

Press release

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BAM raises its net profit forecast for 2004 from €80 million to around €90 million

- Sharp increase in net profit over the first nine months
- Order book remains high (€9.6 billion)

Developments during the first nine months of 2004

During the first nine months of 2004, Royal BAM Group achieved 3% organic revenue growth. The profitability of the core activities (excluding Dredging) doubled compared with the same period in 2003.

(x € million)	1st nine months			
	2004		2003	
	Result	Revenues	Result	Revenues
Construction and property	79.6	2,681	52.3	2,479
Civil engineering	86.5	2,422	75.2	2,457
Mechanical/electrical	5.7	139	7.2	149
Consultancy and engineering	5.8	106	5.4	128
Other / intercompany	-	-10	-	-45
Total for divisions	177.6	5,338	140.1	5,168
Group overhead	-8.0	-	-25.4	-
Group interest charge	-26.0	-	-37.1	-
	143.6	5,338	77.6	5,168
Dredging	-1.6	-	41.0	380
	142.0	5,338	118.6	5,548
Goodwill amortisation	-21.8		-24.5	
Result before tax	120.2		94.1	
Taxation	-50.8		-40.1	
Minority interests	-0.2		-0.4	
Net result	69.2		53.6	

Within the **Construction and Property** sector, the Dutch non-residential building companies of the Group are profitable, although this market is still not showing any signs of recovery. In commercial property, the situation in the office market remains difficult. However, the volume of completed but as-yet-unsold/unrented offices within the Group is limited anyway (about 5,500 m²). BAM Utiliteitsbouw has a considerable order book, largely thanks to its historically strong position outside the office segment.

In the residential construction sector – for third parties as well as via the Group's own project development – the Group continues to perform strongly. During the first nine months of 2004, more than 1,000 homes were sold via the Group's own project development – the majority by BAM Vastgoed. At the end of September 2004, the number of completed-but-unsold homes totalled 65. BAM Woningbouw is making a very good contribution to the result.

The British operating company HBG UK performed well right across the board, with all regions contributing positively to the result. The order book in the United Kingdom remains stable at the high level of 30 June 2004. Public sector investments in education and health care are important cornerstones for the growth, not only through public-private partnerships but also through traditional types of tendering contracts.

The Belgian construction activities also made a good contribution. The order book contains about two years' work, just as it did on 30 June.

In Germany, there are no noticeable signs of improvement in the market. The construction activities were loss making for the first nine months of 2004. A radical reorganisation is taking place, leading to an additional charge. As a consequence, the contribution to the result for the year as a whole will be negative.

The **Civil Engineering sector** performed well during the first nine months of 2004. A better result was achieved on the back of an almost unchanged turnover. Both BAM Civiel and BAM Wegen made a greater contribution to the result. The volume and price level of new civil engineering projects are still poor in the Netherlands. BAM Rail made a good contribution to profits. The company has a well-filled order book for the coming years, including the installation of the HSL's superstructure as part of the PPP project Infrasppeed. With the exception of Leidingbouw, where measures are being taken, BAM Infratechniek made a positive contribution. In the third quarter, the sale of BAM Steel Structures was effected.

The operating companies in the United Kingdom, Ireland, Belgium and the United States booked good results, and the flow of orders in these countries is strong. For example, the British civil engineering company Nuttall was able to acquire two sizeable, long-term maintenance contracts, while the Irish Ascon is gradually expanding in construction and property on the back of its good civil engineering position. In the United States, Flatiron landed a large light rail project, among others. The result of the German civil engineering company over the first nine months is disappointing, as a result of which, reorganisation measures will be taken.

For the first nine months of 2004, the turnover and result of the **Mechanical & Electrical Contracting** sector reached a good level, and its order book improved during the third quarter.

Tebodin (**Consultancy and engineering**) performed in line with expectations over the first nine months. The Dutch contribution has exceeded expectations, while the contributions of the German and Polish offices lagged behind. The high demand for engineering services in the Middle East continued undiminished.

In the first nine months of 2004, the participation in **dredging** company Van Oord (21.5%) made a small loss. This was due to the reorganisation charge that had already been taken during the first quarter. In the third quarter, the contribution to the result was – as expected – slightly positive. A slightly positive contribution is also expected for the year as a whole.

Otherwise, the result was determined by substantially lower **group costs**. This decline can largely be attributed to the reduction in overheads. **Interest at group level** was – thanks to the substantially improved financial position – markedly lower during the first nine months, compared with the same period last year. The **tax burden** was comparable to last year's tax burden. The **geographical spread** of the turnover and the operating result before tax and goodwill of the companies is as follows:

(x € million)	1 st nine months 2004			9M 2003
	Revenues	Result	Margin	Margin
Netherlands	2,342	113.5	4.9%	2.8%
United Kingdom and Ireland	1,637	53.1	3.2%	3.5%
Germany	664	-10.5	-1.6%	-0.5%
Belgium	321	8.4	2.6%	4.1%
United States	203	9.1	4.5%	2.4%
Global businesses *)	181	4.0	2.2%	2.9%
Other / intercompany	-10	-	-	-
Total sectors	5,338	177.6	3.3%	2.7%
Group overhead		-8.0		
Group interest charge		-26.0		
		143.6		
Dredging		-1.6		
		142.0	2.7%	2.1%

*) Includes Interbeton and Tebodin.

Earnings per share

Compared with the situation at the end of September 2003, the number of ordinary shares giving entitlement to profits increased by 2.3 million (17%) to 16.2 million. 80% of that growth is attributable to the exchanging of virtually all the outstanding convertible bonds into new ordinary shares. The remaining 20% is attributable to the exchange of financing preference shares. Net profit for the first nine months of 2004 – after deducting preference dividend – amounts to €56.6 million (compared with €40.3 million for the same period in 2003). Earnings per ordinary share for the first nine months of 2004 comes out at €3.49 (compared with €2.91 for the same period in 2003). During the fourth quarter, the number of ordinary shares giving entitlement to profits further increased to 17.1 million as of 1 December 2004 – as a result of exchanging convertible financing preference shares.

Order book

Compared with the situation at the beginning of 2004, the order book increased by 6% to €9.6 billion at the end of September 2004, mainly through organic growth. Of the total order book, €2.0 billion is expected to be executed in the fourth quarter of 2004, €4.6 billion in 2005, and €3.0 billion in later years. Assuming a constant turnover in 2005, some 63% of the estimated turnover for that year has therefore already been secured.

Public-Private Partnership

At the end of September 2004, the number of signed PPP contracts totalled nineteen (unchanged compared with June 2004). The project pipeline is well-filled. Several of BAM PPP's projects have advanced to the last phase of the tendering process.

Total PPP assets amount to €292 million at the end of September 2004, an increase of €19 million compared with 30 June 2004. Of these total PPP assets, €272 million were financed through (non-recourse) loans. The expansion of BAM PPP fits in with, among other things, the plan to grow the maintenance and facility management segments. These activities will lead to a more stable cash flow and to better margins.

Financial position

In line with the usual seasonal pattern, the financial position improved in the third quarter.

At the end of September 2004, the interest-bearing debt amounted to €459 million (mid-2004: €505 million; year-end 2003: €417 million), and therefore lies well under the level of the cash position of €524 million (mid-2004: €494 million; year-end 2003: €586 million). As of 30 September 2004, the capital base amounted to 19.2% of the balance sheet total (year-end 2003: 18.7%). In 2004, the investment in tangible fixed assets will come out somewhat below depreciation (about €75 million).

IFRS

The expected impact resulting from the application of the new International Financial Reporting Standards on Royal BAM Group's figures was extensively addressed when the half-year results were reported in September 2004. Since then, no material changes have occurred in these expectations.

Outlook for 2004

The Executive Board expects to achieve a turnover level in 2004 of around €7.3 billion. Partly on the basis of the results over the first nine months, the profit forecast has increased from €80 million to a level of around €90 million. No account has been taken in the profit forecast of the possible consequences of legal proceedings relating to competition law.

Further information:

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There will be a (Dutch language) conference call for analysts on 9 December 2004 at 10 a.m., to provide them with further details about the results. If you are interested in listening in on the conference call, you can call the following telephone number: + 31 (0)20 531 58 45.

Financial information

Abridged income statement (x € million)

<u>3rd quarter</u>			<u>1st nine months</u>	
<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
1,982	2,003	Sales to third parties	5,338	5,548
77.1	78.9	Operating result before depreciation	216.5	248.4
-7.2	-8.2	Amortisation / impairment of intangible fixed assets	-21.8	-24.5
<u>-18.6</u>	<u>-35.4</u>	Depreciation / value adjustments on tangible fixed assets	<u>-53.9</u> *)	<u>-96.8</u>
51.3	35.3	Operating result	140.8	127.1
-5.0	-12.2	Interest income and expense	-19.8	-34.0
2.1	1.2	Result of participating interests	-0.8	1.0
<u>48.4</u>	<u>24.3</u>	Result on ordinary activities before tax	<u>120.2</u>	<u>94.1</u>
-18.5	-9.4	Taxation	-50.8	-40.1
<u>29.9</u>	<u>14.9</u>	Result on ordinary activities after tax	<u>69.4</u>	<u>54.0</u>
-0.1	0.3	Minority interests in results of group companies	-0.2	-0.4
<u>29.8</u>	<u>15.2</u>	Net result	<u>69.2</u>	<u>53.6</u>

Figures per ordinary share of € 0.50

(x €1, unless otherwise indicated)

<u>3rd quarter</u>			<u>1st nine months</u>	
<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
2.06	1.37	Net result before goodwill amortisation	4.84	4.67
1.61	0.77	Net result	3.49	2.91
3.44	4.24	Cash flow	7.24	12.61
18.47	16.39	Shareholders' equity	18.47	16.39
30.19	20.88	Share price high	30.19	20.88
24.00	16.25	Share price low	21.46	9.85
29.90	20.16	Share price close	29.90	20.16
16,208	13,873	Average number of shares ranking for dividend (x 1,000)	16,208	13,873

Allowing for full conversion of the convertible preference shares

1.54	0.96	Net result before goodwill amortisation	3.76	3.22
1.23	0.61	Net result	2.84	2.18
23,601	23,610	Average number of shares ranking for dividend (x 1,000)	23,601	23,610

*) Drop in depreciation caused by sale of dredging operations.

Abridged balance sheet

(x € million)	30 September 2004	31 December 2003	30 September 2003
Intangible fixed assets	513.7	534.1	612.4
Tangible fixed assets	373.3	378.2	907.6
Financial fixed assets	445.1	389.7	240.9
Fixed assets	1,332.1	1,302.0	1,760.9
Current assets	1,849.9	1,821.4	2,035.4
Current liabilities	-1,971.3	-1,985.7	-2,505.1
	<u>1,210.7</u>	<u>1,137.7</u>	<u>1,291.2</u>
Subordinated loans	85.1	121.4	155.7
Other long-term liabilities	292.7	219.6	299.5
Long-term liabilities	377.8	341.0	455.2
Provisions	341.6	353.8	407.6
Shareholders' equity	489.7	441.1	427.4
Minority interests	1.6	1.8	1.0
Group equity	491.3	442.9	428.4
	<u>1,210.7</u>	<u>1,137.7</u>	<u>1,291.2</u>
Capital base	612.2	584.4	587.7

Movements in shareholders' equity

(x € million)	1st nine months 2004	Year 2003	1st nine months 2003
Position as at 1 January	441.1	404.1	404.1
Result	69.2	56.0	53.6
Settlement of dividend for preceding year	-40.6	-22.3	-22.3
Conversion of bonds	17.2	15.8	0.0
Exchange rate differences	2.8	-12.5	-8.0
Position end of period	<u>489.7</u>	<u>441.1</u>	<u>427.4</u>

Abridged cash flow statement

(x € million)	1st nine months 2004	1st nine months 2003	Year 2003
Opening cash position	586.0	684.7	684.7
Net cash flow from:			
Net result for the period	69.2	53.6	56.0
Amortisation / impairment of intangible fixed assets	21.8	24.5	35.4
Depreciation / value adjustments on tangible fixed assets	53.9	96.8	134.0
Movement in provisions	-12.2	4.5	-49.4
Movement in working capital excluding cash	-107.4	-87.1	-25.1
- operating activities	25.3	92.3	150.9
- investing activities	-101.6	-103.7	293.5
- financing activities	14.5	-80.8	-543.1
Net cash flow in the period	<u>-61.8</u>	<u>-92.2</u>	<u>-98.7</u>
Closing cash position	524.2	592.5	586.0

Notes

The valuation principles have not changed compared with the 2003 financial statements.