

Royal BAM Group nv

Half-year results 2014

Analysts' meeting

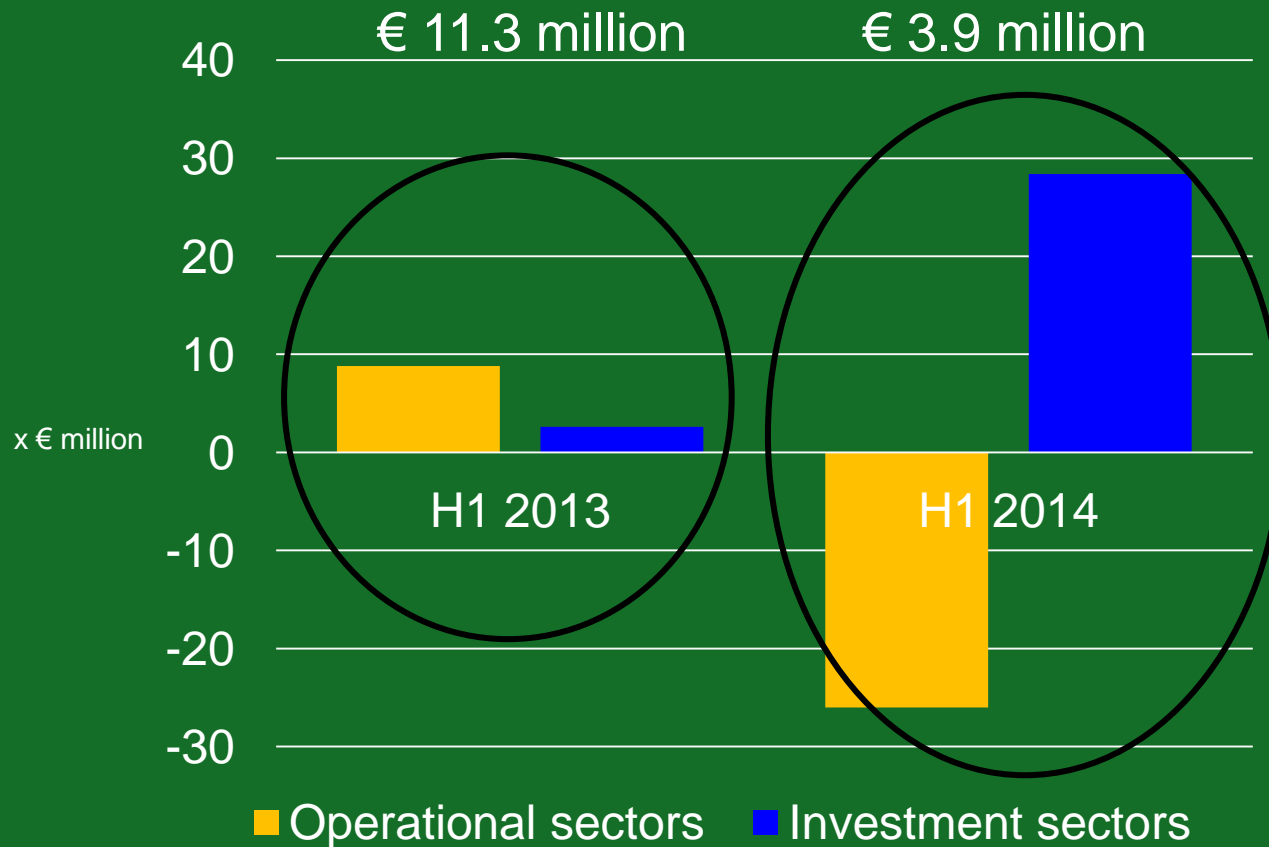
Amsterdam, 21 August 2014



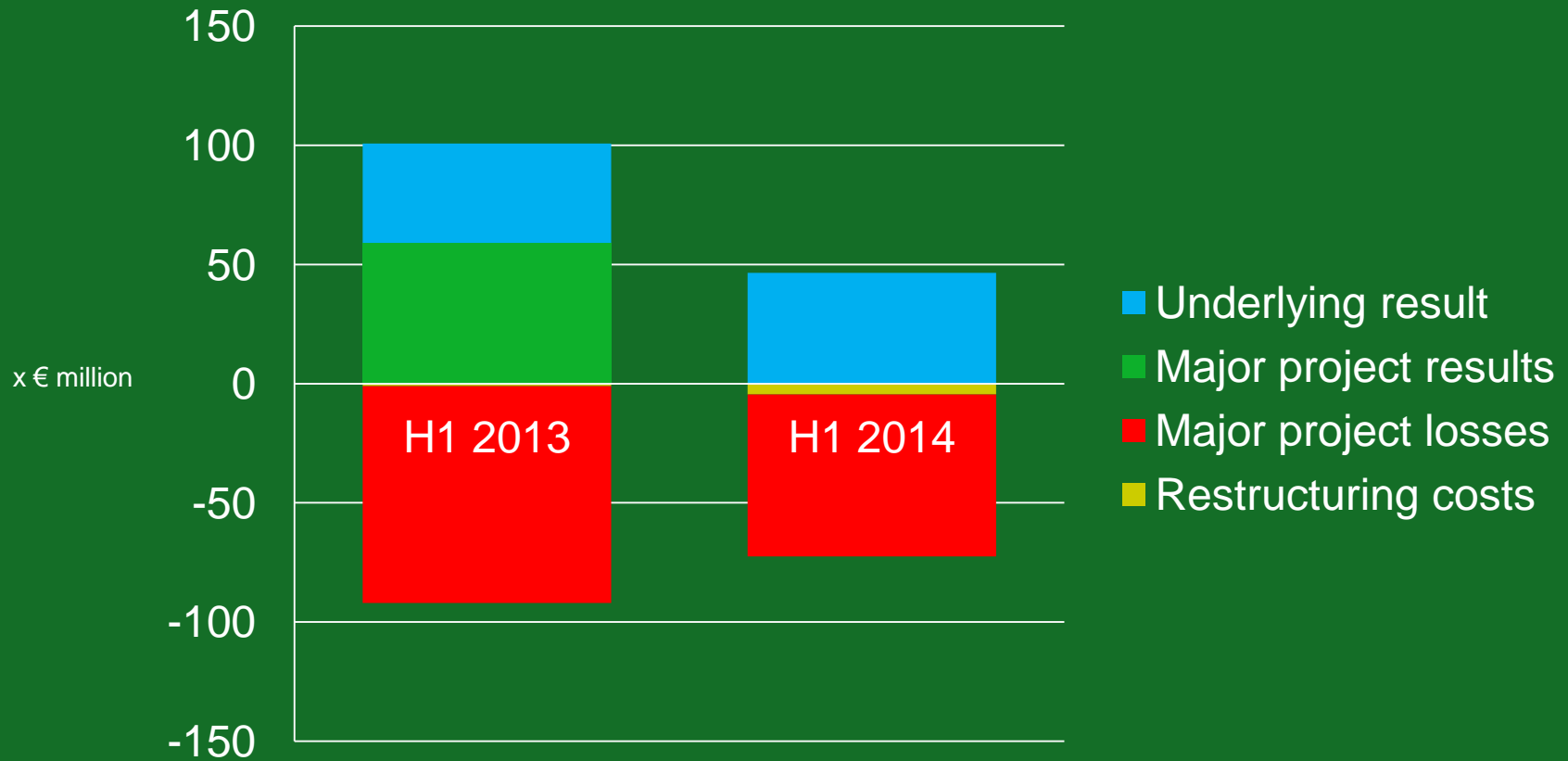
BAM reports break even result before tax for the first half of 2014

- Construction and M&E services: lower revenue and results related to Dutch activities
- Civil engineering: result includes losses of €68 million on two projects as announced on 7 July
- Property: result driven by success of commercial property divestments; encouraging trends in Dutch residential market
- PPP: five projects transferred into the joint venture with PGGM
- Order book: growth in Construction and M&E services, Civil engineering and PPP
- Actions: preparation phase for cost reduction/restructuring (€100 million) and working capital improvement (€300 million) programmes nearly complete
- Outlook: BAM expects a result before tax, impairments and restructuring charges for the full year of about €20 million

Result before tax and impairments sectors



Underlying result before tax operational sectors



Operational sectors

- Revenue down in NL and INT, up in other geographies
- Loss operational sectors 1H14 €26m (1H13: profit of €8.8m) with two major project losses (€68m) mostly offset by strong results on some other projects
- Netherlands working through lower quality order book and under recovery overheads
- Order book improving mainly in NL and UK

Construction and M&E services

- Revenue NL 16% down due to lower order intake in 2H13, partly offset by increased revenue in DE, UK and BE
- Loss attributable to NL due to working through lower quality order book and under recovery overheads
- Higher order book (7%) compared to YE13, mainly in NL and UK. BE and DE down due to order phasing

Civil engineering

- Revenue up 4% due to UK and IE. Lower revenue in DE (completion large projects) and INT (order phasing)
- Result impacted by €68 losses on two projects, partly offset by healthy positive margins in BE, IE and INT. NL had a small loss due to under recovery overheads
- Order book up (7%); strong order intake in NL and UK

Investment sectors

Property development

- Result €14.7m compared to a loss of €9.7m in 1H13
- Successful divestment programme (gross proceeds €112m) drives results 1H14, especially in Belgium
- Dutch residential market some green shoots, activity levels well below pre-crisis
- Homes sold 1H14: 936 (1H13: 531)
- Better conditions commercial property markets UK

Total investment	940
Associates/JV	143
Total loans	-248
Net investment	835

(in € million)

Public private partnerships

- Strong operational results
- 5 projects transferred to PGGM JV in 1H14
- 2 positive bid outcomes in 1H14
- PGGM increased commitment to JV by €100m
- Pipeline outstanding bids healthy, expected outcomes in 2H14

Total investment	336
Associates/JV	44
Total loans	-278
Net investment	102

(in € million)

Revenue and results per sector

	1H14		1H13	
	Revenue	Result ¹⁾	Revenue	Result ¹⁾
Construction and M&E Services	1,355	-6.8	1,418	-1.1
Civil engineering	1,862	-19.2	1,790	9.9
Property	245	14.7	123	-9.7
PPP	130	13.7	131	12.3
Eliminations and other	-210	1.5	-230	-0.1
Total sectors	3,382	3.9	3,232	11.3

(in € million)

1) Result before tax

Key figures: income statement

	1H14	margin	1H13	margin
Total result sectors	3.9	0.1%	11.3	0.3%
Group overhead	-1.7		2.1	
Group interest	-2.1		-2.3	
Result before tax and impairments	0.1	0.0%	11.1	0.3%
Impairments	-1.0		-1.5	
Share impairments in associates/jv	-0.7		-0.9	
Income tax	-4.6		7.2	
Non-controlling interest	-0.4		0.3	
Net result	-6.6	Neg.	16.2	0.5%

(in € million, unless stated otherwise)

Cash flow analysis

	1H14	1H13	FY13
Net cash result	-23	-13	46
Investments TFA	-25	-39	-65
Δ Trade working capital	-296	-193	-50
Net Investment Property	19	-1	-26
Net investment PPP	37	7	16
Δ Other working capital	-84	-87	-4
Business cash flow	-372	-326	-83
Dividend	-7	-10	-10
Equity issue	-	-	85
Pensions (additional)	-14	-14	-28
Δ Group loans	146	142	40
Others	13	7	-8
Δ Cash position	-234	-201	-4

(in € million, unless stated otherwise)

- Net cash result negative due to low result and usage of restructuring provisions
- Movement working capital impacted by cash outflow handful loss making projects 2013
- Cash flow Property and PPP reflects successful divestments

Key figures: balance sheet

	1H14	FY13	1H13
Balance sheet total	5,047	5,316	5,138
Shareholders' equity	930	929	779
Capital base	1,054	1,053	903
Capital ratio	20.9%	19.8%	17.6%
Cash position	318	548	353
Interest-bearing debt	886	931	1,037
Net debt position	568	383	684
Recourse net debt	161	-187	136
Fixed assets	1,515	1,632	1,676
Net operating capital (excl. cash and st-debt)	312	2	265

(in € million, unless stated otherwise)

- Capital base increased due to a lower balance sheet total caused by property and PPP divestments
- Recourse net debt increased due to seasonality, the cash outflow on the handful of lossmaking projects 2013 and the negative net cash result in 1H14
- Fixed assets reduced due to lower investments in equipment

BAM within all covenants as at 30 June 2014

- Since adoption of IFRS 11 in 2012, BAM's figures exclude amounts for joint ventures. These are included in covenant calculations
- All covenants are based on recourse amounts
- Auditor checks quarterly covenants calculations
- EBITDA is normalised for specific items
- Profit & loss elements are 12 months rolling
- Balance sheet elements are at quarter end

Bank covenants: ratio's

Recourse leverage:	$\frac{\text{Net recourse borrowings}}{\text{Recourse EBITDA}}$	$\leq 2.5^*$
Recourse interest cover:	$\frac{\text{Recourse EBITDA}}{\text{Recourse interest expenses}}$	≥ 4.0
Recourse solvency ratio:	$\frac{\text{Net Worth}}{\text{Recourse assets}}$	$\geq 15\%$

* In Q2 and Q3, seasonal pattern permits ≤ 2.75

Recourse leverage ratio 30 June 2014 (1)

	BAM
BAM net recourse borrowings	161
Joint ventures net recourse borrowings	21
Total net recourse borrowings	(a) 182

(in € million, unless stated otherwise)

Recourse leverage ratio 30 June 2014 (2)

		Total
BAM	operating result	-8.0
	+/+ Depreciation & amortisation	86.5
	-/- Non recourse results	-5.9
	<u>Normalisations</u>	
	+/+ Impairments	41.5
	-/- Pensions cash effects	-28.5
	+/+ Restructuring	28.9
	+/+ Others	4.9
	BAM recourse EBITDA	119.4
	Joint venture recourse EBITDA	9.3
	Total recourse EBITDA	(b) 128.7
	Recourse leverage ratio (≤ 2.75)	(a/b) 1.4

(in € million, unless stated otherwise)

Recourse interest cover ratio 30 June 2014

		Total
	(a)	128.7
Total recourse EBITDA		
BAM Net interest expense		-9.6
PPP finance income		37.5
Capitalised interest		19.5
Non recourse interest		-34.5
BAM net recourse interest		12.9
Joint venture recourse interest		4.6
Total recourse interest	(b)	17.5
Recourse interest cover ratio (≥ 4.0)	(a/b)	7.4

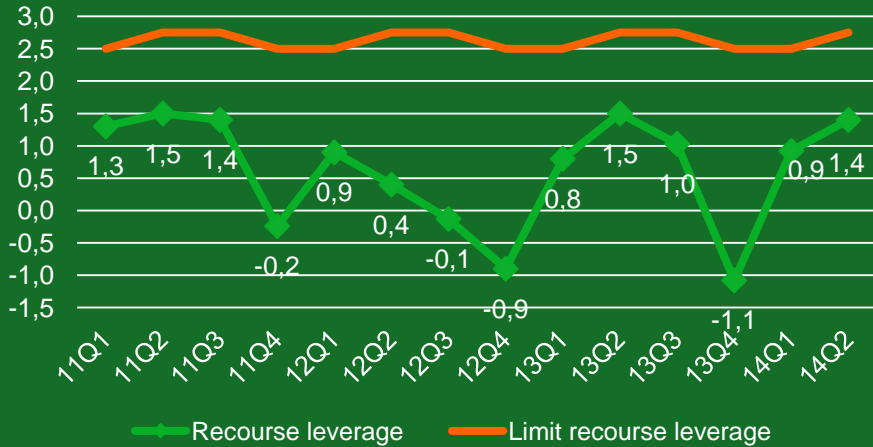
(in € million, unless stated otherwise)

Recourse solvency ratio 30 June 2014

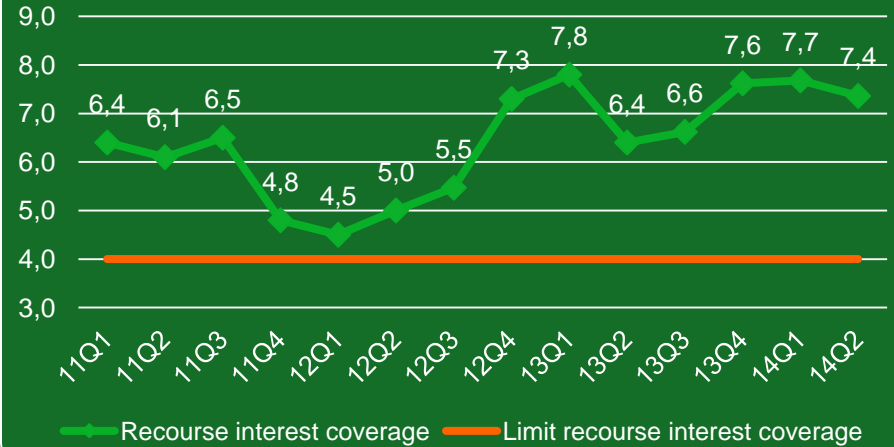
			Total
Group equity			929
Hedge reserves			96
Pension reserves			240
Subordinated loan			124
Net worth	(a)		<u>1,389</u>
Total assets			5,047
-/- Non recourse loans			407
Total recourse assets	(b)		<u>4,640</u>
Recourse solvency ratio ($\geq 15\%$)	(a/b)		<u>30%</u>

(in € million, unless stated otherwise)

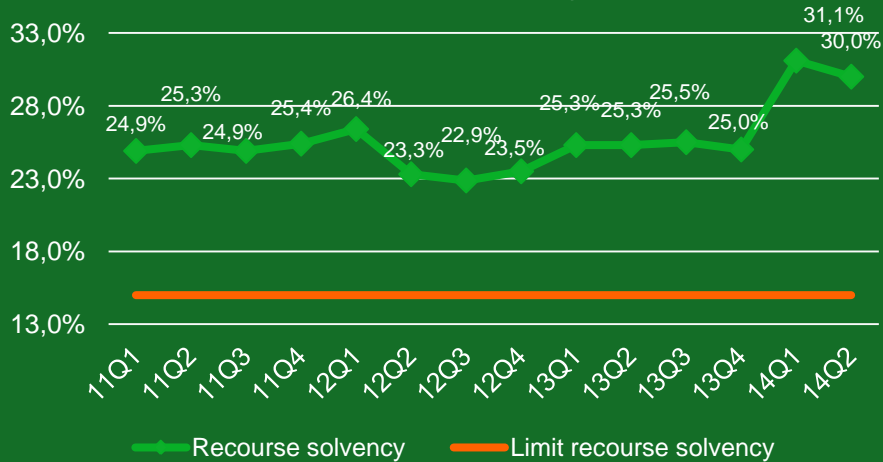
Recourse leverage ratio



Recourse interest coverage ratio



Recourse solvency ratio



Order book

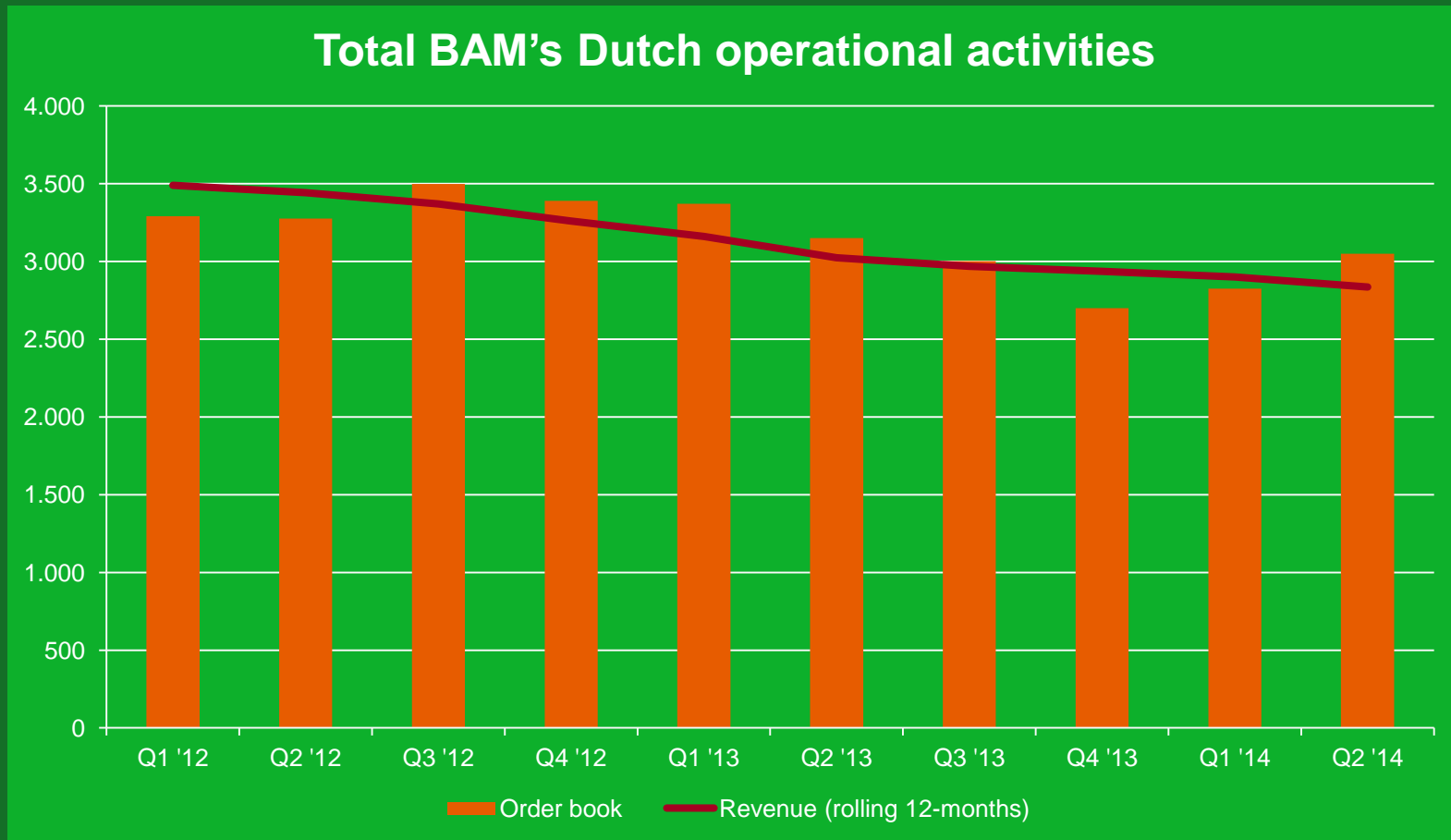
	1H14	FY13	Δ
Construction and M&E services	4,290	4,013	+7%
Civil engineering	5,433	5,090	+7%
Property	935	983	-5%
PPP	685	547	+25%
Eliminations and other	-643	-633	
Total sectors	10,700	10,000	+7%

(in € million)

Order book higher in operational sectors in NL and UK, as well in PPP

Reduction Property order book caused by successful divestments 1H14

BAM's Dutch operational activities ¹⁾



1) Dutch Construction and M&E services and Civil engineering companies

Update actions to improve operational and financial performance

- Some of these actions have already started; others are still in the preparation phase, which will be completed early in October
- A cost reduction programme to deliver annual savings of at least €100 million by the end of 2015
- Restructuring and streamlining of the operating company structure
- A programme to improve working capital by at least €300 million by the end of 2015
- Continuation of the current property divestment programme
- Investigation of all other opportunities to further strengthen BAM's financial position, including divesting other assets
- Intensification of programmes to improve tendering and execution of project

Outlook

Royal BAM Group expects the result before tax, impairments and restructuring charges for the full year of about €20 million. There will be restructuring charges in the second half of 2014 and in 2015.

Annexes:

- Property Netherlands
- Property investments
- PPP investments
- Revenue and results (2nd Quarter)
- Net debt analysis

Property Netherlands

	2014	2013
Number of home sold from own development:		
Q1	444	265
Q2	492	266
Q3		379
Q4		455
Total		1,365
Stock of unsold and unlet premises :	1H13	FY13
- homes under construction (number)	363	288
- homes finished (number)	116	161
- commercial property (m ²)	17,800	18,300

Property investments

	Q2 2014	Q4 2013
Land and building rights	492	484
Property development	448	544
Total investments (a)	940	1,028
Non-recourse loans	175	271
Recourse loans	73	71
Total loans (b)	248	342
Property associates/JV (c)	143	163
Net investments (a)–(b)+(c)	835	849

(in € million, unless stated otherwise)

Total investments:

- NL: 740 million
- UK: 130 million
- BE: 32 million
- IE: 38 million

Public private partnerships investments

	Q2 2014	Q4 2013
PPP assets (intangibles, receivables)	336	424
Non-recourse PPP loans	-229	-295
Recourse PPP loans (equity bridges)	-49	-76
PPP associates/JV/other	44	56
Investment equity ¹⁾	102	109
Committed equity ²⁾	94	126
Total invested & committed equity	196	235
NPV Total invested & committed equity (A)	167	225
NPV Future equity cash inflows (B)	259	319
<i>Estimated unrealised value (B) – (A)</i>	<i>92</i>	<i>94</i>

(in € million, unless stated otherwise)

¹⁾ BAM share invested in equity of PPP contracts

²⁾ Excluding contracts in preferred bidder stage

Revenue and results (2nd Quarter)

	2Q 2014		2Q 2013	
	Revenue	Result ¹⁾	Revenue	Result ¹⁾
Construction and M&E Services	732	1.6	763	-0.9
Civil engineering	1,019	-19.4	1,013	7.0
Property	127	3.8	81	-6.9
PPP	50	7.9	71	3.7
Eliminations and other	-117	1.5	-122	0.0
Total sectors	1,811	-4.6	1,806	2.9
Group overhead		1.3		4.1
Group interest charge		-1.2		-1.1
Result before tax and impairments		-4.5		5.9

(in € million)

1) Result before tax

Net debt analysis

	1H14	FY13	1H13
Non-recourse PPP loans	229	295	274
Non-recourse project financing	178	276	274
Other project financing	130	157	154
Total 'project related'	537	727	702
Subordinated loan	124	124	124
Financial lease liabilities	39	43	46
Bank overdrafts and other loans	186	37	165
Total interest-bearing debts	886	931	1,037
Less: cash	318	548	353
Net debt position	568	383	684
Recourse net debt position	161	-187	136

(in € million, unless stated otherwise)