Royal BAM Group nv

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BAM reports 1H18 adjusted pre-tax result of €57.8 million and reconfirms full year outlook

- Construction & Property: Dutch residential property development drives margin improvement
- Civil engineering: cost overrun IJmuiden largely offset by improved results outside the Netherlands
- PPP: solid result from existing portfolio supported by project transfer to PGGM joint venture
- Order book: stable and developing in line with markets
- Higher cash outflow in first half 2018; trade working capital efficiency reduced from -11.1% to -10%
- Adoption IFRS 15 accounting change: restatement 2017 opening shareholders' equity and result

(in € million)	**1st half-year 2018**	1st half-year 2017**	Full year 2017**
Revenue	**3,237**	3,112	6,535
Adjusted result before tax*	**57.8**	41.1	24.9
Margin adjusted result before tax*	**1.8%**	1.3%	0.4%
Restructuring	**-1.2**	-	-0.2
Impairments	**-**	-0.1	-4.8
Net result	**44.3**	31.3	-13.8
Return on average capital employed	**1.8%**	2.8%	0.6%
Order book (end of period)	**11,800**	10,400	11,600

* Before restructuring, impairments and pension one-off.

** Restated for IFRS 15.

Rob van Wingerden, CEO of Royal BAM Group:

'Despite the previously announced €30 million additional cost overrun at sea lock IJmuiden, our first half result was above last year's. Most of our businesses showed improved results supported by some settlements. The cash outflow for the first half of 2018 was higher than in the first half of 2017 mainly due to IJmuiden and the absence of large non-residential property divestments; our financial position remains solid.

Half-way through our 5-year strategic period we are not yet where we want to be, although we have made good progress in many areas. As we need to further improve our performance and predictability, we will be even more selective in tendering for large projects. We are discussing with our public sector clients on ways to improve the risk and reward balance and contract conditions. We are also revitalising our working capital programme. Overall, we are confident that more rigorous strategy execution will enable us to deliver on our 2020 targets supported by our digital and sustainability agenda.

Conditions in most of our markets are favourable, although challenges like supply chain pressure remain. We reconfirm our outlook for full year 2018 of an adjusted result before tax margin of around 2%.'

Market conditions

- General: mostly positive market conditions cause supply chain pressure in home countries.
- Netherlands: strong demand for new build homes but supply remains constrained due to lack of permitted locations. Non-residential construction and property markets are still improving. Civil engineering remains challenging for regional and larger multidisciplinary projects.
- UK: non-residential construction and civil engineering markets remained stable. Uncertainty regarding Brexit unchanged.
- Germany: construction and civil engineering markets stable and competitive. Promising opportunities for public infrastructure/road projects.
- Belgium: civil engineering shows signs of recovery. Construction and property markets are stable.
- Ireland: markets remain positive especially in construction; opportunities in housing.
- International: oil and gas market stable showing signs of recovery, with new investment decisions pending.
- PPP: positive outlook in most of BAM's home markets and International.

Order book development

(x € million)	**30 June 2018**	31 December 2017
Construction and Property	**6,827**	6,890
Civil engineering	**4,905**	4,693
PPP	**196**	210
Eliminations and miscellaneous	**-128**	-193
Total	**11,800**	11,600

The total order book rose by €0.2 billion in the first half of 2018, mainly due to the award of the Afsluitdijk project in the Netherlands. In the first half of 2018, the average margin on the new order intake was well within the strategic target margin of 2% to 4%.

Accounting changes due to the adoption of IFRS 15

BAM has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018, using the full retrospective transition approach. Under IFRS 15, the valuation threshold for variable considerations has increased from 'more likely than not' (probable) to 'highly probable' and bid fees for won PPP projects are no longer recognised upfront but during the construction phase. Also the balance sheet presentation of the provision for onerous contracts has been changed.

The restatements required by the adoption of IFRS 15 relate mainly to variable considerations of projects in BAM's International, Dutch civil engineering and German construction businesses. BAM expects corresponding revenues will be recognised in future periods, although for example settling accounts in Germany and the Middle East can take some time. These restatements reduced shareholders' equity as at 1 January 2017 by €110 million and the 2017 net result by €26 million. The adjusted pre-tax result for 2017 was restated to €24.9 million from €63.3 million, mainly in the Civil engineering sector. As at 31 December 2017 the capital ratio was restated from 21.2% to 18.6%; the trade working capital efficiency was restated from -10.4% to -11.1% and the return on the average capital employed was restated from 2.8% to 0.6%. There was no impact on cash flows. See annex 8 and 10 for detailed disclosure of the restated numbers.

Analysis by sector

(x € million)	**1st half-year 2018**		1st half-year 2017*	
Results and revenue	**Revenue**	**Result**	Revenue	Result
Construction and Property	**1,802**	**52.0**	1,804	33.0
Civil engineering	**1,481**	**-7.8**	1,355	-0.4
PPP	**12**	**13.8**	67	9.4
Eliminations and miscellaneous	**-58**	**-**	-114	-
Total	**3,237**	**58.0**	3,112	42.0
Group overhead		**1.3**		-1.0
Group interest charge		**-1.5**		0.1
Adjusted result before tax		**57.8**		41.1
Restructuring		**-1.2**		-
Impairments		**-**		-0.1
Result before tax		**56.6**		41.0

* Restated for IFRS 15.

Analysis by geography

(x € million)	**1st half-year 2018**		1st half-year 2017*	
Results and revenue	**Revenue**	**Result**	Revenue	Result
The Netherlands	**1,208**	**-2.2**	1,172	3.5
United Kingdom	**910**	**25.6**	923	18.6
Belgium	**354**	**3.6**	309	-0.6
Ireland	**229**	**7.1**	231	8.6
Germany	**437**	**7.1**	389	-0.5
PPP	**12**	**13.8**	67	9.4
International	**108**	**3.0**	113	3.0
Eliminations and miscellaneous	**-21**	**-**	-92	-
Total	**3,237**	**58.0**	3,112	42.0
Group overhead		**1.3**		-1.0
Group interest charge		**-1.5**		0.1
Adjusted result before tax		**57.8**		41.1

* Restated for IFRS 15.

First half year 2018 results

Revenue of €3,237 million grew by €125 million (4%) compared to the first half of 2017 driven by Civil engineering. The impact of the slightly weaker pound sterling was negligible. The lower revenues at PPP were the consequence of the execution of projects in joint venture which are not consolidated.

The adjusted result before tax for the first half of 2018 rose to €57.8 million, giving a margin of 1.8% (first half of 2017: 1.3%). This was driven by Construction and Property where most businesses reported improved results. The margin at Civil engineering was held back by the Netherlands, partly offset by improved results at all other activities. The margins of both sectors were supported by settlements in the normal course of business. PPP delivered a strong result, supported by the transfer of a project to the PGGM joint venture.

Sector review

At Construction and Property, revenue of €1,802 million was in line with the first half of 2017. Revenue in the Netherlands and the UK reduced due to project phasing. The Netherlands revenue comparison also reflects the absence of the sale of Stadium Zwolle in the first half of 2017. Revenue in Belgium rose due to good progress on some projects.

The sector result of €52.0 million (first half of 2017: €33 million) equates to a margin of 2.9%. The overall contribution from property rose to €27.1 million (first half of 2017: €8.3 million) driven by a higher result from Dutch residential construction and property. Dutch home sales were up by 19% to 1,365. However, development opportunities for new build homes are still constrained by reduced planning and zoning capacity at municipalities, which is reflected in a lower order book for Netherlands residential construction at the end of June 2018.

The overall sector order book at the end of June 2018 was stable at €6.8 billion. The UK order book grew, supported by former Carillion projects for existing clients and the Atlantic Square office development in Glasgow.

The gross investment in property positions reduced by €25 million in the first half of 2018 to €566 million (2020 target: < €500 million) due to production of Dutch homes. The property portfolio was financed by €139 million property loans (year-end 2017: €144 million).

In Civil engineering, revenue grew by 9% overall, driven by the Netherlands, the UK and Germany. There was a loss of €27.8 million in the Netherlands due to the €30.2 million cost overrun at the sea lock IJmuiden and challenging conditions in regional infrastructure markets. Excluding IJmuiden, the sector delivered an adjusted pre-tax margin of 1.5%. The first caisson of the sea lock IJmuiden is currently in the process of being immersed into its final position: the second will be finalised over the summer of 2019. All other countries were level with or ahead of the first half of 2017. There was a reduced loss in Belgium where market conditions show signs of improvement.

The order book rose by €0.2 billion to €4.9 billion. The increase was driven by BAM's share of the Afsluitdijk project won in the Netherlands.

PPP delivered a strong result of €13.8 million. This came from the project portfolio, supported by the transfer of the Irish Court bundle to the PGGM joint venture. In the first half of 2018, BAM PPP won the Afsluitdijk project in the Netherlands. The pipeline of active bids remains healthy.

Cash flow[1]

(x € million)	**1st half-year 2018**	1st half-year 2017*	Full year 2017*
Group: net cash result[2]	**89**	54	78
Investments (in)tangible assets	**-33**	-47	-83
Trade working capital[3]	**-237**	-120	-39
Net Investment			
Property	**22**	76	80
PPP	**4**	3	1
Other changes in working capital	**-72**	-65	-24
Business cash flow	**-227**	-99	13
Dividend	**-11**	-7	-7
Restructuring	**-5**	-18	-25
Pensions (additional)	**-8**	-7	-12
Other	**-11**	-5	-12
Increase/decrease in cash position	**-262**	-136	-43

[1] These metrics are not directly compatible with the IFRS-based condensed cash flow statement.

[2] Net cash result is net result excluding depreciation, impairments, movements of provisions and book profit on sale of PPP projects.

[3] Working capital excluding property positions, PPP receivables, assets and liabilities held for sale, derivatives, provisions, taxes, other receivables and other payables.

* Restated for IFRS 15.

The cash flow for the first half of 2018 showed a normal seasonal out flow, although substantially above the level of the same period in 2017.

The cash outflow at trade working capital was mainly driven by lower pre-financing on projects, higher trade receivables and the cash outflow on the sea lock IJmuiden (€53 million in first half of 2018). Constructive discussions are ongoing with the banking syndicate for sea lock IJmuiden to update the financing scheme of the project. Trade working capital efficiency (defined as average four quarter-end trade working capital as a percentage of rolling four quarters revenue) reduced to -10.0% at 30 June 2018 (31 December 2017: -11.1%).

BAM expects the absolute level of trade working capital will improve in the second half, but not to the extent of the second half of 2017. Trade working capital efficiency is likely to drop below -10% by the end of this year. BAM is maintaining its commitment to this strategic target, and is revitalising its trade working capital programme with a focus on work in progress and trade receivables.

The cash flow from property was below the level of the first half of 2017, when the transfer of property positions in the northeast of the Netherlands and the sale of the Stadium Complex Zwolle supported the cash flow.

Other included the re-purchase of shares to offset the dilution as a result of the scrip dividend alternative.

Financial position

(x € million)	**30 June 2018**	31 December 2017*	30 June 2017*
Cash position	**434**	696	603
Interest-bearing debt	**346**	503	613
Net (debt) / cash	**88**	193	-10
Recourse net cash	**208**	458	349
Shareholders' equity	**751**	721	746
Capital base	**868**	836	859
Balance sheet total	**4,358**	4,489	4,505
Capital ratio	**19.9%**	18.6%	19.1%
Capital employed	**1,412**	1,520	1,655
Return on rolling capital employed	**1.8%**	0.6%	2.8%

* Restated for IFRS 15.

BAM had a net cash position of €88 million as at 30 June 2018, compared to a net debt of €10 million as at end June 2017. The cash outflow in the first half of 2018 was more than offset by the reduction of the interest bearing debt due to the transfer of one PPP project into the joint venture with PGGM.

The capital ratio as at 30 June 2018 improved to 19.9% (30 June 2017: 19.1%). This was mainly due to the reduction of the asset base driven by the transfer of one PPP into the joint venture with PGGM.

The Group was well within the limits of all its banking covenants as at 30 June 2018; the recourse leverage ratio was -2.00 (≤ 2.75), the recourse interest coverage ratio was 9.12 (≥ 4.0) and the recourse solvency ratio was 30% (≥ 15%).

Outlook

For the full year 2018, BAM expects an adjusted result before tax margin of around 2%.

Risks and uncertainties

As indicated in the annual report for the 2017 financial year, there is a Group-wide focus on risk management in the primary process, prompted by increasing complexity and growing competition. The Group's risk management system does not imply avoidance of all risks. Instead it aims at identifying opportunities and threats and managing them. Better, more effective risk management will enable BAM to undertake larger commitments in a well-controlled environment. The risks that can have a material impact on the Group's results and its financial position are described in detail in the annual report for the 2017 financial year. Other risks that are either not currently known or currently considered non-material could prove to have an effect (material or otherwise) in due course on the markets, objectives, revenue, results, assets, liquidity or funding of the Group.

Declaration in accordance with the Dutch Financial Supervision Act

In accordance with their statutory obligations under Article 5:25d(2)(c) of the Dutch Financial Supervision Act, the members of the Executive Board declare that, in so far as they are aware:

- the half-yearly financial report provides a true and fair reflection of the assets and liabilities, the financial position and the result generated by the Company and by companies included in the consolidated accounts; and
- the half-yearly report by the Executive Board provides a true and fair overview of the information required pursuant to Article 5:25d(8) and (9) of the Dutch Financial Supervision Act.

Bunnik, the Netherlands, 22 August 2018

Executive Board, Royal BAM Group nv:
Rob van Wingerden, CEO
Frans den Houter, CFO
Erik Bax, COO

Live video webcast

The Executive Board of Royal BAM Group will present the results of the first half of 2018 on 23 August 2018 during an (English) analyst meeting from 10.00 a.m. to 11.30 a.m. CET. The meeting can be followed via live video webcast (www.bam.com).

Further information

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Annexes half-yearly financial report

1. Interim condensed consolidated income statement
2. Interim condensed consolidated statement of comprehensive income
3. Interim consolidated statement of financial position
4. Interim condensed consolidated statement of changes in equity
5. Interim condensed consolidated statement of cash flows
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10. Sector revenue and results for each quarter 2017 and first quarter 2018 restated for IFRS 15

1. Interim condensed consolidated income statement

(x € million)

	1st half-year 2018	1st half-year 2017*	Full year 2017*
Continuing operations			
Revenue	**3,236.9**	3,111.7	6,535.1
Operating result before depreciation, amortisation and impairment charges and restructuring costs	**66.4**	59.4	54.6
Depreciation and amortisation charges	**-33.2**	-28.0	-59.5
Impairment charges	**-**	-0.1	-4.6
Restructuring costs	**-1.2**	-	-0.2
Operating result	**32.0**	31.3	-9.7
Finance income	**9.2**	15.5	30.0
Finance expense	**-5.9**	-11.2	-20.4
Total finance income and –expense	**3.3**	4.3	9.6
Result from associates and joint ventures	**21.3**	5.4	20.3
Impairments in associates and joint ventures	**-**	-	-0.2
Result before tax	**56.6**	41.0	20.0
Income tax	**-12.3**	-9.6	-32.9
Result from continuing operations	**44.3**	31.4	-12.9
Discontinued operations			
Result from discontinued operations	**-**	-	-
Net result for the period	**44.3**	31.4	-12.9
Attributable to:			
Non-controlling interests	**-**	0.1	0.9
Net result attributable to shareholders of the Company	**44.3**	31.3	-13.8
	44.3	31.4	-12.9
Earnings per share			
Net result attributable to shareholders of the company (basic)	**0.16**	0.12	-0.05
Net result attributable to shareholders of the company (diluted)	**0.16**	0.11	-0.05

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

2. Interim condensed consolidated statement of comprehensive income
(x € million)

	1st half-year 2018	1st half-year 2017*	Full year 2017*
Net result for the period	**44.3**	31.4	-12.9
Items that will be reclassified to profit or loss, net of tax			
Cash flow hedges	**-0.6**	17.3	17.6
Exchange rate differences	**-0.6**	-8.3	-12.1
Items that will not be reclassified to profit or loss, net of tax			
Actuarial gains and losses pensions	**13.4**	-9.9	14.5
Other comprehensive income	**12.2**	-0.9	20.0
Total comprehensive income	**56.5**	30.5	7.1
Attributable to:			
Non-controlling interests	**-**	-0.1	0.8
Shareholders of the Company	**56.5**	30.6	6.3
	56.5	30.5	7.1

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

Other comprehensive income in the first half year 2018 was influenced by positive movements in actuarial gains and losses pensions. Exchange rate differences include the translation of foreign companies.

3. Interim consolidated statement of financial position

(x € million)

	30 June 2018	31 December 2017*	30 June 2017*
Property, plant and equipment	**281.7**	281.9	279.4
Intangible assets	**409.2**	403.7	397.1
PPP receivables	**87.6**	240.7	344.1
Investments	**102.0**	95.6	92.4
Other financial assets	**100.9**	91.9	81.7
Derivative financial instruments	**-**	0.5	0.2
Employee benefits	**97.8**	75.0	45.6
Deferred tax assets	**230.9**	235.0	253.9
Non-current assets	**1,310.1**	1,424.3	1,494.4
Inventories	**580.9**	606.7	618.9
Trade and other receivables	**2,018.1**	1,744.7	1,772.4
Income tax receivable	**5.5**	7.5	4.5
Derivative financial instruments	**1.0**	1.1	3.1
Cash and cash equivalents	**433.8**	695.8	603.0
Current assets	**3,039.3**	3,055.8	3,001.9
Assets held for sale	**8.5**	8.5	8.5
Total assets	**4,357.9**	4,488.6	4,504.8
Share capital	**839.3**	839.3	839.3
Reserves	**-154.2**	-152.8	-152.2
Retained earnings	**66.1**	34.7	58.4
Equity attributable to the shareholders of the Company	**751.2**	721.2	745.5
Non-controlling interests	**5.6**	5.6	5.2
Total equity	**756.8**	726.8	750.7
Borrowings	**239.6**	398.1	521.7
Derivative financial instruments	**10.5**	15.0	15.4
Employee benefits	**119.5**	118.5	131.5
Provisions	**148.2**	128.6	120.2
Deferred tax liabilities	**31.3**	28.1	24.3
Non-current liabilities	**549.1**	688.3	813.1
Borrowings	**106.2**	104.9	91.2
Trade and other payables	**2,833.6**	2,856.2	2,744.7
Derivative financial instruments	**1.9**	0.1	0.6
Provisions	**93.6**	94.8	86.7
Income tax payable	**16.7**	17.5	17.8
Current liabilities	**3,052.0**	3,073.5	2,941.0
Liabilities held for sale	**-**	-	-
Total equity and liabilities	**4,357.9**	4,488.6	4,504.8
Capital base	**867.5**	836.2	859.2

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

4. Interim condensed consolidated statement of changes in equity
(x € million)

	1st half-year 2018	1st half-year 2017*	Full year 2017*
As at 1 January	**726.8**	729.6	729.6
Net result for the period	**44.3**	31.4	-12.9
Fair value cash flow hedges	**-0.6**	17.3	17.6
Actuarial gains and losses pensions	**13.4**	-9.9	14.5
Exchange rate differences	**-0.6**	-8.3	-12.1
Other comprehensive income net of tax	**12.2**	-0.9	20.0
Total comprehensive income	**56.5**	30.5	7.1
Dividends paid	**-11.5**	-7.5	-7.9
Other changes	**-15.0**	-1.9	-2.0
Total change	**30.0**	21.2	-2.8
Position as at period-end	**756.8**	750.7	726.8

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

Other comprehensive income in the first half year 2018 was influenced by positive movements in actuarial gains and losses pensions. Exchange rate differences include the translation of foreign companies.

The other changes mainly relate to the buyback of ordinary shares to neutralize the dilutive effect of the stock dividend.

No significant changes have occurred in the equity attributable to the non-controlling interests.

5. Interim condensed consolidated statement of cash flows

(x € million)

	1st half-year 2018	1st half-year 2017*	Full year 2017*
Net result for the period	**44.3**	31.4	-12.9
Adjustments for:			
- Income tax	**12.3**	9.7	32.9
- Depreciation and amortisation charges	**33.2**	28.0	59.5
- Impairment charges	**-**	0.1	4.5
- Result on sale of subsidiaries	**-**	-	0.2
- Result on sale of PPP projects	**-4.4**	-	-0.9
- Result on sale of property, plant and equipment	**-1.2**	-0.9	-4.7
- Share based payments	**0.4**	0.5	0.8
- Share of result of investments	**-17.8**	-5.4	-20.1
- Finance income and expense	**-3.3**	-4.4	-9.6
Interest received	**4.6**	5.1	9.9
Dividends received from investments	**12.4**	9.6	23.3
Changes in provisions and pensions	**13.4**	-21.8	-21.8
Changes in working capital (excluding cash and cash equivalents)	**-269.9**	-94.0	62.5
Cash flow from operations	**-176.0**	-42.1	123.6
Interest paid	**-9.0**	-14.6	-25.2
Income tax received / (paid)	**-8.1**	-5.0	-10.7
Net cash flow from ordinary operations	**-193.1**	-61.7	87.7
Investments in PPP receivables	**-7.2**	-66.8	-127.2
Repayments of PPP receivables	**12.7**	81.7	105.0
Net cash flow from operating activities	**-187.6**	-46.8	65.5
Investments in non-current assets	**-61.2**	-73.0	-134.8
Disposals and repayments of non-current assets	**16.3**	14.7	33.9
Sale of subsidiaries	**-**	-	-
Sale of PPP projects	**18.7**	-	20.5
Other investment activities	**-**	-	-
Net cash flow from investing activities	**-26.2**	-58.3	-80.4
Proceeds from borrowings	**11.0**	121.5	175.2
Repayments of borrowings	**-32.7**	-139.7	-184.3
Dividends paid (including non-controlling interests)	**-11.5**	-7.5	-7.9
Repurchase of shares **	**-15.2**	-2.7	-2.7
Net cash flow from financing activities	**-48.4**	-28.4	-19.7
Change in net cash and cash equivalents	**-262.2**	-133.5	-34.6
Cash and cash equivalents at beginning of the year	**695.8**	738.6	738.6
Change in cash and cash equivalents in assets and liabilities held for sale	**-0.8**	-	-
Exchange rate differences on cash and cash equivalents	**1.0**	-2.1	-8.2
Net cash position at period-end	**433.8**	603.0	695.8
Cash and cash equivalents	**433.8**	603.0	695.8
Bank overdrafts	**-**	-	-
Net cash position at period-end	**433.8**	603.0	695.8
Of which in joint operations:	**229.4**	204.2	216.8

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

** The repurchase of shares concerns the purchase of shares with respect to the performance share plan and the repurchase to offset dilution of the 2017 scrip dividend.

6. Segment information

(x € million)

Results and revenue from continuing operations	1st half-year 2018 Result	1st half-year 2018 Revenue	1st half-year 2017* Result	1st half-year 2017* Revenue
Construction and Property	**52.0**	**1,802.0**	33.0	1,804.3
Civil engineering	**-7.8**	**1,481.2**	-0.4	1,354.3
Public Private Partnerships (PPP)	**13.8**	**11.7**	9.4	67.1
Eliminations and miscellaneous	**-**	**-58.0**	-	-114.1
Total for continuing operations	**58.0**	**3,236.9**	42.0	3,111.6
Group overhead	**1.3**		-1.0	
Group interest charge	**-1.5**		0.1	
Adjusted result before tax	**57.8**		41.1	
Restructuring	**-1.2**		-	
Impairment charges	**-**		-0.1	
Pension one off	**-**		-	
Result before tax	**56.6**		41.0	
Income tax	**-12.3**		-9.6	
Net result from continuing operations	**44.3**		31.4	
Net result from discontinued operations	**-**		-	
Net result for the period	**44.3**		31.4	
Non-controlling interests	**-**		-0.1	
Net result attributable to shareholders	**44.3**		31.3	

For further information on segment performance, reference is made to the chapters First half year results and order book and Sector review on pages 3 and 4.

7. Figures per ordinary share with par value of €0.10

(x €1, unless indicated otherwise)

	1st half-year 2018	1st half-year 2017*	Full year 2017*
Net result attributable to shareholders of the company (basic)	**0.16**	0.12	-0.05
Net result attributable to shareholders of the company (diluted)	**0.16**	0.11	-0.05
Cash flow (net result plus depreciation, amortisation and impairment charges)	**0.28**	0.22	0.18
Equity attributable to shareholders of the company	**2.75**	2.73	2.64
Highest closing share price	**4.16**	5.46	5.46
Lowest closing share price	**3.49**	4.37	3.45
Closing share price at period-end	**3.60**	4.76	3.83
Number of shares ranking for dividend (x 1,000)	**273,296**	273,213	273,213
Average number of shares ranking for dividend (x 1,000)	**273,689**	271,201	272,215
Number of shares ranking for dividend diluted (x 1,000)	**298,298**	297,584	297,584
Average number of shares ranking for dividend diluted (x 1,000)	**298,240**	295,252	296,428

* The comparative figures, where applicable, have been restated for IFRS 15. See annex 8.3.

The calculation of the diluted earnings per share for the full year 2017 state € -0.03, however due to IAS 33, no anti-dilutive effect is allowed. So diluted earnings per share are equal to the basic earnings per share.

8. Explanatory notes to the half-year 2018 report

1. General information

Royal BAM Group nv ('the Company') was incorporated under Dutch law and is domiciled in the Netherlands. These condensed consolidated interim financial statements contain the financial data for the first six months of 2018 for the Company and its subsidiaries (jointly referred to as 'the Group') and includes its share in joint operations.

These interim financial statements were approved by the Supervisory Board and released for publication by the Executive Board. The information in these condensed consolidated interim financial statements is reviewed, not audited.

2. Basis of preparation

These interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, and the commentary by the Executive Board earlier in this interim report.

3. Accounting principles

The accounting principles adopted are consistent with those of the previous financial year with the exception of IFRS 15 and IFRS 9, which are effective as per 1 January 2018 and are adopted by the Group in its 2018 half year financial statements.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15 deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. IFRS 15 replaced the previous standards IAS 18, 'Revenue' and IAS 11, 'Construction contracts'. The Group has finalized a full contract by contract analysis in the first half year of 2018. The Group uses the retrospective method for implementation, which means that the (interim) financial statements of 2018 will contain comparative figures over 2017 based on IFRS 15. For comparison reasons also the impact on the opening balance 2017 and half year 2017 has been established.

During the publication of the financial statements 2017, certain areas of attention were still outstanding. These specific areas of attention and discussions at IFRIC contained the following topics:

- Variable considerations will only be recognized to the extent that it is highly probable that no significant reversal of revenue will occur. The valuation threshold therefore increased from 'more likely than not' to 'highly probable'. This means that certain valuations of claims, variation orders, bonusses and penalties, which were previously correctly valued under the probable criterium under IAS 11, do not qualify in full for recognition under IFRS 15. This has a negative effect on equity upon transition and a negative impact on the comparative revenue and result figures of 2017, as shown in the overall impact below. The overall contract profitability is not affected, as BAM expects corresponding revenues, and therefore results, will be recognized in future periods. The IFRS 15 impact is in particular a matter of timing.
- The Group continues to follow the prudent option of using integral cost regarding the measurement of provisions for onerous contracts, which means that the revenue and contract cost as estimated in applying IFRS15 are also used as a basis for determining whether a contract is onerous. This assessment is made for the contract as a whole, whereby the interaction between loss making performance obligations and profitable performance obligations within one contract has led to a limited impact.
- In general the activities of the Group qualify for recognition of revenue over time in line with current accounting.
- Bid fees in respect of won PPP-projects are no longer recognized upfront, but during the construction phase of the project. This has a limited impact on equity upon transition and result of the comparative figures 2017, as shown in the overall impact below.
- During 2018 the discussion whether land and buildings need to be classified as separate performance obligations has been concluded by IFRIC, which states multiple performance obligations apply. Although such separation may affect the accounting for individual transactions, it does currently not have a material effect on the Group.

Significant inefficiencies

The Group does not recognize revenue for costs incurred that are attributable to significant inefficiencies in the entity's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation. Identification of inefficiencies leads to an adjustment in revenue and, in case of loss making projects, a reclassification between project result and provisions for onerous contracts. No result impact has been identified during the Groups conversion to IFRS 15.

Reclassification of onerous contracts
Under the previous standard, the Group reported the net contract position for each contract as either an asset or a liability. A contract represented an asset where cost incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the progress billings exceed cost incurred plus recognized profits (less recognized losses). Provisions for onerous contracts were therefore included within the net contract position. Under IFRS 15 the provisions for onerous contracts need to be reclassified from the net contract position to a separate provision for onerous contracts. These provisions show the amount of the onerous contract result still to be realized, based on the progress of the project.

Input measures for revenue recognition
IFRS 15 prescribes that only one measurement method for recognizing revenue over time may be used for similar contracts throughout the Group: either input based or output based and applied consistently. Under the previous standard both methods were accepted. Almost all entities within the Group already used the input method, meaning the revenue is based on the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. One entity used the output method, for which the impact is shown under the impact Other. This does not lead to a result impact.

Practical expedients
For consistency reasons, no practical expedients have been applied during the conversion of the Group to IFRS 15. This may have led to slightly higher impacts than if practical expedients would have been applied.

The overall impact of the implementation of IFRS 15 is shown in the tables below. The tables show adjustments of revenue from variable considerations, the impact of recognizing bid fees during the construction phase, a reclassification for onerous contracts to provisions and other impacts. The amounts are shown in € million. The adjustments are recognized for each individual line item that has been affected. Line items that were not affected by the changes have not been separately shown.

Balance sheet (extract)	**31 December 2017**	**Variable considerations**	**PPP bid fees**	**Provisions**	**Other**	**31 December 2017 restated**
Deferred tax assets	218.0	15.4	1.6	-	-	235.0
Trade and other receivables	1,845.4	(114.1)	-	26.2	(12.8)	1,744.7
Income tax receivable	6.5	1.1	-	-	-	7.5
Other assets	2,501.3	-	-	-	-	2,501.3
Total assets	**4,571.2**	(97.6)	1.6	26.2	(12.8)	**4,488.6**
Group equity	857.8	(126.1)	(4.8)	-	-	726.8
Provisions	113.9	17.4	-	92.2	-	223.5
Trade and other payables	2,917.2	11.2	6.4	(66.0)	(12.8)	2,856.0
Income tax payable	17.6	(0.1)	-	-	-	17.5
Other liabilities	664.7	-	-	-	-	664.7
Total equity and liabilities	**4,571.2**	(97.6)	1.6	26.2	(12.8)	**4,488.6**

Within equity, a positive exchange rate effect has been included of € 5.1m.

Balance sheet (extract)	30 June 2017	Variable considerations	PPP bid fees	Provisions	Other	30 June 2017 restated
Deferred tax assets	244.6	8.0	1.4	-	-	253.9
Trade and other receivables	1,853.7	(101.3)	-	26.1	(6.1)	1,772.4
Income tax receivable	4.6	(0.0)	-	-	-	4.5
Other assets	2,474.1	-	-	-	-	2,474.1
Total assets	**4,576.8**	(93.3)	1.4	26.1	(6.1)	**4,504.9**
	-					
Group equity	866.5	(111.8)	(4.1)	-	-	750.7
Provisions	115.1	17.0	-	74.8	-	206.9
Trade and other payables	2,792.8	1.4	5.4	(48.7)	(6.1)	2,744.9
Other liabilities	802.5	-	-	-	-	802.5
Total equity and liabilities	**4,576.8**	(93.3)	1.4	26.1	(6.1)	**4,504.9**

Within equity, a positive exchange rate effect has been included of € 2.5m.

Balance sheet (extract)	1 January 2017	Variable considerations	PPP bid fees	Provisions	Other	1 January 2017 restated
Deferred tax assets	248.8	6.1	1.6	-	-	256.6
Trade and other receivables	1,934.5	(92.7)	-	23.5	2.8	1,868.1
Income tax receivable	6.2	(1.3)	-	-	-	5.0
Other assets	2,622.5	-	-	-	-	2,622.5
Total assets	**4,812.1**	(87.9)	1.6	23.5	2.8	**4,752.1**
	-					
Group equity	839.3	(104.9)	(4.9)	-	-	729.6
Provisions	141.9	17.0	-	68.0	-	226.9
Trade and other payables	3,004.4	-	6.5	(44.5)	2.8	2,969.2
Other liabilities	826.5	-	-	-	-	826.5
Total equity and liabilities	**4,812.1**	(87.9)	1.6	23.5	2.8	**4,752.1**

Statement of profit or loss and other comprehensive income (extract)

	Full year 2017	Variable considerations	PPP bid fees	Other	Full year 2017 Restated
Revenue	6,603.7	(51.9)	-	(16.7)	6,535.1
Operating expenses	(6,575.1)	13.5	0.1	16.7	(6,544.8)
Operating result	**28.6**	(38.4)	0.1	-	**(9.7)**
Result before tax	**58.3**	(38.4)	0.1	-	**20.0**
Income tax	(44.9)	12.1	(0.0)	-	(32.9)
Net result for the year	**13.4**	(26.4)	0.0	-	**(12.9)**

Statement of profit or loss and other comprehensive income (extract)

	First half year 2017	Variable considerations	PPP bid fees	Other	First half year 2017 Restated
Revenue	3,145.1	(14.4)	-	(19.1)	3,111.7
Operating expenses	(3,102.2)	1.7	1.1	19.1	(3,080.4)
Operating result	**42.9**	(12.7)	1.1	-	**31.3**
Result before tax	**52.6**	(12.7)	1.1	-	**41.1**
Income tax	(12.6)	3.3	(0.3)	-	(9.6)
Net result for the year	**40.0**	(9.4)	0.8	-	**31.4**

IFRS 9, 'Financial instruments'
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The impact of IFRS 9 can be summarized as follows:

- All financial instruments are held to collect and the Group has not applied for the fair value option. As a result of this, for all financial instruments that meet the Solely Payments of Principal and Interest (SPPI) criterion, the accounting remains at amortized cost.
- Part of the non-current receivables (included in the other financial assets (carrying amount € 100.9 million as of June 30, 2018; 2017: € 91.9 million)) do not meet the SPPI criterion; as a result of this, these have to be accounted for at fair value through profit and loss. The difference between the fair value and amortized cost of the non-current receivables involved is not material.
- The expected credit loss (ECL) approach has no material impact regarding the credit provisions, which under IAS 39 Financial Instruments were based on a incurred loss model.
- The foreign exchange and interest hedges comply with IFRS 9.

Since the overall impact of IFRS 9 is not material, the effects aren't accounted for in these interim financial statements. Related to this, the comparative figures have not been restated for IFRS 9.

Other amendments to IFRSs effective for the financial year ending 31 December 2018 do not have a material impact on the Group.

The following exchange rates of the euro against the pound sterling (£) have been used in the preparation of these interim financial statements:

	1st half-year 2018	Full year 2017	1st half-year 2017
Closing exchange rate			
Pound sterling	**0.88778**	0.88763	0.87650
Average exchange rate			
Pound sterling	**0.88121**	0.87420	0.86073

4. Taxes
During the first half year of 2018, the effective tax rate was mainly influenced by exempt results of participations, tax losses which were not recognised, as well as differences in statutory tax rates that apply to the taxable results in the countries in which the Group operates.

5. Seasonal influences
Due to the seasonal nature of the business in the operational sectors, sometimes adversely influenced by winter conditions, higher revenue and profitability are usually expected in the second half of the year.

6. Estimates and assessments in the interim financial report
The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. During the first half year of 2018 an additional cost overrun at sea lock Ijmuiden occurred. For further details see page 4.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation have not been changed, with the exception of the application of IFRS 15. The threshold for accounting for variable considerations has been increased from 'more likely than not' to 'highly probable'. Factors to take into consideration have been intensified, for example if the amount of consideration is highly susceptible to factors outside the Group's influence, if the uncertainty might not be resolved for a long period of time, considering previous experiences with the client or similar types of projects and if the contract has a broad range of possible consideration amounts. The comparative figures have also been updated using the new threshold.

The other significant judgements made by management remained the same as those that were applied to the consolidated financial statements for the year ended 31 December 2017. There were no changes in circumstances that should have led to different estimates for the valuation of goodwill and deferred taxes.

7. Legal proceedings
In the normal course of business the Group and its subsidiaries are involved in legal proceedings predominantly concerning litigation as a result of claims with respect to construction contracts.
In accordance with current accounting policies, including the effect of adopting IFRS 15, the Group has recognised these claims, where appropriate, which are reflected on its balance sheet as a receivable or liability. Some proceedings, if decided adversely or settled, may have a material impact on the Group's financial position, operational result or cash flows.

8. Related party transactions
In the first half year of 2018 the Group has transferred one PPP project to the joint venture BAM PPP/ PGGM with a net result of € 4.4 million (first half year 2017: no projects).

9. Fair value measurements and disclosures
The fair value of financial instruments not quoted in an active market is measured using valuation techniques. The Group uses various techniques and makes assumptions based on market conditions on balance sheet date. One of these techniques is the calculation of the net present value of the expected cash flows (DCF-method). The fair value of the interest rate swaps is calculated as the net present value of the expected future cash flows. The fair value of the forward exchange contracts is measured based on the 'forward' currency exchange rates on balance sheet date. In addition, valuations from financial institutions are requested for interest rate swaps.

Financial instruments measured at fair value consist of interest rate swaps and foreign exchange contracts only and are classified as a level 2 valuation method. As at 30 June 2018 the balance sheet includes derivative financial instruments measured at fair value amounting to €1.0 million (asset) and €12.4 million (liability).

As at 30 June 2018 the fair value of the liability component of the subordinated convertible bonds is approximately €123 million (carrying amount €116 million). The fair value of the non-current PPP receivables is approximately €98 million (carrying amount €88 million). The fair value of the other financial assets at amortized cost is approximately €60 million (carrying amount €44 million). The carrying amounts of other financial instruments do not differ significantly from their fair values.

10. Dividend
Holders of ordinary shares were assigned a dividend of €0.10 per share in cash or 1 new share per 41.24 shares (2017: €0.09 per share in cash or 1 new share per 60.33 shares), which was effectuated in May 2018. BAM repurchased shares to offset the dilution as a result of the scrip dividend alternative.

11. Events after the balance sheet date
No material events after the balance sheet date have occurred.

Review Report

To: the Shareholders and the Supervisory Board of Royal BAM Group N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial information over the period 1 January 2018 to 30 June 2018 of Royal BAM Group N.V., Bunnik, which comprises the consolidated statement of financial position as at 30 June 2018, the condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows over the period 1 January 2018 to 30 June 2018, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Executive Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review of the condensed consolidated interim financial information in accordance with Dutch law, including the Dutch Standard 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information over the period 1 January 2018 to 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Utrecht, 22 August 2018

Ernst & Young Accountants LLP

Signed by W.H. Kerst

10. Sector revenue and results for each quarter 2017 and first quarter 2018 restated for IFRS 15

Restated for IFRS 15	Q1 2017		H1 2017		9 months 2017		FY 2017		Q1 2018	
	Revenue	Result	Revenue	Result	Revenue	Result	Revenue	Result	Revenue	Result
Construction and Property	822	12.5	1,804	33.0	2,646	39.3	3,696	68.9	795	16.4
Civil Engineering	587	-14.9	1,354	-0.4	2,109	7.4	2,907	-58.6	659	0.1
PPP	32	4.0	67	9.4	112	14.1	135	19.0	7	7.9
Other / Eliminations	-65	-	-113	-	-190	-	-203	-	-31	-0.1
Total sectors	**1,376**	**1.6**	**3,112**	**42.0**	**4,677**	**60.8**	**6,535**	**29.3**	**1,430**	**24.3**
Group Overhead		0.1		-1.0		-0.7		-3.5		-0.1
Group Interest		0.0		0.1		-0.8		-0.9		-0.5
Adjusted result before tax		**1.7**		**41.1**		**59.3**		**24.9**		**23.7**
Impairments		-		-0.1		-0.1		-4.8		-
Restructuring		-0.3		-		-0.1		-0.2		-
Result before tax		**1.4**		**41.0**		**59.1**		**19.9**		**23.7**
Income tax		-0.7		-9.6		-11.2		-32.9		-2.0
Non controlling interest		0.2		-0.1		-0.4		-0.9		0.2
Net result		**0.9**		**31.3**		**47.5**		**-13.9**		**21.9**

This overview of sector revenue and results is not part of the review scope of the independent auditor.