Royal BAM Group nv

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BAM forecasts net profit in 2006 of approximately €130 million and maintains dividend

- Net profit for first nine months of 2006: €68.5 million
- Dramatic loss recorded by Wayss & Freytag Schlüsselfertigbau
- Favourable operational results from other activities
- Turnover growth in first nine months of 2006: +11%, organic: +4%
- Order book at a record level: €13.0 billion
- Strategic agenda 2007 - 2009 formulated

Course of business during first nine months of 2006

Over the first nine months of 2006, Royal BAM Group recorded a net result of €68.5 million (2005: €111.1 million). This result includes a loss in Germany of €110 million. As announced on 20 November 2006, the forecasted loss for 2006 of the German non-residential construction company Wayss & Freytag Schlüsselfertigbau has been raised to €115 million. Despite the favourable operating results from the other activities, BAM expects that it will be unable to achieve ist profit forecast for 2006 (approximately €180 million) as announced when the half year figures were published. Based on current information, BAM expects to record a net profit of approximately €130 million for the 2006 financial year.
Turnover for the first nine months of 2006 was approximately €5.8 billion (2005: €5.3 billion). One reason for the increase is the financial consolidation as of 1 February of the participating interest in AM. Property developer AM operates independently and with its own identity at arm's length from BAM.

	1st nine months			
	2006		2005	
(x € million)	**Result**	**Turnover**	Result	Turnover
Construction and property	6.8	2,916	82.2	2,559
Civil engineering	87.3	2,639	105.2	2,465
Public private partnerships	0.3	50	-3.5	27
M&E contracting	4.8	137	5.3	129
Consultancy and engineering	15.4	149	9.3	111
Pensions/intercompany	21.5	-48	-0.1	-40
Total for sectors	136.1	5,843	198.4	5,251
Group overhead	-5.6		-6.6	
Group interest charge	-28.4		-30.3	
Operating activities	**102.1**		161.5	
Dredging	14.4		7.7	
Result before tax and fines	**116.5**		169.2	
Bitumen fines (net)	-6.0		-	
Taxation	-41.7		-57.6	
Minority interests	-0.3		-0.5	
Net result	**68.5**		111.1	

Construction and property

The result in this sector dropped substantially in the first nine months of the year as a consequence of the loss at Wayss & Freytag Schlüsselfertigbau, despite the good operating results for the other operating companies. Turnover – not including AM – remained almost stable.

The Dutch operating companies recorded good results, owing in part to favourable results from the development and construction of homes. The prospects for the residential construction sector remain positive. The output from residential construction in the Netherlands is expected to increase further, while the demand for new and existing homes remains high. In the first nine months of 2006, a total of approximately 3,700 homes were sold from BAM's own property development (last year: 1,300), of which approximately 2,100 were sold by AM. The total development potential within the Group is currently more than 70,000 homes. The volume in the non-residential construction market is developing favourably, including in the office market. The take-up of new office space is increasing, despite the ongoing high vacancy rate. Investors are displaying a great deal of interest in leased commercial property. The favourable conditions in both the residential and non-residential market are resulting in increasing prices charged by subcontractors and suppliers, and creating a scarce labour market. This puts pressure on margins. The stock of unsold, unlet property is limited (19 homes and approximately 6,500 m^2 of office space).

In Belgium, Interbuild's activities have expanded further over the past nine months. Its result has also improved – in line with the turnover. Interbuild's prospects on the office market in Brussels and Antwerp remain positive.

Good results were recorded in the United Kingdom, with a slight increase in turnover. Sales of commercial property from BAM's own property development contributed substantially to the result in the first nine months. In the fourth quarter, sales of commercial property from BAM's own property development will again add significantly to the profits. HBG UK's order book is at a high level, owing in part to the acquisition of a large number of contracts during the third quarter, including contracts for hotels, hospitals and educational complexes. In general, the prospects for the British non-residential construction market are good, particularly in and around the large cities.

In Germany, Müller-Altvatter recorded a small profit for the first nine months of 2006. A profit is also expected for the year as a whole. The forecasted loss for 2006 of Wayss & Freytag Schlüsselfertigbau has been raised to €115 million (as announced on 20 November 2006). This loss has been charged largely to the result over the first nine months of 2006. Part of the provisions taken for reorganisation will be charged to the result for the fourth quarter. The measures and provisions taken are intended to enable healthy development at the German non-residential construction company next year and in subsequent years.

The order book for the Construction and property sector as at 30 September 2006, including AM, amounts to approximately €7.0 billion (year-end 2005: €5.1 billion, not including AM). The organic growth of the order book is approximately 10%, a substantial portion of which was realised in the United Kingdom.

Civil engineering

The results in the Civil engineering sector remained during the first nine months of 2006 on a good level. The increase in turnover was realised primarily in the United States and the United Kingdom.

The Dutch operating companies made a good contribution to the result. The volume on the Dutch civil engineering market continues to develop favourably, owing in part to the performance of delayed work in the area of road expansion and maintenance. The supply of major projects is also large. Tendering costs are high. The slight improvement in the price level, however, is not yet satisfactory. One of the consequences of this price level is a conservative contracting policy.

The contribution to the profit by the Belgian companies was as expected. Those companies are currently involved in tendering for a number of very large infrastructure projects, as a result of which the tendering costs in Belgium will rise sharply this year. The possible award of these projects is not expected before 2007.

Nuttall recorded a good result in the United Kingdom. Turnover rose, and the order book is also increasing. The prospects in the British civil engineering market are positive and demonstrate modest growth. The preparations for the 2012 Olympic Games will provide an additional boost.

In Ireland, Ascon recorded an excellent result. Its order book is at a high level. The outlook for the Irish construction industry remains favourable, although both domestic and international competition is increasing.

The results of the German operating company Wayss & Freytag Ingenieurbau are – in line with expectations – slightly negative. The prospects for the German civil engineering market are moderately positive, although the price levels are not yet displaying any clear improvement.

In the United States, Flatiron recorded a good result. Turnover rose substantially. The outlook for the American civil engineering market remains positive.

Interbeton – which operates in niche markets outside Europe – made a good contribution to the result. Its order book is at a high level, with many of the projects from the Gulf region.

The order book for the Civil engineering sector rose to €5.5 billion in the first nine months of 2006 (year-end 2005: €4.8 billion). A significant part of this increase of approximately 15% was achieved in Ireland and the United States.

Public private partnerships

This sector recorded a slight profit during the first nine months of the year. Only the revenue and results of the operational PPP projects are recognised in the Public private partnership sector. The positive results from these projects were affected significantly by high tendering costs during the first three quarters of 2006. The revenue and results of the PPP projects under construction are recognised in the relevant sectors concerned; these results were also positive in this period.

BAM PPP has a total of 25 PPP projects in its portfolio, of which seventeen projects are currently operational. There are also some fifteen bids currently pending in the Group’s various home countries. Two of those bids have reached the best and final offer phase.

The PPP receivables in the consolidated balance sheet decreased slightly over the first nine months of 2006 to €525 million (year-end 2005: €543 million), while the non-recourse PPP loans also decreased to €489 million (year-end 2005: €548 million). As at 30 September 2006, the net investment in PPP projects was approximately €67 million (year-end 2005: €41 million).

Mechanical and electrical contracting

BAM Techniek made a good contribution to the result. The market recovery is continuing. BAM Techniek has traditionally a solid client base. A substantial portion of the turnover is realised from small and medium-sized contracts for a regular group of clients.

Consultancy and engineering

Tebodin once more recorded an excellent result. The utilisation rate is high. An increasing share of activities are conducted in Central and Eastern Europe. The prospects in virtually every region are favourable.

Other

A pre-tax profit of €21.5 million was recorded over the first nine months of 2006 under the heading **Pensions** (2005: loss of €0.1 million). This result stemmed from the partial release of pension provisions taken under IFRS and from the further transfer of defined benefit schemes to external parties.

The participating interest in **dredging** company Van Oord (21.5%) contributed significantly more to the result over the first nine months of 2006 than during the same period last year. Like last year, that contribution includes €3.2 million in preference dividends.

The heading **Bitumen fines** includes an additional provision of €6 million net in connection with the new uncertainty concerning the deductibility of the bitumen fines imposed by the European Commission. Those fines, totalling €20.7 million, are regarded as out of proportion. The BAM companies concerned are appealing the decision.

The heading **Taxation** includes a tax gain of approximately €17 million, mainly following the announcement of reduced corporation tax rates in the Netherlands. The new tax legislation also has a non-recurring negative impact on the cash position of the Group. The changed fiscal valuation of work in progress leads next year to a significant one-off tax payment on top of the regular tax payment. No transitional measure is provided for.

Geographic spread of turnover and results

	9 months 2006			9 months 2005
(x € million)	**Turnover**	**Result**	**Margin**	Margin
Netherlands	2,604	116.4	4.5%	5.5%
Belgium	359	7.3	2.0%	2.1%
United Kingdom	1,507	52.7	3.5%	3.4%
Ireland	285	12.5	4.4%	5.3%
Germany	511	-110.2	-21.6%	-4.4%
United States	357	13.1	3.7%	6.3%
Global businesses	268	22.8	8.5%	6.6%
Intercompany/pensions	-48	21.5		
Countries total	5,843	136.1	2.3%	3.8%
Group overhead		-5.6		
Group interest charge		-28.4		
Operating activities		**102.1**		
Dredging		14.4		
Result before tax and fines		**116.5**	2.0%	3.2%

Order book

The order book reached a record level of €13.0 billion as at 30 September 2006 (year-end 2005: €10.4 billion, not including AM). Compared with the situation at year-end 2005, this represents organic growth of approximately 13%. It is expected that €2.6 billion of the total order book will be carried out during the last quarter of 2006, with €6.1 billion being carried out in 2007 and €4.3 billion in subsequent years.

Financial position

Royal BAM Group's cash position, the balance of cash and cash equivalents minus short-term bank loans, was €300 million as at 30 September 2006 (year-end 2005: €632 million). This decrease in cash position largely corresponds to the seasonal pattern. Furthermore, the need for working capital is increasing structurally as a result of the expansion of activities in the area of project development, public private partnerships and design-and-build.

The Group's interest-bearing debts as at 30 September 2006 totalled €1,860 million (year-end 2005: €1,062 million). This increase stemmed primarily from the takeover and consolidation of AM. The effect of this on the interest-bearing debts, and consequently on the net debt position, was approximately €639 million, of which approximately €286 million concerns project loans. The net debt position as at 30 September 2006 was €1,317 million (year-end 2005: €409 million). In total, the consolidation of AM resulted in an increase of the balance sheet total with approximately €900 million. The capital ratio, based on the capital base, was 14.2% of the balance-sheet total as at 30 September 2006 (year-end 2005: 15.9%).

Result per ordinary share

Due to the conversion of the convertible preference shares and the issue of ordinary shares during 2005, the average number of profit-sharing ordinary shares rose by 22%, as compared with the first nine months of 2005, to a total of 123.1 million. In part because of that increase, the net result per ordinary share for the first nine months of 2006 dropped to €0.56 (2005: €1.10). Taking into account the full conversion of the convertible preference shares, the net result per ordinary share dropped to €0.53 (2005: €0.95).

Forecast for 2006

Royal BAM Group expects to realise a net profit of approximately €130 million in 2006, from turnover of more than €8.5 billion.

The dividend for 2006 will remain at €0.40 per ordinary share, despite the lowering of the 2006 profit forecast to approximately €130 million.

Strategic agenda for 2007-2009

The Executive Board of Royal BAM Group nv has drawn up a strategic agenda to serve as a guide for management in the Group's further development during the coming years.

In this context, financial objectives for 2009 have also been defined. BAM is targeting a pre-tax profit margin of 4% in the 2009 financial year. The margin improvement should result in a further growth of earnings per share. The target for both the capital ratio (based on the capital base) and the return on equity has been set at over 20%. These targets are based on a normal development of the economy. BAM wishes to at least retain its current European top position in construction in 2009. This implies growth of the turnover level to approximately €10 billion.

The BAM operating companies are mainly active in the current five home markets: Belgium, Germany, Ireland, the Netherlands and the United Kingdom. The Group does not provide the full service package in all of these home markets. Margin improvement and volume growth are achieved in four possible areas. For all four areas, BAM will set further steps in the coming policy period, as discussed below in order of importance. Firstly, the focus will be on defining what possibilities the operating companies have for increasing their turnover and profits based on their existing activities in their existing home market. Secondly, BAM is aiming to introduce activities in home markets where BAM does not already offer the activities concerned within the BAM service package. The third area is the development of more profitable activities through initiatives for new products and new concepts for clients in the home markets. This entails cooperation between operating companies throughout the Group by so-called concept teams. The fourth and final area is the possible introduction of BAM core activities in a new sixth home country. This route will only be pursued after careful study of both the country in question and the potential partners.

BAM positions itself as a construction group that can offer clients buildings and infrastructure that are completely ready for use. BAM's services constitute an integrated package: development, design, construction, financing, operation and maintenance. An expansion of the activities in the existing home markets – and possibly in neighbouring countries – will strengthen the Group's European basis. Such reinforcement is considered to be a condition for maintaining a leading position in the long term, in terms of both turnover and value creation.

The objective of the strategic development is to be in a position to offer a comprehensive range of products and services to clients on the European home markets. Outside Europe, the Group operates in profitable niche markets. The global businesses contribute, with their international spread, significantly to the technical and technological expertise within the Group. They also offer challenging international career opportunities for employees of the Group, which furthers BAM’s ambition to become the preferred employer in the industry.

The focus in the Group’s further development will be on activities at the start of the process chain to allow BAM to undertake initiatives using its own conceptual ability and offer customers new concepts to meet their needs. Sustainability is key in the development of these new concepts. BAM is also aiming to expand at the end of the process chain (e.g. operation and maintenance, alone and in partnerships) to allow the Group to continue its relationship with clients after their projects have been completed.

BAM will further emphasise the importance that the Group attaches to corporate social responsibility, for example by introducing a strict safety policy and ensuring a transparent organisation. BAM maintains a very decentralised structure; operating companies run by directors appointed under their articles of association report to the Group’s Executive Board. The central departments at Group level, although small, boast international experience and composition. BAM’s solid financial structure must be based on strong solvency and on risk management as a core competency.

Further information

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Live audio webcast

The Executive Board of Royal BAM Group will comment on this quarterly report on 30 November 2006 at the analysts’ meeting (10 a.m.-11.30 a.m. CET) and the press conference (12 p.m.-1.30 p.m. CET). Both meetings will be broadcast in a live audio webcast (www.bam.nl). Although the language of both meetings will be Dutch, a simultaneous English translation will be provided of the analysts’ meeting.

Annexes

1. Condensed income statement
2. Figures per ordinary share with €0.10 nominal value
3. Condensed balance sheet
4. Movements in the equity attributable the Company's shareholders
5. Condensed cash flow statement

1. Condensed income statement
(x € million)

3rd quarter 2006	3rd quarter 2005		1st nine months 2006	1st nine months 2005
1,981	1,881	**Revenue**	**5,843**	5,251
14.6	85.9	Operating result before depreciation, amortisation, impairment, finance income and fines	**204.4**	247.7
-23.3	-23.5	Depreciation and amortisation	**-68.9**	-66.1
6.2	3.7	Finance income	**14.5**	14.6
-7.8	-	Bitumen fines	**-7.8**	-
-10.3	66.1	**Operating result**	**142.2**	196.2
-18.9	-10.2	Finance expense	**-47.9**	-32.3
7.3	2.5	Result from associates	**14.3**	5.3
-21.9	58.4	**Result before tax**	**108.6**	169.2
0.7	-17.9	Income tax	**-39.8**	-57.6
-21.2	40.5	**Net result for the period**	**68.8**	111.6
0.1	0.2	Net result attributable to minority interests	**0.3**	0.5
-21.3	40.3	**Net result attributable to shareholders**	**68.5**	111.1

2. Figures per ordinary share with €0.10 nominal value *)
(x €1, unless otherwise indicated)

3rd quarter 2006	3rd quarter 2005		1st nine months 2006	1st nine months 2005
-0.17	0.38	Net result	0.56	1.10
0.02	0.61	Cash flow	1.12	1.75
5.01	3.48	Shareholders' equity	5.01	3.48
16.23	15.28	Highest closing share price	18.49	15.28
13.55	11.17	Lowest closing share price	12.93	7.05
13.94	15.28	Share price at end of period	13.94	15.28
123,757	105,053	Average number of shares ranking for dividend (x 1,000)	123,140	101,125
		Allowing for full conversion of convertible preference shares		
-0.15	0.34	Net result (fully diluted)	0.53	0.95
135,539	124,333	Average number of shares ranking for dividend (x 1,000)	135,500	124,295

*) Allowing for share split 1:5 as of 11 May 2006.

3. Condensed balance sheet

(x € million)

	30 September 2006		31 December 2005		30 September 2005	
Property, plant and equipment	434.1		417.8		424.5	
Intangible fixed assets	737.6		502.6		508.3	
PPP receivables	511.3		528.8		502.9	
Investments in associates	129.4		110.3		104.3	
Other financial fixed assets	102.0		84.5		85.7	
Derivative financial instruments	2.6		-		-	
Deferred tax assets	19.6		30.7		44.2	
Non-current assets		1,936.6		1,674.7		1,669.9
Current assets		4,174.2		3,303.7		3,103.2
Total assets		6,110.8		4,978.4		4,773.1
Equity attributable to the Company's shareholders	621.4		581.7		370.8	
Minority interest	2.6		2.3		2.1	
Group equity		624.0		584.0		372.9
Borrowings	1,479.3		911.5		846.3	
Derivative financial instruments	28.2		51.8		39.2	
Employee benefit obligations	175.0		180.4		208.8	
Provisions	114.8		105.5		102.2	
Deferred tax liabilities	161.8		118.7		119.5	
Non-current liabilities		1,959.1		1,367.9		1,316.0
Current liabilities		3,527.7		3,026.5		3,084.2
Total equity and liabilities		6,110.8		4,978.4		4,773.1
Capital base		868.6		790.4		606.6

4. Movements in equity attributable to the Company's shareholders

(x € million)

		1st nine months 2006		Full year 2005		1st nine months 2005
Position as at 1 January		581.7		229.5		229.5
Net result attributable to shareholders	68.5		153.3		111.1	
Fair value cash flow hedges	18.5		-14.8		-6.6	
Exchange rate differences	-4.1		10.0		8.7	
Total result		82.9		148.5		113.2
Issue of share capital		-		151.3		-
Conversion / buy-back of preference shares		5.9		84.6		60.3
Dividend paid		-49.1		-32.2		-32.2
Movement		39.7		352.2		141.3
Position at end of period		621.4		581.7		370.8

5. Condensed cash flow statement

(x € million)

	1st nine months 2006		Full year 2005		1st nine months 2005	
Net result for the year	68.8		153.9		111.6	
Adjustments for:						
- Taxation	39.8		76.0		57.6	
- Depreciation / amortisation	68.9		90.6		66.1	
- Impairment	-		16.0		-	
- Result on sale of property, plant and equipment	-5.9		-3.2		-1.7	
- Finance income and expense	33.4		16.4		17.7	
- Result from associates	-14.3		-11.0		-5.3	
Changes in provisions	-14.6		-39.1		-20.5	
Changes in working capital (excluding net liquidities)	-139.5		-426.4		-456.3	
Interest paid	-47.9		-36.5		-32.3	
Income tax paid	-32.5		-37.6		-23.7	
Net cash flow from operating activities		-43.8		-200.9		-286.8
Net cash flow from investing activities		-340.0		-192.5		-149.4
Net cash flow from financing activities		53.8		317.0		60.7
Changes in net liquidities		-330.0		-76.4		-375.5
Net liquidities at beginning of the year		632.3		699.5		699.5
Exchange rate differences on net liquidities		-2.5		9.2		8.8
Net liquidities at end of period		299.8		632.3		332.8
Of which in construction consortiums and other partnerships		205.7		215.2		265.7

Notes

This interim financial report for the first nine months of 2006 was compiled in accordance with IAS 34, ‘Interim Financial Reporting’, with the exception of the requirements of IFRS 3 ‘Business combinations’. This report should be read in conjunction with the consolidated financial statements for the 2005 financial year.

The accounting principles used in this interim financial report are consistent with the principles applied and described in the consolidated financial statements for the 2005 financial year.

The previously published data for the first nine months of 2005 have been adjusted to allow comparison.

Unaudited