

Press release

Date 11 September 2003

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Royal BAM Group net profit up 91% to €38 million in first half of 2003

- Organic profit growth reaches 9% in first half 2003
- Former HBG businesses make good profit contribution
- Earnings per share €2.13 (+9%)
- Order book remains strong (€10.3 billion)
- Profit outlook 2003 maintained
- Integration BAM NBM and HBG on schedule

Performance in the first half of 2003

Turnover and result developed in line with expectations in the first half of 2003. Turnover rose to over €3.5 billion, up 172% on the first half of 2002. Compared with the pro forma figure for the first half of 2002 (€3.8 billion), turnover was down 8%, the net effect of reduced business volume (-7%), exchange rate effects (-3%) and acquisitions (+2%). Turnover is analysed by sector as follows:

(x € million)	1st half 2003	1st half 2002 *)
Construction & property	1,600	742
Civil engineering	1,550	493
Dredging	257	-
Mechanical & electrical contracting	96	80
Consultancy & engineering	84	-
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	3,587	1,315
Less: internal sales	-42	-13
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	3,545	1,302

The contribution by sector to the result before tax and amortisation of goodwill is analysed as follows:

	1st half 2003		1st half 2002 *)	
	€ million	% of turnover	€ million	% of turnover
Construction & property	48.8	3.0	17.4	2.3
Civil engineering	47.9	3.1	16.3	3.3
Dredging	28.8	11.1	-	-
Mechanical & electrical contracting	5.1	5.3	3.7	4.6
Consultancy & engineering	3.9	4.6	-	-
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	134.5	3.8	37.4	2.9
Group costs	-24.5		-3.1	
Group interest	-24.6		-2.5	
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Result before tax and goodwill	85.4	2.4	31.8	2.4

*) Restated for comparison purposes.

In the markets addressed by **Construction & Property**, the general construction and property sectors in the Netherlands, Germany and Belgium had to cope with weak office markets. Fortunately, our general construction companies in the Netherlands have always held strong positions in the other segments of their market. Our Belgian general construction businesses bucked the trend and have order books which are well-filled until far into 2004. The improving margin in this sector is due primarily

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to the sustained recovery of the results on our housing construction activities in the Netherlands. Our UK operations again made a good contribution to results. Public-sector expenditure in the UK is holding up well, but the private-sector market is declining and PFI (Private Finance Initiative) projects will continue to support the market in the years ahead. Our activities in Germany posted a modest operating profit in the first half of 2003.

In **Civil Engineering**, good progress was made generally with the major Dutch civil projects, but the market ranges from moderate to poor. A further shake-out on the supply side in several market segments appears inevitable.

Wayss & Freytag Ingenieurbau in Germany posted a modest operating profit in the first half of the year and secured three major tunnel construction contracts worth a total of €170 million. The civil engineering business in the UK continued to perform well. Nuttall has a generously filled order book with a growing proportion of framework contracts with terms of between three and five years. The market in Ireland is more difficult, but one very welcome development has been the substantial order to build a terminal at Cork airport. Royal BAM Group is pursuing several major PFI contracts in the United Kingdom and Ireland. After several loss-making years, the US company made a positive contribution to the result in the first half 2003.

BHD (Ballast Ham Dredging) was still feeling the effects in the first half of the year of the sand and border dispute between Indonesia and Singapore which is having a negative impact on turnover and results in 2003. Two substantial orders were acquired in the first half of the year. Since the end of the period under review, the declaration of intent to participate in the large 'Globe Island' project off the coast of Dubai has been signed and the company has won its first contract in Russia.

Although the **Mechanical & Electrical Contracting** sector was faced with pressure on prices in the contractor market in the first half of 2003, the result showed an improvement on the first half of 2002.

Tebodin (consultancy and engineering) performed well. The joint venture with Lockwood Greene, in which the activities in Germany, Poland, Russia and South-East Asia are combined, made a good start in the period under review.

The geographical distribution of turnover and result before tax and goodwill of the companies is as follows:

(x € million)	Turnover	Result	Margin
Netherlands	1,633	58.5	3.6%
United Kingdom & Ireland	856	32.0	3.7%
Germany	358	2.6	0.7%
United States	183	3.5	1.9%
Belgium	170	7.3	4.3%
Global businesses*)	387	30.5	7.9%
Internal sales	-42	-	-
	<u>3,545</u>	<u>134.5</u>	<u>3.8%</u>

*) Including Interbeton, Tebodin and BHD.

Earnings per share

Taking into account a preference dividend of €8.9 million per half-year, the profit available to holders of ordinary shares amounts to €29.5 million, an increase of 47% compared with the first half of 2002.

The average number of ordinary shares with entitlement to dividend has increased by 35% since the first half of 2002, to 13,871,966. No convertible bonds or convertible preference shares were converted in the first half 2003.

Earnings per ordinary share for the first half of 2003 amount to €2.13 (1st half 2002: €1.96).

Acquisitions

A majority interest in the Czech engineering consultancy company Sindat Engineering, was acquired by Tebodin in the first half of 2003. Royal BAM Group also acquired the shares of the minority (10%) shareholder in HBG Constructors in the United States.

Order book

Despite the more difficult market, a good order book was maintained throughout the first half of the year, amounting to €10.3 billion as at 30 June 2003. Of the work in hand, €3.8 billion is due to be executed in the second half of 2003, €3.8 billion in 2004 and €2.7 billion in subsequent years. Around half of the projected turnover for 2004 is thus already secured.

Integration in the Netherlands

The integration of the Dutch operations of BAM NBM and HBG in the Construction & Property and Civil Engineering sectors is in full swing and on schedule. BAM Wegen (roads) and BAM Vastgoed (property) have been operational since 1 July 2003. BAM Woningbouw (housebuilding), BAM Utiliteitsbouw (general construction), BAM Civiel (civil works) and BAM Infratechniek (pipes & cables) will continue to take shape in the second half of 2003.

Organisational changes

Faced with a declining volume of work on the Dutch construction market, Royal BAM Group is obliged to reduce staffing levels in several areas within the Construction & Property and Civil Engineering sectors. These changes are expected to result in about 500 compulsory redundancies this year, out of a total workforce in the Netherlands of around 20,000.

Financial position

There was no material change in Royal BAM Group's financial position in the first half of 2003. The decrease in the cash position compared with year-end 2002 is consistent with the normal seasonal pattern. After the end of the period under review, a subordinated loan was placed with banks and institutional investors which will increase the capital base to 14.7% of total assets, compared with 12.1% as at 30 June 2003. The loan will be used to repay part of the bridging loan raised to finance the acquisition of HBG in November 2002. After this partial repayment and assuming free cash flow of at least €100 million in 2003, the outstanding principal of this bridging loan will be €300 million.

The long-term loans are mainly non-recourse loans relating to PFI projects and one loan raised for the dredging business.

Royal BAM Group is currently engaged in negotiations with a number of parties on the sale of all or part of BHD. This disposal will provide funds which can be used to repay more of the bridging loan and it will further strengthen the balance sheet ratios.

Outlook for 2003

On the basis of the information currently available, the Executive Board forecasts higher earnings per ordinary share, corresponding with a net profit of around €80 million in 2003, on turnover of approximately €7.7 billion. The Executive Board stands by its forecast that earnings per ordinary share in 2003 will be higher than the 2002 figure of €4.35. The situation regarding the investigations by the NMa (Netherlands Competition Authority) and the OM (public prosecutor's department) is still unclear and the profit forecast takes no account of this factor.

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From Friday, 12 September 2003, the handouts distributed at the press and analysts' meetings can be viewed on our website: www.bamgroup.org.

Financial information for the first half of 2003
Abridged profit and loss account

(€ millions)	1st half 2003	1st half 2002	Full year 2002
Sales to third parties	3,545	1,302	3,579
Operating result before depreciation	169.5	44.5	127.9
Depreciation of tangible fixed assets	-61.4	-14.4	-43.5
Operating result before amortisation of goodwill	108.1	30.1	84.4
Amortisation of goodwill	-16.3	-2.3	-8.7
Operating result after amortisation of goodwill	91.8	27.8	75.7
Interest income and expense	-21.8	-0.2	-8.2
Result of participating interests	-0.2	1.8	2.7
Result on ordinary activities before tax	69.8	29.4	70.2
Taxation	-30.7	-9.4	-23.8
Result on ordinary activities after tax	39.1	20.0	46.4
Minority interests in results of group companies	-0.7	0.1	0.3
Net result	38.4	20.1	46.7

Figures per ordinary share of € 0,50 nominal value

(in € unless otherwise stated)	1st half 2003	1st half 2002	Full year 2002
Net result before goodwill amortisation	3.31	2.19	5.16
Net result	2.13	1.96	4.35
Cash flow	8.37	3.59	9.35
Shareholders' equity	15.40	13.46	14.71
Share price: high	17.34	25.10	25.10
Share price: low	9.85	21.00	13.50
Share price: end of period	16.20	22.60	13.85
Average number of shares ranking for dividend	13,871,966	10,261,257	10,573,199

Allowing for full conversion of the convertible bonds and the convertible preference shares:

Net result before goodwill amortisation	2.27	1.88	4.40
Net result	1.58	1.69	3.72
Average number of shares ranking for dividend	23,609,893	12,278,681	12,798,406

The financial statements are unaudited.

Abridged balance sheet

(€ millions)	30 June 2003	31 December 2002	30 June 2002
Intangible fixed assets	619.7	630.2	38.1
Tangible fixed assets	906.6	948.3	142.7
Financial fixed assets	228.8	201.5	12.3
Fixed assets	1,755.1	1,780.0	193.1
Current assets	2,157.9	2,083.0	711.1
Current liabilities	-2,761.1	-2,717.7	-613.2
	<u>1,151.9</u>	<u>1,145.3</u>	<u>291.0</u>
Subordinated loans	56.8	59.1	64.3
Other long term	282.0	276.4	11.3
Long-term liabilities	338.8	335.5	75.6
Provisions	398.4	403.2	77.4
Shareholders' equity	413.7	404.1	138.1
Minority interests	1.0	2.5	-0.1
Group equity	414.7	406.6	138.0
	<u>1,151.9</u>	<u>1,145.3</u>	<u>291.0</u>
Capital base	<u>475.2</u>	<u>467.8</u>	<u>207.0</u>

Taking into account the recently arranged subordinated loan of €100 million, the pro forma balance sheet as at 30 June 2003 is as follows (€ millions):

Fixed assets	1,755.1
Current assets	2,157.9
Current liabilities	-2,661.1
	<u>1,251.9</u>
Subordinated loans	156.8
Other long term	282.0
Long-term liabilities	438.8
Provisions	398.4
Group equity	414.7
	<u>1,251.9</u>
Capital base	<u>575.2</u>

Movements in shareholders' equity

(€ millions)	1st half 2003	Full year 2002	1st half 2002
Position as at 1 January	404.1	131.2	131.2
Result	38.4	46.7	20.1
Settlement of dividend for preceding year	-22.3	-15.7	-15.7
Conversion of bonds	-	5.3	2.5
Share issues	-	247.4	-
Other movements	-6.5 *)	-10.9	-
Position end of period	<u>413.7</u>	<u>404.1</u>	<u>138.1</u>

*) Mainly currency movements.

The financial statements are unaudited.

Abridged cash flow statement

(€ millions)	1st half 2003	1st half 2002	Full year 2002
Cash at start of period	684.7	228.1	228.1
Net cash flow from:			
- Operating activities	-92.8	19.9	263.2
- Investing activities	-59.2	-11.8	-544.3
- Financing activities	-29.3	-16.6	737.8
Movement	<u>-181.3</u>	<u>-8.5</u>	<u>456.6</u>
Cash at end of period	503.4	219.6	684.7

The financial statements are unaudited.