

# Royal BAM Group nv Half-year results 2013

Analysts' meeting

Amsterdam, 22 August 2013

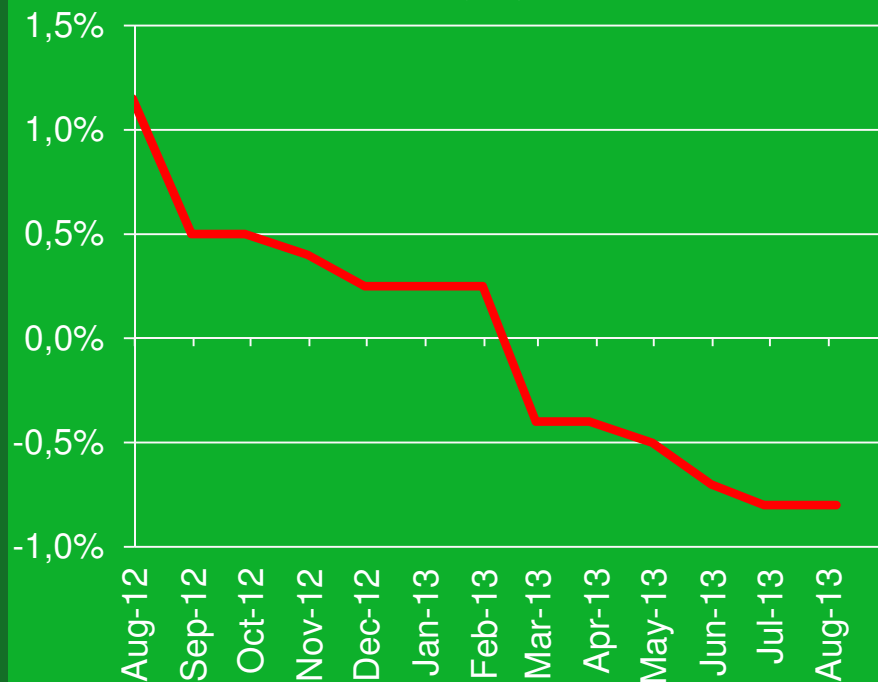


## Results under pressure from contracting Dutch markets

- Further deterioration in Dutch markets for Construction and M&E services and Civil engineering
- Operational sectors also impacted by negative margins on some large projects outside the Netherlands
- Appropriate management actions being taken
- Good result at PPP; mixed results at Property
- Within the limits of all banking covenants as at 30 June 2013

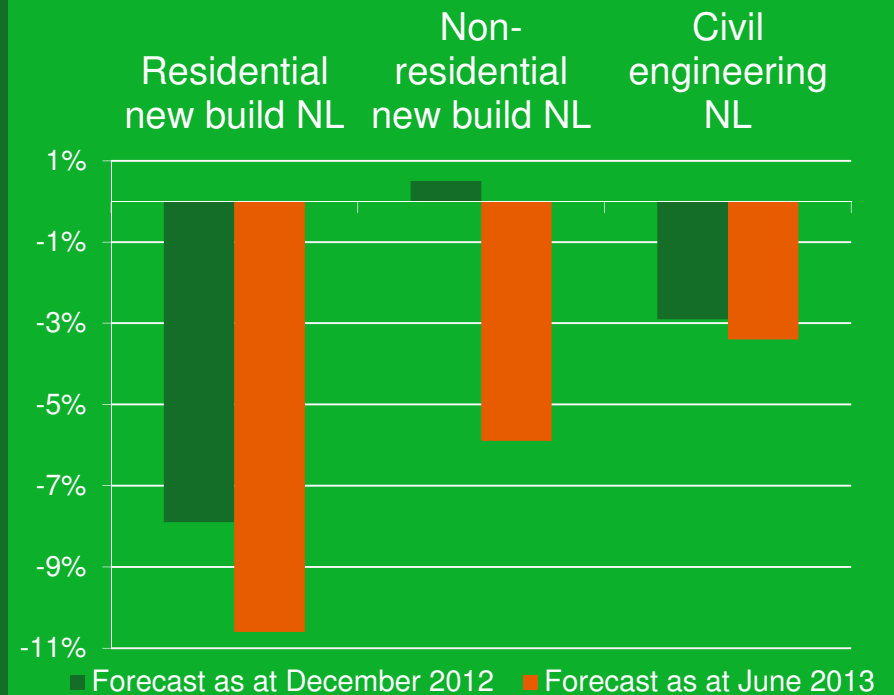
# Worsening conditions in Dutch markets ...

## Dutch real GDP forecasts 2013



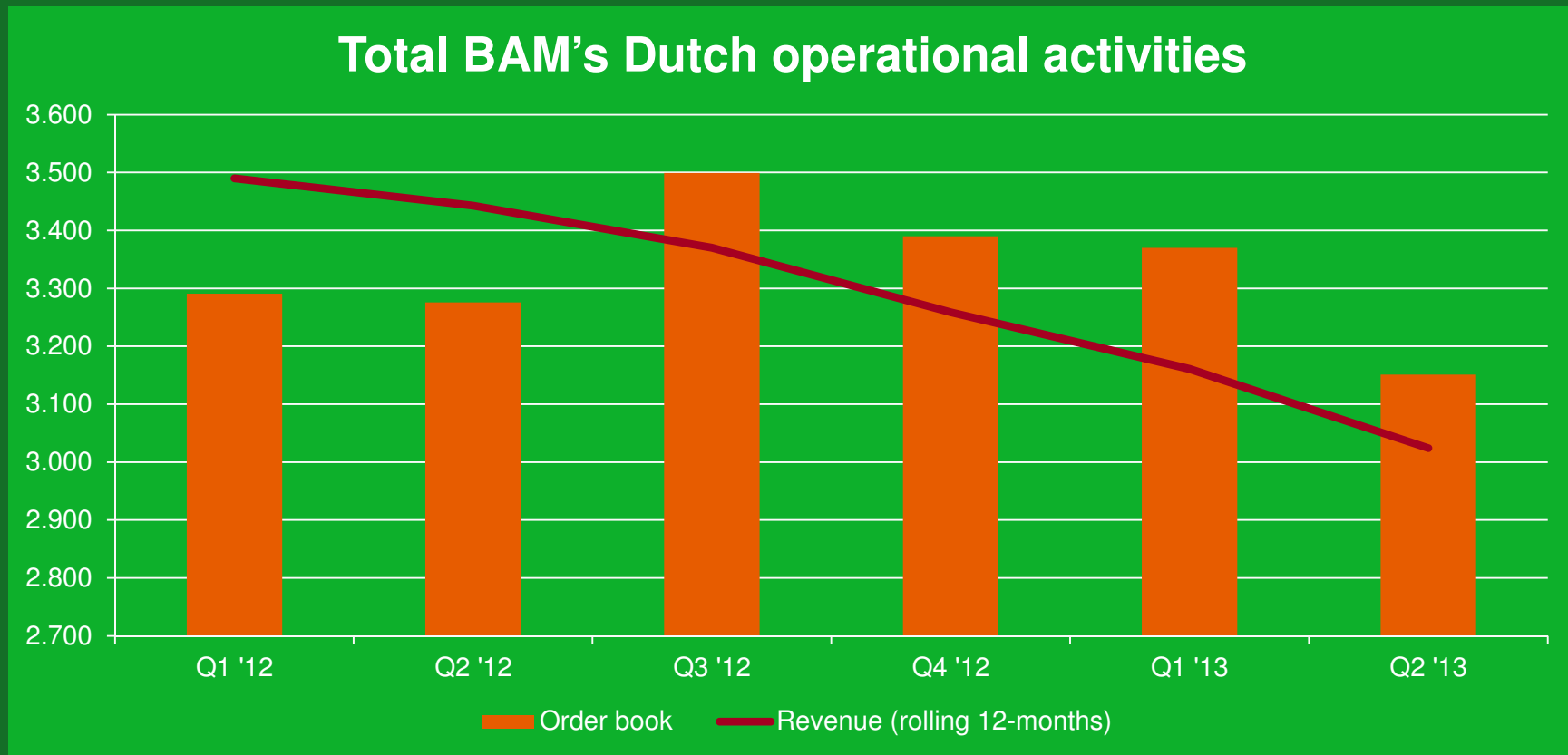
Source: Bloomberg

## Forecast market growth in 2013 Dec. 2012 vs. June 2013



Source: Euroconstruct

## ... impacting BAM's Dutch operational activities



## Operational losses at some large projects

- It is not feasible to totally eliminate losses on projects in a diversified construction business
- BAM's operational sectors currently have over 200 active, large (> €30m) projects; in H1 2013 we recorded significant losses on a handful of these
- The losses were caused mainly by worsening market conditions:
  - reduced ability to make buying savings on materials and equipment
  - sub-contractors entering bankruptcy (or requiring concessions to avoid this)
  - increased pressure from customers
- Some project specific factors

## Appropriate management actions being taken

- Capacity at Dutch companies to be cut
  - Approximately €25 million reorganisation cost, most in H2 2013
  - Additional headcount reduction by approximately 500 fte
  - Most at Construction and M&E services, some at Civil Engineering
- Intensified actions to further strengthen risk management
  - Mitigating losses on active projects: 'de-risking'
  - Strengthening project management where necessary
  - Getting recoveries where possible including negotiation/litigation
- Continuation of selective tendering

## Operational sectors: disappointing H1 results

- Shrinking Dutch markets, fierce competition; other home markets difficult, but less than the Netherlands
- Lower revenue in Dutch companies leads to much lower overhead recovery
- Losses on some large projects in other countries

### Construction and M&E services

|                      | 1H13  | 1H12                |
|----------------------|-------|---------------------|
| Revenue              | 1,418 | 1,566               |
| Result <sup>1)</sup> | -1.1  | 30.7                |
| Order book           | 4,156 | 4,419 <sup>2)</sup> |

(in € million, unless stated otherwise)

1) Result before tax

2) Year-end 2012

### Civil engineering

|                      | 1H13  | 1H12                |
|----------------------|-------|---------------------|
| Revenue              | 1,790 | 1,757               |
| Result <sup>1)</sup> | 9.9   | 24.2                |
| Order book           | 5,616 | 5,617 <sup>2)</sup> |

(in € million, unless stated otherwise)

1) Result before tax

2) Year-end 2012

## Investment sectors: making progress

### Property development

- NL residential markets develop as per Q2 2012 'later, lesser, lower' assumptions
- Big fall in NL revenue from house sales: lower volumes and lower prices
- Heightened pressure in NL retail market
- Progress on divestment program slow
- Mixed but overall positive performance in other countries

|                  |       |
|------------------|-------|
| Total investment | 1,016 |
| Associates/JV    | 189   |
| Total loans      | -343  |
| Net investment   | 862   |

(in € million)

### Public private partnerships

- Good operational results projects
- 3 projects transferred to JV in H1
- Good progress with JV for existing and new projects
- No positive bid outcomes in H1, pipeline healthy
- Next bid decisions and transfers to JV due in H1 2014

|                  |      |
|------------------|------|
| Total investment | 369  |
| Associates/JV    | 81   |
| Total loans      | -341 |
| Net investment   | 109  |

(in € million)



## Revenue and results per sector

|                               | 1H13         |                      | 1H12         |                      |
|-------------------------------|--------------|----------------------|--------------|----------------------|
|                               | Revenue      | Result <sup>1)</sup> | Revenue      | Result <sup>1)</sup> |
| Construction and M&E Services | 1,418        | -1.1                 | 1,566        | 30.7                 |
| Civil engineering             | 1,790        | 9.9                  | 1,757        | 24.2                 |
| Property                      | 123          | -9.7                 | 184          | -11.3                |
| PPP                           | 131          | 12.3                 | 147          | 3.8                  |
| Eliminations and other        | -230         | -0.1                 | -295         | -0.1                 |
| <b>Total sectors</b>          | <b>3,232</b> | <b>11.3</b>          | <b>3,359</b> | <b>47.2</b>          |

(in € million)

1) Result before tax

## Key figures: income statement

|  | 1H13        | margin      | 1H12          | margin      |
|--|-------------|-------------|---------------|-------------|
| Total result sectors                         | 11.3        | 0.3%        | 47.2          | 1.4%        |
| Group overhead                               | 2.1         |             | 3.7           |             |
| Group interest                               | -2.3        |             | -5.9          |             |
| <b>Result before tax</b>                     | <b>11.1</b> | <b>0.3%</b> | <b>45.0</b>   | <b>1.3%</b> |
| Impairment at Property                       | -2.4        |             | -247.4        |             |
| Impairment goodwill                          | -           |             | -150.4        |             |
| Income tax                                   | 7.2         |             | 38.8          |             |
| Minority interest                            | 0.3         |             | -0.2          |             |
| <b>Net result from continuing activities</b> | <b>16.2</b> | <b>0.5%</b> | <b>-314.2</b> | <b>Neg.</b> |
| Discontinued operations                      | -           |             | 65.0          |             |
| <b>Net result</b>                            | <b>16.2</b> | <b>0.5%</b> | <b>-249.2</b> | <b>Neg.</b> |

(in € million, unless stated otherwise)

## Cash flow analysis

|  | 1H13        | 1H12        | FY12        |
|--|-------------|-------------|-------------|
| Net cash result                          | -13         | 61          | 157         |
| Investments TFA                          | -39         | -30         | -86         |
| Operational sectors: $\Delta$ WC         | -280        | -251        | -42         |
| Net Investment Property                  | -1          | -32         | -72         |
| Net investment PPP                       | 7           | -13         | -3          |
| <b>Business cash flow</b>                | <b>-326</b> | <b>-265</b> | <b>-46</b>  |
| Dividend                                 | -10         | -17         | -17         |
| Pensions (additional)                    | -14         | -15         | -28         |
| $\Delta$ Group loans                     | 142         | -357        | -428        |
| Sale Tebodin                             | -           | 145         | 145         |
| Others                                   | 7           | -15         | -10         |
| <b><math>\Delta</math> Cash position</b> | <b>-201</b> | <b>-524</b> | <b>-384</b> |

(in € million, unless stated otherwise)

- Net cash result negative due to low result and usage of provisions
- Movement working capital in line with revenue and seasonality
- Movements Group loans 2012 due to refinancing in early 2012

## Key figures: balance sheet

|   | 1H13  | FY12  | 1H12  |
|---|-------|-------|-------|
| Balance sheet total                               | 5,138 | 5,308 | 5,263 |
| Shareholders' equity                              | 779   | 729   | 697   |
| Capital base                                      | 903   | 852   | 822   |
| Capital ratio                                     | 17.6% | 16.1% | 15.6% |
| Cash position                                     | 353   | 554   | 414   |
| Interest-bearing debt                             | 1,037 | 834   | 1,054 |
| Net debt position                                 | 684   | 280   | 640   |
| Recourse net debt                                 | 136   | -242  | -12   |
| Fixed assets                                      | 1,676 | 1,694 | 1,713 |
| Net operating capital<br>(excl. cash and st-debt) | 265   | -127  | 195   |

*(in € million, unless stated otherwise)*

- Capital base increased due to the positive development of cash flow reserves
- Recourse net debt increased caused by seasonality and the negative net cash result

## Order book

|                               | 1H13          | FY12          | Δ          |
|-------------------------------|---------------|---------------|------------|
| Construction and M&E services | 4,156         | 4,419         | -6%        |
| Civil engineering             | 5,616         | 5,617         | -0%        |
| Property                      | 937           | 896           | +5%        |
| PPP                           | 662           | 649           | +2%        |
| Eliminations and other        | -771          | -881          |            |
| <b>Total sectors</b>          | <b>10,600</b> | <b>10,700</b> | <b>-1%</b> |

(in € million)

Order book down by construction and M&E services mostly due to shrinking Dutch markets and selective tendering

## Outlook

Royal BAM Group expects the result before tax and non-cash impairments in the second half year of 2013 to be better than in the first half year.

The result before tax and non-cash impairments for the full year 2013 is expected to be substantially lower than the comparable result for 2012.

This result for the year will include anticipated costs of approximately €25 million to reduce headcount in the Netherlands by approximately 500 fte.

## Annexes:

- Property Netherlands
- Property investments
- PPP investments
- Revenue and results (2<sup>nd</sup> Quarter)
- Net debt analysis
- Banking covenants

# Property Netherlands

|   | 2013       | 2012         |
|---|------------|--------------|
| Number of home sold from own development: |            |              |
| Q1  | 265        | 619          |
| Q2  | 266        | 535          |
| Q3  |            | 438          |
| Q4  |            | 314          |
| <b>Total</b>                              | <b>531</b> | <b>1,906</b> |
| Stock of unsold and unlet premises :      | 1H13       | FY12         |
| - homes under construction (number)       | 288        | 295          |
| - homes finished (number)                 | 161        | 118          |
| - commercial property (m <sup>2</sup> )   | 13,900     | 12,400       |



# Property investments

|                                    | Q2 2013      | Q4 2012    |
|------------------------------------|--------------|------------|
| Land and building rights           | 472          | 468        |
| Property development               | 544          | 453        |
| <b>Total investments (a)</b>       | <b>1,016</b> | <b>921</b> |
| Non-recourse loans                 | 271          | 213        |
| Recourse loans                     | 72           | 85         |
| <b>Total loans (b)</b>             | <b>343</b>   | <b>298</b> |
| Property associates/JV (c)         | 189          | 220        |
| <b>Net investments (a)–(b)+(c)</b> | <b>862</b>   | <b>843</b> |

*(in € million, unless stated otherwise)*

## Total investments:

- NL: 798 million
- UK: 127 million
- BE: 53 million
- EI: 38 million

# Public private partnerships investments

|   | Q2 2013   | Q4 2012   |
|---|-----------|-----------|
| PPP assets (intangibles, receivables)       | 369       | 383       |
| PPP associates/JV                           | 81        | 93        |
| Non-recourse PPP loans                      | -274      | -305      |
| Recourse PPP loans (equity bridges)         | -67       | -55       |
| Investment equity <sup>1)</sup>             | 109       | 116       |
| Committed equity <sup>2)</sup>              | 126       | 130       |
| Total invested & committed equity           | 235       | 246       |
| NPV Total invested & committed equity (A)   | 222       | 234       |
| NPV Future equity cash inflows (B)          | 309       | 330       |
| <i>Estimated unrealised value (B) – (A)</i> | <i>87</i> | <i>96</i> |

(in € million, unless stated otherwise)

<sup>1)</sup> BAM share invested in equity of PPP contracts

<sup>2)</sup> Excluding contracts in preferred bidder stage

## Revenue and results (2<sup>nd</sup> Quarter)

|  | 2Q 2013      |                      | 2Q 2012      |                      |
|--|--------------|----------------------|--------------|----------------------|
|  | Revenue      | Result <sup>1)</sup> | Revenue      | Result <sup>1)</sup> |
| Construction and M&E Services            | 763          | -0.9                 | 886          | 24.0                 |
| Civil engineering                        | 1,013        | 7.0                  | 988          | 23.0                 |
| Property                                 | 81           | -6.9                 | 85           | -11.5                |
| PPP                                      | 71           | 3.7                  | 81           | 2.0                  |
| Eliminations and other                   | -122         | 0.0                  | -167         | -0.2                 |
| <b>Total sectors</b>                     | <b>1,806</b> | <b>2.9</b>           | <b>1,873</b> | <b>37.3</b>          |
| Group overhead                           |              | 4.1                  |              | 5.4                  |
| Group interest charge                    |              | -1.1                 |              | -1.2                 |
| <b>Result before tax and impairments</b> |              | <b>5.9</b>           |              | <b>41.5</b>          |

(in € million)

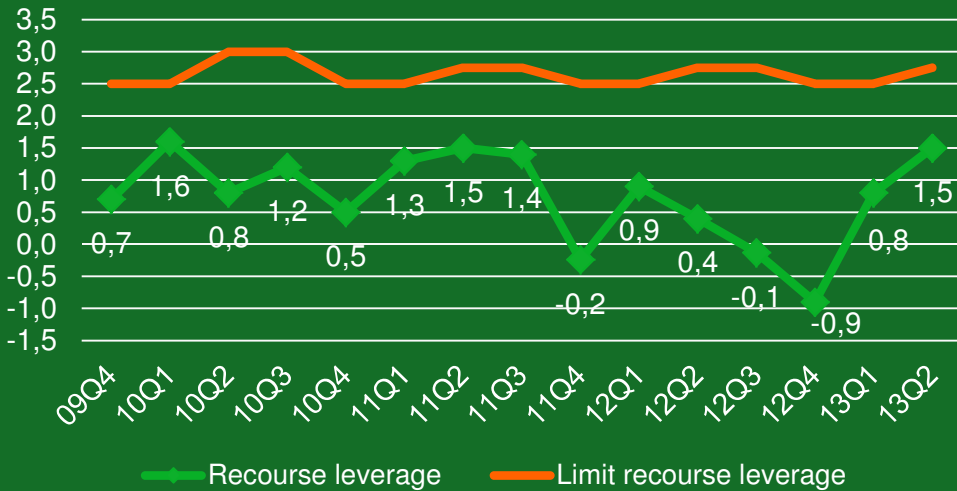
1) Result before tax

## Net debt analysis

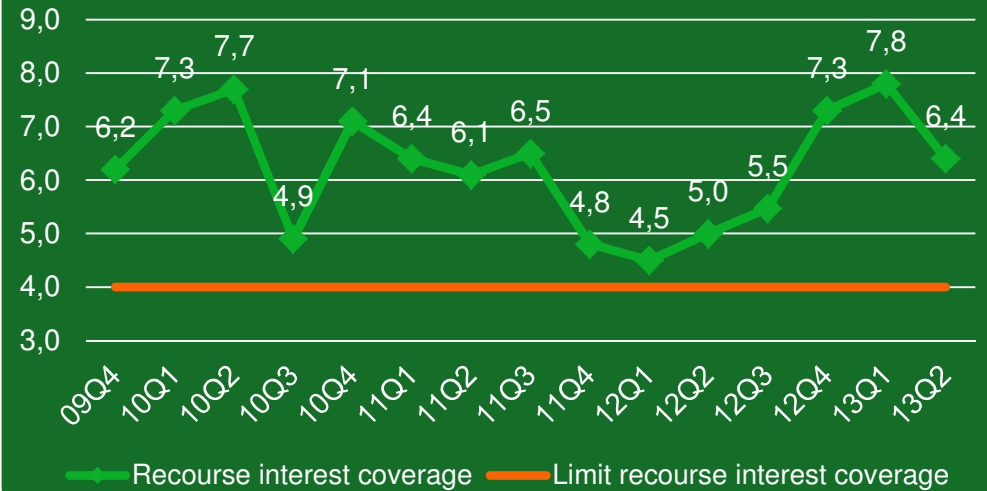
|                                     | 1H13         | FY12        | 1H12         |
|-------------------------------------|--------------|-------------|--------------|
| Non-recourse PPP loans              | 274          | 305         | 422          |
| Non-recourse project financing      | 274          | 217         | 230          |
| Other project financing             | 154          | 145         | 175          |
| <b>Total 'project related'</b>      | <b>702</b>   | <b>667</b>  | <b>827</b>   |
| Subordinated loan                   | 124          | 124         | 125          |
| Financial lease liabilities         | 46           | 42          | 39           |
| Bank overdrafts and other loans     | 165          | 1           | 62           |
| <b>Total interest-bearing debts</b> | <b>1,037</b> | <b>834</b>  | <b>1,054</b> |
| Less: cash                          | -353         | -554        | -414         |
| <b>Net debt position</b>            | <b>684</b>   | <b>280</b>  | <b>640</b>   |
| <b>Recourse net debt position</b>   | <b>136</b>   | <b>-242</b> | <b>-12</b>   |

(in € million, unless stated otherwise)

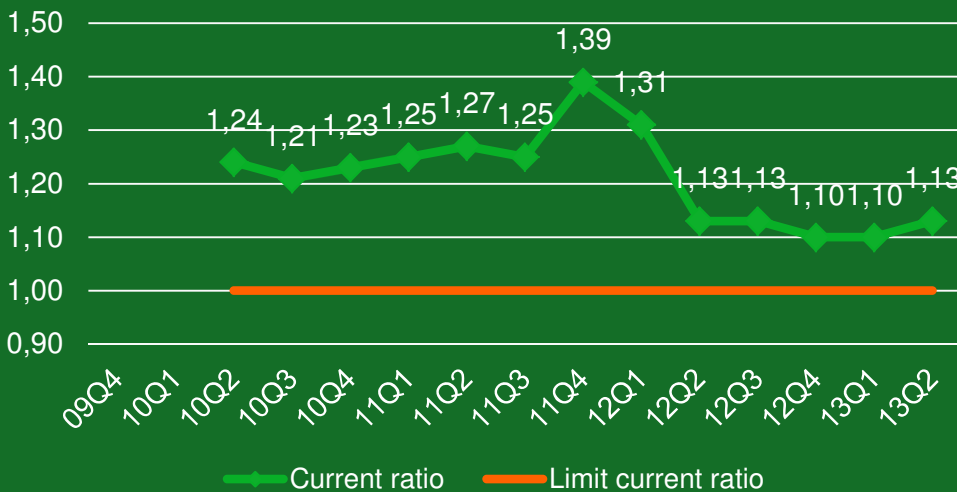
### Recourse leverage ratio



### Recourse interest coverage ratio



### Current ratio



### Recourse solvency ratio

