
- Ownership
- Collaboration
- Learning



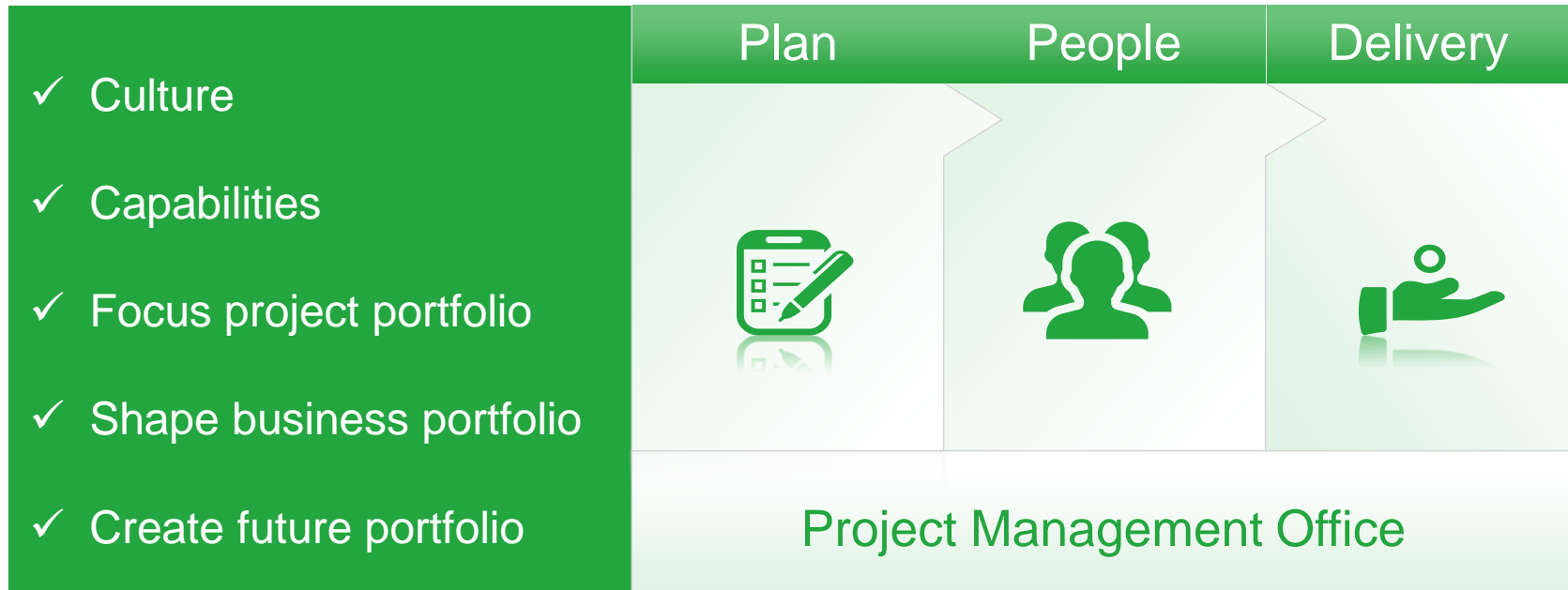
Capabilities



Targets 2020



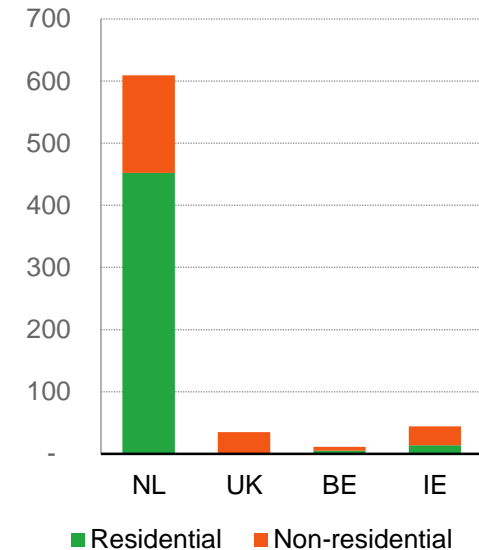
Implementation of strategy is key in 2016



Property investments

<i>(in € million, unless stated otherwise)</i>	Q2 2016	Q4 2015
Land and building rights	417	429
Property development	282	311
Total investments (A)	699	740
Non-recourse loans	98	116
Recourse loans	67	80
Total loans (B)	165	196
Property associates/JV (C)	101	100
Net investments (A)–(B)+(C)	635	644

Total investments (Q2 2016)
(in € million)



PPP investments

<i>(in € million, unless stated otherwise)</i>	Q2 2016	Q4 2015
PPP assets (intangibles, receivables)	303	276
Non-recourse PPP loans	-223	-195
Recourse PPP loans (equity bridges)	-50	-53
PPP associates/JV/other	40	44
Investment equity ¹⁾	70	72
Committed equity ²⁾	120	114
Total invested & committed equity	190	186
NPV Total invested & committed equity (A)	165	162
NPV Future equity cash inflows (B)	237	239
Estimated unrealised value (B) – (A)	72	77

Net debt analysis

<i>(in € million, unless stated otherwise)</i>	Q2 2016	Q4 2015
Non recourse PPP loans	224	195
Non recourse project financing	106	124
Other project financing	117	133
Total 'project related'	447	452
Subordinated convertible bond / subordinated loan	111	124
Financial lease liabilities	14	14
Bank overdrafts and other loans	7	7
Total interest-bearing debts	579	597
Less: cash	604	637
Net cash position	25	40
Recourse net cash position	355	359

Revenue sector/country

	Construction and M&E Services	Civil engineering	Property development	PPP	Total
Netherlands	15%	14%	4%	1%	34%
United Kingdom	15%	15%	1%	0%	31%
Belgium/L'bourg	3%	7%	1%	0%	11%
Germany/Swiss	7%	4%	-	0%	11%
Ireland	-	4%	0%	1%	5%
International	-	8%	-	-	8%
Total	40%	52%	6%	2%	100%

Revenue per sector/country 2015 as a percentage of gross total revenue 2015

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