Royal BAM Group nv

Runnenburg 9, 3981 AZ Bunnik, the Netherlands
P.O. Box 20, 3980 CA Bunnik, the Netherlands
Telephone +31 (0)30 659 89 88

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BAM 2019H1: adjusted pre-tax loss of €27.2m; FY 2019 margin outlook of around 1% confirmed

- As announced on 8 July, results were impacted by higher costs on a civil project and construction projects in Germany, and a BAM International project. The total impact is €94m.
- Construction and Property: strong performance in the Netherlands and UK, offset by project losses in Germany and International
- Civil engineering: negative result includes additional loss of €7.5m at OpenIJ project in 2019H1
- PPP: strong performance and two new projects (one financial close and one preferred bidder)
- Order book: stable compared to 2018 due to focus on quality over volume
- Strong cash position with trade working capital efficiency at -9.1%

(in € million)	**1st half-year 2019**	1st half-year 2018	Full year 2018
Revenue	**3,454**	3,237	7,208
Adjusted result before tax*	**-27.2**	57.8	153.2
Margin adjusted result before tax*	**-0.8%**	1.8%	2.1%
Restructuring	**-0.9**	-1.2	-3.8
Impairments	**-10.3**	-	-23.8
Pension one-off	**-**	-	-11.1
Net result attributable to shareholders	**-52.4**	44.3	23.8
Return on average capital employed	**0.9%**	1.8%	7.5%
Order book (end of period)	**12,800**	11,800	12,700

* Before restructuring, impairments and pension one-off.

Note: BAM adopted IFRS 16 'Leases' with effect from 1 January 2019. Figures for 2018 have not been restated. The impact of IFRS 16 is explained in more detail on pages 6 and 7 of this press release.

Rob van Wingerden, CEO of Royal BAM Group:

'We regret that our results for the first half of 2019 were negatively impacted by extra costs on projects in Germany and at International as announced in July. Discussions with clients for recovery of these costs are ongoing, but the amount and timing are uncertain. As a consequence, in July we lowered our outlook for full year 2019 to an adjusted pre-tax profit margin of around 1 per cent. Our cash position remains strong, and is above the level of mid-2018.

In Construction and Property, the positive momentum in the Netherlands continued, driven by the high demand for homes. Also, our activities in the UK and Ireland delivered a robust performance. In Civil engineering, we had a slow start and markets remain competitive. Our PPP business again delivered strong results.

We are continuing discussions with our public sector infrastructure clients in order to achieve an improved risk/reward balance for new projects in our portfolio. We are monitoring the situation around Brexit carefully. In the Netherlands, we are studying the impact of the new Nitrogen Approach Programme (PAS), which aims to limit nitrogen deposition and protect natural habitats. The industry participants are cooperating closely with the government on how to build more homes and improve infrastructure, balanced with the PAS requirements.

Our new Executive Committee is strongly committed to accelerate our strategic agenda which should result in improved predictability and performance of our business. We are confident that this acceleration will enable us to realise BAM's strategic target of a pre-tax adjusted margin of 2-4 per cent in 2020.

We are taking measures to improve the operational performance in our German construction business. As part of our ongoing portfolio review, we have decided to exit our activities in offshore wind foundations. In addition, in line with our continuous effort to lower the company risk profile, we transferred a part of our UK pension obligations to a third party on a cash neutral basis.

As mentioned, for the full year 2019 we expect an adjusted result before tax margin of around 1 per cent, with revenue slightly higher than 2018.'

Market conditions

- Netherlands: high demand for new build homes, but growth remains constrained by the availability of permitted locations in combination with increasing building costs. In Civil, the risk/reward balance remains challenging. The situation regarding the Nitrogen Approach Programme (PAS) might impact the execution timetable of future construction and civil engineering projects.
- UK: uncertainty continues around Brexit. Civil engineering remains relatively stable. Some slowdown in Construction and Property.
- Germany: construction and civil markets are stable but competitive.
- Belgium: some opportunities in civil engineering. Construction is improving on the back of anticipated higher demand from the public sector.
- Ireland: construction outlook remains positive, civil engineering stable with a limited number of projects coming to the market.
- International: oil and gas market investments not picking up yet, limited onshore opportunities.
- PPP: some opportunities in BAM's home markets and selected international markets.

Order book development

(x € million)	**30 June 2019**	31 December 2018*
Construction and Property	**6,449**	6,812
Civil engineering	**6,306**	5,790
PPP	**202**	202
Eliminations and miscellaneous	**-157**	-104
Total	**12,800**	12,700

* Per December 2018, €213 million of orders were reclassified from Construction and Property to Civil engineering.

The total order book remained stable at €12.8 billion. The decrease in Construction and Property relates mainly to Ireland and Germany. In Civil engineering, the order backlog was supported by the final award of the Cross River Rail project in Australia and a good order intake in the UK. The order book in the Netherlands showed a decline. The average margin on the new order intake was well within the strategic target margin of 2% to 4%.

Income statement

(x € million)	**1st half-year 2019**		1st half-year 2018	
Analysis by sector	**Revenue**	**Result**	Revenue	Result
Construction and Property	**2,048**	**-13.3**	1,802	52.0
Civil engineering	**1,430**	**-19.1**	1,481	-7.8
Public Private Partnerships (PPP)	**18**	**10.8**	12	13.8
Eliminations and miscellaneous	**-42**	**-**	-58	-
Total business lines	**3,454**	**-21.6**	3,237	58.0
Group overhead		**-0.8**		1.3
Group interest charge		**-4.8**		-1.5
Adjusted result before tax		**-27.2**		57.8
Restructuring		**-0.9**		-1.2
Impairments		**-10.3**		-
Pension one-off		**-**		-
Result before tax		**-38.4**		56.6
Income tax		**-14.3**		-12.3
Non-controlling interest		**0.3**		-
Net result attributable to shareholders		**-52.4**		44.3

Note: BAM adopted IFRS 16 ‘Leases’ with effect from 1 January 2019. Figures for 2018 have not been restated.

Analysis by geography

(x € million)	**1st half-year 2019**		1st half-year 2018	
Results and revenue	**Revenue**	**Result**	Revenue	Result
The Netherlands	**1,423**	**11.4**	1,208	-2.2
United Kingdom	**883**	**15.7**	910	25.6
Belgium	**362**	**4.0**	354	3.6
Ireland	**299**	**4.1**	229	7.1
Germany	**389**	**-49.0**	437	7.1
PPP	**18**	**10.8**	12	13.8
International	**93**	**-18.7**	108	3.0
Eliminations and miscellaneous	**-13**	**-**	-21	-
Total sectors	**3,454**	**-21.6**	3,237	58.0

Note: BAM adopted IFRS 16 ‘Leases’ with effect from 1 January 2019. Figures for 2018 have not been restated.

First half year 2019 results

Revenue of €3,454 million grew by €217 million (7%) compared to the first half of 2018 driven by Construction and Property in the Netherlands and to a lesser extent by Ireland. The deconsolidation of the German ‘Argen’ joint arrangements at the end of 2018 reduced Civil engineering revenue in the first half of 2019 by approximately €65 million.

As announced on 8 July, we faced higher costs at a large civil project and a small number of construction projects in Germany and a BAM International construction project. The extra costs totalled €94 million. These were split as follows:

- By sector: Construction and Property by €72 million; Civil engineering by €22 million.
- By geography: Germany: €54 million; the Netherlands: €11 million; International: €23 million and Ireland: €6 million. The Dutch and Irish activities are impacted because they are acting as a partner in the German civil project and the BAM International project respectively.

In the first half year, the total additional costs on OpenIJ (sea lock IJmuiden) amounted to €7.5 million (2018H1: €30.2 million). Other factors in 2019 influencing the year-on-year comparison of first half year sector results included: the improved result at Netherlands residential Construction and Property; the competitive Dutch infrastructure market; the slow start of the year in Civil engineering in the UK, which is expected to reverse in the second half; and the absence of divestments of equity stakes by BAM PPP.

The impairment charge of €10.3 million represented the impairment of intellectual property following BAM's decision to withdraw from the market for offshore wind foundations.

In the first half year, the €14.3 million income taxes included a non-cash impairment of €7.5 million deferred tax assets. This was triggered mainly by the project losses in Germany.

Sector review

At Construction and Property, revenue of €2,048 million was 14% ahead of the first half of 2018, due mainly to residential property development in the Netherlands and construction in Ireland.
The sector result for the first half of 2019 was a loss of €13.3 million, compared to a profit of €52 million in the same period last year. This fall was driven by the project losses in Germany and at BAM International, as announced on 8 July, with a combined impact of €72 million.
The overall contribution from property development was €30.2 million (2018H1: €27.1 million), primarily driven by the Netherlands. Dutch home sales were stable at 1,379 homes (2018H1: 1,366). Based on BAM's project pipeline an increase of homes sold of approximately 10% is anticipated for full year 2019. The gross investment in property reduced by €31 million to €533 million compared to full year 2018.
In Germany, there was a loss in the first half of 2019 of €45 million due to the earlier mentioned additional project costs. BAM has ongoing discussions with clients for partial recovery of this amount.
BAM International reported a loss of €23 million for the first half of 2019. This was due to the project in the Middle East. The additional costs at this project arose from design changes requested by the client. Discussions with the client are ongoing and BAM is confident that a satisfactory agreement will be reached, however the amount and timing are uncertain.
There were solid contributions from the UK and from Ireland, adjusted for the €6 million loss related to the latter's share of the International project. Belgium was profitable, although at a lower level than in the first half of 2018.

In Civil engineering, revenue in the first half of 2019 was €1,430 million (2018H1: €1,481 million) with the main reduction of approximately €65 million due to the deconsolidation of 'Argen' joint arrangements in Germany.
The adjusted result in the first half of 2019 was negative €19.1 million (2018H1: negative €7.8 million). The decline related to a large civil project in Germany as announced on 8 July, resulting in a loss of €22 million. BAM is in discussions with the client regarding scope, design responsibility and timely decision making by the client, and the completion timetable has been extended by 18 months. Although BAM has received favourable rulings from independent arbitrators, concluding on the corresponding financial compensation is typically a lengthy process in the German market.
There were additional costs of €7.5 million at the OpenIJ project in the first half of 2019, which mainly related to precautionary measures taken to support the immersion of the second caisson and the weather related issues mentioned in the first quarter. The immersion of the second caisson is proceeding according to schedule.
The Dutch civil market remains challenging, and BAM is focused on improving the risk/reward balance for future projects. The result in Belgium improved, and steps are being taken to make the performance more

predictable. In the UK, BAM Nuttall had a slow start of the year and a recovery is foreseen for the remainder of 2019.

PPP delivered a good result of €10.8 million from the existing portfolio in the first half of 2019. The result in first half 2018 of €13.8 million had benefited from the transfer of one project to the PGGM joint venture; there were no such transfers in 2019.
In July, the Pulse consortium which includes BAM reached financial close on the Cross River Rail project in Brisbane, Australia.

Cash flow[1]

(x € million)	**1st half-year 2019**	1st half-year 2018	Full year 2018
Group: net cash result[2]	**38**	89	171
Investments (in)tangible assets	**-84**	-33	-71
Trade working capital[3]	**-138**	-237	-60
Net Investment			
Property	**-11**	22	6
PPP	**-1**	4	6
Other changes in working capital	**-48**	-72	47
Business cash flow	**-244**	-227	99
Dividend	**-19**	-11	-11
Restructuring	**-3**	-5	-11
Pensions (additional)	**-5**	-8	-12
Other	**-24**	-11	-17
Increase/decrease in cash position	**-295**	-262	48

[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.
Note: BAM adopted IFRS 16 'Leases' with effect from 1 January 2019. Figures for 2018 have not been restated.

The cash flow for the first half of 2019 showed a normal seasonal outflow. The adoption of IFRS 16 has no impact on the cash flows of the company. The positive effect of the implementation of IFRS 16 on the line item Group net cash result was €49 million and the negative impact on line item Investments (in)tangible assets was €44 million. The remaining €5 million is included in line item Other.

Working capital improved versus the comparable period last year. Cash flow in the first half year of 2019 was negatively impacted by €9 million due to OpenIJ versus a negative impact of €53 million in the first half of 2018. Financing of this project was restarted during the first quarter of this year.

Trade working capital efficiency (defined as average four quarter-end trade working capital as a percentage of rolling four quarters revenue) improved to -9.1% versus -9.0% end first quarter 2019. Further improvement of trade working capital efficiency is foreseen for the remainder of the year.

The cash flow from property was €11 million negative due to investments in new positions. The line item Other included €17 million related to the re-purchase of shares to offset for dilution as a result of the script alternative.

Financial position

(x € million)	**30 June 2019**	31 December 2018	30 June 2018
Cash position	**449**	744	434
Financial leases		-25	-17
Interest-bearing debt	**-288**	-318	-329
Net (debt) / cash	**161**	401	88
Lease liabilities (IFRS 16)	**-283**		
Net debt (after IFRS 16)	**-122**		
Recourse net cash incl financial leases		528	208
Recourse net cash excluding leases	**254**		
Shareholders' equity	**549**	729	751
Capital base	**668**	847	868
Balance sheet total	**4,436**	4,578	4,360
Capital ratio	**15.1%**	18.5%	19.9%
Capital employed	**1,478**	1,389	1,412
Return on average capital employed	**0.9%**	7.5%	1.8%

Note: BAM adopted IFRS 16 'Leases' with effect from 1 January 2019.

BAM's cash position was slightly ahead versus the first half of 2018 and the Group did not draw on its €400 million RCF facility during the year. The net cash position before leases improved from €88 million end June 2018 to €161 million at end June 2019.

Mid-year, BAM's capital ratio declined to 15.1% versus 18.5% at 2018 year end. Without the impact of IFRS 16 the capital ratio would have been 16.0%. Next to the reported loss, BAM distributed €36 million dividend. The capital ratio was also impacted by the following non-cash items: BAM took the opportunity to further de-risk its pension obligations, which reduced equity by €28 million; lower interest rates had a negative impact on the valuation of the remaining pension liabilities by €37 million; interest rate movements had a negative effect of €29 million on PPP related interest rate hedges.

The Group was well within the limits of all its banking covenants as at 30 June 2019; the recourse leverage ratio was negative -2.76 (≤ 2.75), the recourse interest coverage ratio was 15 (≥ 4.0) and the recourse solvency ratio was 28% (≥ 15%). Solvency from covenants differs from the capital ratio, since it is based on IFRS as applied by the Group for the year 2015, amongst others excluding for IFRS 9, 15 and 16. Further, the Group excluded all direct equity effects resulting on derivatives and pensions. BAM's banking covenants are calculated according to the accounting standards in force at the time the debt financing was secured, consequently they are not affected by the adoption of IFRS 16.

Outlook

For the full year 2019, BAM expects an adjusted result before tax margin of around 1%, with revenue slightly higher than 2018.

Adoption of IFRS 16

BAM adopted IFRS 16 ‘Leases’ with effect from 1 January 2019, which prescribes that all leases have to be accounted for on the balance sheet. The adoption of IFRS 16 has no impact on BAM’s economic prospects, strategy or cash flow.

The IFRS 16 impact on several key financial metrics is as follows:

- Income statement first half 2019: increase in depreciation by €49 million; and increase in finance charge by €2.6 million, both offset by decrease lease costs in operating expenses;
- Balance sheet first half 2019: right of use (ROU) assets of €280 million and as a consequence the Capital ratio decreased by 0.9%;
- Net debt on a reported (IFRS) basis increased by €283 million due to the ROU liabilities.

BAM adopted IFRS 16 ‘Leases’, using the ‘modified retrospective approach’. The figures for the first half of 2019 in this press release are prepared on the basis of IFRS 16. BAM has not restated comparative amounts for the first half of 2018, which are shown as originally reported under the prior standard IAS 17.

Risks and uncertainties

As indicated in the annual report for the 2018 financial year, there is a Group-wide focus on risk management in the primary process, in order to improve predictability and performance. The Group’s risk management system does not imply avoidance of all risks. Instead it aims to identify opportunities and threats and manage them. 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 2018 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, 21 August 2019

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

Live audio webcast

The Executive Board of Royal BAM Group will present the results of the first half of 2019 on 22 August 2019 during an (English) analyst meeting at 10.00 a.m. CET. The meeting can be followed via live video webcast (www.bam.com).

Further information

- analysts: Michel Aupers, michel.aupers@bam.com, +31 (0)30 659 87 07;
- press: Niels van Dongen, niels.van.dongen@bam.com, or Arno Pronk, arno.pronk@bam.com, +31 (0)30 659 86 23.

Annexes half-yearly financial report

1. Interim condensed consolidated income statement
2. Interim condensed consolidated statement of comprehensive income
3. Interim condensed consolidated statement of changes in equity
4. Interim consolidated statement of financial position
5. Interim condensed consolidated statement of cash flows
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1. Interim condensed consolidated income statement

(x € million)

	1st half-year 2019	1st half-year 2018	Full year 2018
Continuing operations			
Revenue	**3,454.4**	3,236.9	7,207.8
Operating result before depreciation, amortisation and impairment charges and restructuring costs	**49.5**	66.4	166.8
Depreciation and amortisation charges *	**-79.1**	-33.2	-69.8
Impairment charges **	**-10.3**	-	-23.8
Restructuring costs	**-0.9**	-1.2	-3.8
Share of result of investments	**2.1**	21.3	35.8
Operating result	**-38.7**	53.3	105.2
Finance income	**7.7**	9.2	21.2
Finance expense *	**-7.4**	-5.9	-11.9
Total finance income and expense	**0.3**	3.3	9.3
Result before tax	**-38.4**	56.6	114.5
Income tax	**-14.3**	-12.3	-90.1
Result from continuing operations	**-52.7**	44.3	24.4
Attributable to:			
Non-controlling interests	**-0.3**	-	0.6
Net result attributable to shareholders of the Company	**-52.4**	44.3	23.8
	-52.7	44.3	24.4

* IFRS 16 has been implemented as per 1 January 2019, therefore no adjustments have been made to the comparative figures.

** The impairment charges of €-10.3m relates to the impairment of the intangible asset GBF.

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

	1st half-year 2019	1st half-year 2018	Full year 2018
Net result for the period	**-52.7**	44.3	24.4
Items that may be reclassified to the income statement, net of tax			
Cash flow hedges	**-29.1**	-0.6	-4.4
Exchange rate differences	**2.3**	-0.6	-6.4
Items that will not be reclassified to the income statement, net of tax			
Actuarial gains and losses pensions	**-65.2**	13.4	22.0
Other comprehensive income	**-92.0**	12.2	11.2
Total comprehensive income, net of tax	**-144.7**	56.5	35.6
Attributable to:			
Non-controlling interests	**-0.4**	-	0.8
Shareholders of the Company	**-144.3**	56.5	34.8
	-144.7	56.5	35.6

Other comprehensive income in the first half year 2019 was influenced by negative movements in actuarial gains and losses. €28m is related to the de-risking of the UK pension schemes, €37m is related to the decrease of the interest rate. Furthermore, Cash flow hedges are impacted by lower interest rates. Exchange rate differences include the translation of foreign companies.

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

	1st half-year 2019	1st half-year 2018	Full year 2018
As at 1 January	**734.9**	726.8	726.8
Net result for the period	**-52.7**	44.3	24.4
Fair value cash flow hedges	**-29.1**	-0.6	-4.4
Actuarial gains and losses pensions	**-65.2**	13.4	22.0
Exchange rate differences	**2.3**	-0.6	-6.4
Other comprehensive income net of tax	**-92.0**	12.2	11.2
Total comprehensive income	-144.7	56.5	35.6
Dividends paid	**-19.4**	-11.5	-11.9
Other changes	**-16.3**	-15.0	-15.6
Total change	**-180.4**	30.0	8.1
Position as at period-end	**554.5**	756.8	734.9

Reference is made to note 2. Other changes are predominantly influenced by repurchase of shares.

4. Interim consolidated statement of financial position

(x € million)

	30 June 2019	31 December 2018	30 June 2018
Property, plant and equipment	**285.6**	289.6	281.7
Right-of-use assets *	**280.1**	-	-
Intangible assets	**395.0**	408.0	409.2
PPP receivables	**84.4**	85.3	87.6
Investments	**120.4**	109.6	102.0
Other financial assets	**121.2**	101.3	100.9
Derivative financial instruments	**-**	-	-
Employee benefits	**60.5**	111.2	97.8
Deferred tax assets	**154.8**	165.6	230.9
Non-current assets	**1,502.0**	1,270.6	1,310.1
Inventories	**547.1**	578.0	580.9
Trade and other receivables	**1,923.0**	1,972.0	2,018.1
Income tax receivable	**7.1**	4.6	5.5
Derivative financial instruments	**0.2**	0.6	1.0
Cash and cash equivalents	**448.6**	743.7	433.8
Current assets	**2,926.0**	3,298.9	3,039.3
Assets held for sale	**8.5**	8.5	8.5
Total assets	**4,436.5**	4,578.0	4,357.9
Share capital and premium	**839.3**	839.3	839.3
Reserves	**-191.6**	-165.0	-154.2
Retained earnings	**-98.8**	54.7	66.1
Equity attributable to the shareholders of the Company	**548.9**	729.0	751.2
Non-controlling interests	**5.6**	5.9	5.6
Total equity	**554.5**	734.9	756.8
Borrowings	**238.4**	280.0	239.6
Lease liabilities *	**193.6**	-	-
Derivative financial instruments	**10.0**	9.7	10.5
Employee benefits	**136.9**	120.0	119.5
Provisions	**178.4**	141.8	148.2
Deferred tax liabilities	**27.5**	39.7	31.3
Non-current liabilities	**784.8**	591.2	549.1
Borrowings	**48.9**	62.8	106.2
Lease liabilities *	**89.9**	-	-
Trade and other payables	**2,843.8**	3,081.1	2,833.6
Derivative financial instruments	**0.8**	0.3	1.9
Provisions	**103.8**	95.8	93.6
Income tax payable	**10.0**	11.9	16.7
Current liabilities	**3,097.2**	3,251.9	3,052.0
Liabilities held for sale	**-**	-	-
Total equity and liabilities	**4,436.5**	4,578.0	4,357.9
Capital base	**667.8**	846.7	867.5

*IFRS 16 has been implemented as per 1 January 2019, therefore no adjustments have been made to the comparative figures.

5. Interim condensed consolidated statement of cash flows

(x € million)

	1st half-year 2019	1st half-year 2018	Full year 2018
Net result for the period	**-52.7**	44.3	24.4
Adjustments for:			
- Income tax	**14.3**	12.3	90.1
- Depreciation and amortisation charges	**79.1**	33.2	69.8
- Impairment charges	**10.3**	-	23.8
- Result on sale of subsidiaries	**-**	-	-
- Result on sale of PPP projects	**-**	-4.4	-4.4
- Result on sale of property, plant and equipment	**-0.9**	-1.2	-2.0
- Share based payments	**0.4**	0.4	-0.1
- Share of result of investments	**-2.1**	-17.8	-38.9
- Finance income and expense	**-0.3**	-3.3	-9.3
Interest received	**4.9**	4.6	15.8
Dividends received from investments	**12.5**	12.4	34.8
Changes in provisions and pensions	**1.6**	13.4	5.7
Changes in working capital (excluding cash and cash equivalents)	**-186.5**	-269.9	19.6
Cash flow from operations	**-119.3**	-176.0	229.2
Interest paid	**-9.5**	-9.0	-16.4
Income tax received / (paid)	**-7.5**	-8.1	-13.3
Net cash flow from ordinary operations	**-136.3**	-193.1	199.5
Investments in PPP receivables	**-9.2**	-7.2	-16.8
Repayments of PPP receivables	**12.9**	12.7	26.0
Net cash flow from operating activities	**-132.6**	-187.6	208.7
Investments in non-current assets	**-85.1**	-61.2	-121.4
Disposals and repayments of non-current assets	**5.8**	16.3	28.6
Sale of subsidiaries	**-**	-	-
Sale of PPP projects	**-**	18.7	18.7
Other investment activities	**-**	-	-
Net cash flow from investing activities	**-79.3**	-26.2	-74.2
Proceeds from borrowings	**36.4**	11.0	41.1
Repayments of borrowings	**-79.2**	-32.7	-80.8
Dividends paid (including non-controlling interests)	**-19.4**	-11.5	-11.9
Repurchase of shares *	**-16.9**	-15.2	-15.5
Net cash flow from financing activities	**-79.1**	-48.4	-67.0
Change in net cash and cash equivalents	**-291.0**	-262.2	67.6
Cash and cash equivalents at beginning of the year	**743.7**	695.8	695.8
Change in cash and cash equivalents in assets and liabilities held for sale	**-**	-0.8	-
Change in cash and cash equivalents as a result of change in accounting policy	**-**	-	-16.3
Exchange rate differences on cash and cash equivalents	**-4.1**	1.0	-3.4
Net cash position at period-end	**448.6**	433.8	743.7
Cash and cash equivalents	**448.6**	433.8	743.7
Bank overdrafts	**-**	-	-
Net cash position at period-end	**448.6**	433.8	743.7
Of which in joint operations:	**176.1**	229.4	172.9

*The repurchase of shares during the half year 2019 concern the repurchase to offset dilution of scrip dividend. In 2018 this also included the purchase of shares with respect to the performance share plan.

6. Segment information

(x € million)

Results and revenue from continuing operations	1st half-year 2019 Result	1st half-year 2019 Revenue	1st half-year 2018 Result	1st half-year 2018 Revenue
Construction and Property	**-13.3**	**2,048.4**	52.0	1,802.0
Civil engineering	**-19.1**	**1,429.5**	-7.8	1,481.2
Public Private Partnerships (PPP)	**10.8**	**18.3**	13.8	11.7
Eliminations and miscellaneous	**-**	**-41.8**	-	-58.0
Total for continuing operations	**-21.6**	**3,454.4**	58.0	3,236.9
Group overhead	**-0.8**		1.3	
Group interest charge	**-4.8**		-1.5	
Adjusted result before tax	-27.2		57.8	
Restructuring	-0.9		-1.2	
Impairment charges	-10.3		-	
Pension one off	-		-	
Result before tax	**-38.4**		56.6	
Income tax	**-14.3**		-12.3	
Net result from continuing operations	**-52.7**		44.3	
Net result from discontinued operations	**-**		-	
Net result for the period	**-52.7**		44.3	
Non-controlling interests	**-0.3**		-	
Net result attributable to shareholders	**-52.4**		44.3	

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

(x €1, unless indicated otherwise)

	1st half-year 2019	1st half-year 2018	Full year 2018
Net result attributable to shareholders of the company (basic)	**-0.19**	0.16	0.09
Net result attributable to shareholders of the company (diluted)	**-0.19**	0.16	0.09
Cash flow (net result plus depreciation, amortisation and impairment charges)	**0.13**	0.28	0.43
Equity attributable to shareholders of the company	**2.01**	2.75	2.61
Highest closing share price	**4.38**	4.16	4.16
Lowest closing share price	**2.52**	3.49	2.37
Closing share price at period-end	**3.91**	3.60	2.51
Number of shares ranking for dividend (x 1,000)	**273,296**	273,296	273,296
Average number of shares ranking for dividend (x 1,000)	**273.699**	273,689	273,491
Number of shares ranking for dividend diluted (x 1,000)	**299.158**	298,298	298,298
Average number of shares ranking for dividend diluted (x 1,000)	**299.919**	298,240	298,269

8. Explanatory notes to the half-year 2019 Interim Financial Statement

1. General information

Royal BAM Group nv (‘the Company’) was incorporated under Dutch law and is domiciled in the Netherlands. These interim financial statements contain the financial data for the first six months of 2019 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 interim condensed consolidated financial statements is reviewed, not audited.

2. Basis of preparation

These interim financial statements for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with IFRS, and the commentary by the Executive Board earlier in this condensed interim report.

3. Accounting principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group decided to implement this standard on the required date using the modified retrospective approach option 2. This means that the right-of-use-asset will in principle be equal to the lease liability and no impact on the retained earnings apply. No adjustments to comparative figures will be made and the impact is shown in the opening balance as per 1 January 2019.

The effect of the adoption of IFRS 16 is as follows on the statement of financial position as at 1 January 2019:

(x € million)	**Right-of-Use Asset**	**Lease Liabilities**
Opening balance as of 1 January 2019 (unadjusted for reclassifications)	**268**	**268**
Reclasses		
Reclassification of prepayments to right of use assets	3	-
Reclassification of provisions for onerous contracts to right of use assets	-5	-
Reclassification of financial leases (as of December 31, 2018 included in Property, plant and equipment and Borrowings)	25	25
Opening balance as of 1 January 2019 (adjusted for reclassifications	**291**	**293**

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which the Group is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group (see here after).

For leases previously recorded as financial lease, the group did not change the carrying amounts of recognized assets and liabilities as of initial application date. The Group used the transition method IFRS 16.C11 to reclass the previous reported lease liabilities and property, plant and equipment to the Lease Liability and Right-of-Use Asset respectively. The additional requirements of IFRS 16 are applied to these leases as of 1 January 2019.

At transition for leases classified as operating leases under IAS 17, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Groups incremental borrowing rate as at 1st of Jan 2019. The Right-of-Use Asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and provisions for onerous contracts related to such leases.

The Group also applied the available practical expedients wherein it:

- Applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at initial application date;
- Used the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short- term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The group opted on a lease-by-lease basis the practical expedient of IFRS 16.C10(c) for leases for which the lease term ends within 12 months of the date of initial application; this practical expedient is only applied for some non-recurring leases;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right of use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liability
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease

term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For several leases, the Group has renewal/extension options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognized in the statement of financial position and profit or loss

(x € million)	**Right-of-Use Assets**	**Lease Liabilities**
Opening balance as of 1 January 2019 (adjusted for reclassifications)	**291**	**293**
New and revised leases	43	42
Disposals/ retirements	-3	
Depreciation charge	-49	
Fx differences	-2	-2
Interest		3
Repayments		-53
Closing Balance (30 June 2019)	**280**	**283**

The leases of BAM mainly relate to Land and Buildings (approximately 39% of right-of-use assets), Equipment and installation (approximately 12% of right-of-use assets) and Cars (approximately 48% of right-of-use assets).

In relation to the leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognized €49m of depreciation charges and €2.6m of interest costs from these leases. No depreciation is recognized for the right-of-use asset that meets the definition of investment property. The net result was unchanged.
In the statement of cash flows the interest paid related to these leases is presented as part of the cash flow from operating activities, while the repayments are presented as part of the cash flows from financing activities.

Other amendments to IFRSs

Other amendments to IFRSs effective for the financial year ending 31 December 2019 do not have a material impact on the Group.

Exchange rates
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 2019	Full year 2018	1st half-year 2018
Closing exchange rate			
Pound sterling	**0.89847**	0.90025	0.88778
Average exchange rate			
Pound sterling	**0.88496**	0.88692	0.88121

4. Taxes
During the first half year of 2019, 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. The higher taxes are explained by a non-cash impairment of €7.5m, which was mainly triggered by the project losses in the first half year in Germany and the lower than expected forecasts for 2020-2025.

Furthermore, the IFRIC 23 interpretation on ‘Uncertainty over Income Tax Treatment’ was issued. The group determined, based on its tax compliance and transfer pricing policy study, that it is probable that its tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the group.

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 statements
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.

In preparing these 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 for the valuation of goodwill. Nevertheless, on the 8th of July BAM has issues a press release stated that the FY outlook will be lowered, however 2020 strategic targets will maintain.

As stated in this press release “Higher than expected costs will impact the half year result by approximately €65m for a large civil project and a small number of construction projects in Germany and by about €25m at a BAM International project. This is partly caused by scope changes and project delays for which BAM is not responsible. BAM is in discussion with its clients for compensation, which can be lengthy processes. The recognition of BAM’s claims are currently not foreseen in 2019. This also illustrates the impact of IFRS 15, resulting in the delay of revenue recognition and a higher earnings volatility.”

The negative adjustments in BAM Deutschland and International are due to lower project results, with no impact indicated for the future years. We therefore did not indicate a triggering event as such, however we did investigate possible impact on the headroom (impairment test) of BAM Deutschland and BAM International.

In a worst case scenario (stress test) the headroom on both CGUs decreased slightly, but remained positive. Therefore no impairment was deemed necessary.

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, 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.

In the Netherlands, we are studying the impact of the new Nitrogen Approach Programme (PAS). The industry is cooperating closely with the government on how to realise their objectives to build more homes and improve infrastructure, balanced with the PAS requirements.

BAM Bouw en Vastgoed is currently reviewing the potential impact of the court ruling on NEN-norms. The review is performed on a contract by contract basis. Based on the current information the impact on HY1 2019 is deemed not material. Management will monitor developments in the second half of 2019.

8. Related party transactions
In the first half year of 2019 no material related party transactions took place.

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 2019 the balance sheet includes derivative financial instruments measured at fair value amounting to €0.2 million (asset) and €10.8 million (liability).

As at 30 June 2019 the fair value of the liability component of the subordinated convertible bonds is approximately €115m (carrying amount €119m). The fair value of the non-current PPP receivables is approximately €94m (carrying amount €84m). The fair value of the other financial assets at amortized cost is approximately €89m (carrying amount €57m). 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 €0.14 per share in cash or 1 new share per 29.97 shares (2018: €0.10 per share in cash or 1 new share per 41.24 shares), which was effectuated in May 2019. 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 nv

Introduction
We have reviewed the accompanying interim condensed consolidated financial statements over the period January 1, 2019 to June 30, 2019 of Royal BAM Group nv, Bunnik, which comprises the consolidated statement of financial position as at June 30, 2019, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows over the period January 1, 2019 to June 30, 2019, 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 interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope
We conducted our review of the interim condensed consolidated financial statements 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 interim condensed consolidated financial statements 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 interim condensed consolidated financial statements over the period January 1, 2019 to June 30, 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 21 August 2019

Ernst & Young Accountants LLP

Signed by A.A. van Eimeren