

Date 19 May 2011

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BAM confirms 2011 profit outlook following stable first quarter

- Net result for Q1 2011: €20 million (Q1 2010: €10 million)
- Small profit in the Property sector
- Agreement with PGGM to form PPP joint venture
- Order book at €11.9 billion at end of Q1 2011 (year-end 2010: €12.1 billion)
- Expected net profit level for 2011 confirmed at €120 million

(in € million, unless otherwise indicated)	First quarter 2011	First quarter 2010	Financial year 2010
Revenue	1,675	1,542	7,611
Result before tax	25.9	11.5	152.9 ¹
Margin before tax	1.5%	0.7%	2.0% ¹
Net result	20.1	9.9	15.3
Order book (close of period)	11,900	11,500	12,100

¹ Before tax and impairment Property**Nico de Vries, Chairman of the Executive Board of Royal BAM Group, said:**

“BAM’s results for the first quarter were stable and in line with expectations, underpinned by successful execution on large projects. Results at our Construction and Civil Engineering sectors were similar to last year, and the Property sector made a small profit.

Looking ahead, we maintain our expectation of a net profit level of €120 million for 2011, taking account of increased pressures on margins for new orders.

I am also pleased to report today an innovative joint venture agreement between BAM PPP and the leading Dutch fund manager PGGM which will help us accelerate our growth in this important market of public private partnerships.”

Profit outlook for 2011

Royal BAM Group is maintaining the forecast made when the annual results for 2010 were published that, barring unforeseen circumstances, the Group will achieve a net profit level of €120 million in 2011, which equates to a 2 percent margin before tax.

Further information

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Conference call

On 19 May 2011, at 10.00 hrs CET, there will be a conference call in English for press and analysts. Please call +31 (0)10 29 44 224 if you want to join the conference. A recording of the conference call will remain available for one month at +31 (0)10 29 44 210 (access code: 11 930 26#) and on the company’s website www.bam.eu.

Breakdown of revenue and results by sector

(x € million)	1 st quarter 2011		1 st quarter 2010	
	Result	Revenue	Result	Revenue
Construction	20.1	669	20.7	656
Property	2.0	128	-18.3	113
Civil engineering	3.7	823	3.0	755
Public Private Partnerships (PPP)	1.2	94	4.0	64
Mechanical and electrical contracting	2.1	74	2.1	61
Consultancy and engineering	1.7	50	2.9	48
Eliminations and miscellaneous	-0.1	-163	-0.2	-154
Total for sectors	30.7	1,675	14.2	1,542
Group overhead	-4.5		-3.7	
Group interest charge	-6.7		-6.1	
Operational activities	19.5		4.4	
Dredging	6.4		7.1	
Result before tax	25.9	1.5%	11.5	0.7%
Tax	-5.7		-1.5	
Minority interest	-0.1		-0.1	
Net result	20.1	1.2%	9.9	0.6%

Construction

- Higher revenue in the Netherlands and Germany
- Good margin in the United Kingdom; contract acquisition stagnating
- Slow start to the year in Belgium, but good prospects
- Order book margins under pressure in all markets

(x € million)	1 st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	669	656	3,211
Result before tax	20.1	20.7	95.1
Margin before tax	3.0%	3.2%	3.0%
Order book (close of period)	4,562	4,641	4,657

The Dutch Construction activities achieved a lower, but still good result from higher revenues in the first quarter of 2011. Revenue from Dutch non-residential construction increased while revenue from Dutch residential construction remained stable compared to the first quarter of 2010. Pressure on margins in competing for new contracts increased, which is likely to adversely impact margins in the future.

Revenue in the UK, measured in sterling, fell by 7 percent in Q1 2011 compared to the same period in 2010. The margin and contribution to the total sector result were both good. The UK order book remained healthy at the end of the first quarter, but acquisition of new contracts has become difficult as British government austerity measures have taken effect. This may be reflected in the results for 2011 as a whole, and in subsequent years.

The German non-residential construction company BAM Deutschland achieved a satisfactory result from higher revenues. BAM Deutschland was successful in acquiring a number of substantial

contracts; including two so-called 'PPP light' contracts to build hospitals. As a result, the order book grew in Q1 2011.

There was a sharp fall in revenue in Belgium in Q1 2011, down by 36 percent compared to Q1 2010. However, revenue will increase in the course of 2011 as several scheduled projects commence. The result in Q1 2011 was lower than in Q1 2010, but satisfactory. The first quarter also saw continued growth in the order book.

Property

- Small profit in Q1 2011 for sector as a whole, in line with the forecast for the full year
- Dutch property activities broke even
- Housing sales in the Netherlands from the Group's own development projects: 662 homes (first quarter of 2010: 553 homes)
- Small loss in the United Kingdom and Ireland
- Good result in Belgium

(x € million)	1st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	128	113	593
Result before tax	2.0	-18.3	-59.7
Margin before tax	1.5%	Negative	Negative
Order book (close of period)	1,468	1,513	1,394

As forecast, Dutch property activities broke even in the first quarter of 2011. The Dutch housing market remains subdued. Uncertainty regarding stricter requirements for banks with regard to the issuing of mortgages is an important obstacle to a potential recovery at the moment. BAM expects to sell approximately 2.200 homes in the Netherlands in 2011.

The Group sold 662 homes from its own development projects in the Netherlands in the first quarter of 2011 (Q1 2010: 553 homes). The Group's stock of finished, unsold and unlet property in the Netherlands increased substantially to 279 homes and approximately 9,400 m² of commercial property as at 31 March 2011 (111 homes and approximately 2,300 m² of commercial property at year-end 2010). The number of unsold homes still under construction therefore decreased to 397 as at 31 March 2011 (642 at year-end 2010). The extra unsold homes were mainly apartments on which construction had begun before the start of the economic crisis.

The British property subsidiary BAM Properties has restarted property activities in the United Kingdom at a low level. BAM Properties is undertaking two development projects in Glasgow and London. BAM Properties made a small loss in Q1 2011 because of a shortfall in its coverage of overheads. The Group had approximately 22,200 m² of unsold and unlet commercial property in the UK as at 31 March 2011 (31 December 2010: 22,700 m²).

In Ireland, there are currently no viable opportunities to sell development properties. The business recorded a small loss in Q1 2011 due to a shortfall in the coverage of overheads.

A good result was achieved in Belgium. Here, BAM expects the positive results to continue this year given a well-stocked order book and limited risks.

Total investment in the stock of property had increased to €1,616 million as at 31 March 2011 (year-end 2010: €1,540 million), due largely to investment in projects in progress. €1,298 million of this investment is in the Netherlands, €173 million in the United Kingdom, €47 million in Ireland and €98 million in Belgium. The investments in stock were funded in part by recourse and non-recourse project-related property loans. As at 31 March 2011, the recourse property loans stood at €283 million (year-end 2010: €307 million) and the non-recourse property loans at €395 million (year-end 2010: €402 million).

Civil engineering

- Higher revenues in the Netherlands with a similar result
- Sharp increase in revenues in the UK and Belgium with slightly lower results
- Profit in Ireland from lower revenues
- German revenues and result show positive development
- Good result at BAM International

(x € million)	1st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	823	755	3,659
Result before tax	3.7	3.0	102.6
Margin before tax	0.5%	0.4%	2.8%
Order book (close of period)	5,185	4,978	5,517

The Dutch civil engineering activities recorded higher revenues in the first quarter of 2011 as a result of milder weather conditions than in 2010 and a favourable flow of work on large projects. The result was similar to Q1 2010 and in line with management expectations, taking into account normal seasonal patterns. The Dutch civil engineering market differs greatly from region to region. The overall order books of the Dutch civil engineering companies ended Q1 2011 at similar levels to year-end 2010.

Revenue increased sharply in the United Kingdom in the first quarter of 2011 compared to the first quarter of 2010, although margins in the UK were under pressure. BAM Nuttall's order book remained stable compared to year-end 2010.

Net revenue from the Belgian civil engineering companies increased sharply in the first quarter of 2011, and a lower but still good result was achieved. The order book of the Belgium civil engineering companies is well filled and the outlook for future orders in the Belgian civil engineering market remains healthy thanks to a number of large projects including PPPs.

In Ireland, BAM Contractors' revenue continued to fall in Q1 2011. Nevertheless, BAM Contractors was still able to record a positive result for the quarter. The Irish PPP market is currently suffering from the lack of confidence in the creditworthiness of the Irish government. As a result, financial close of the N17/N18 PPP contract has been delayed.

The German civil engineering activities achieved higher revenues and an improved result in the first quarter of 2011 compared to Q1 2010. The order book remained at the same level as year-end 2010 thanks in particular to the acquisition of the Crossrail project in London.

As forecast, BAM International recorded a good result from lower revenues in the first quarter of 2011. BAM International repatriated safely all of its employees from Libya at the end of February. Revenue is forecast to increase in 2011, mainly due to new opportunities in the three primary market areas of South East Asia, Africa and the Middle East.

Public-private partnerships (PPP)

- New strategic impetus from JV agreement with PGGM
- Operational results as forecast
- Preferred bidder for two contracts in Belgium
- Seventeen tenders pending

(x € million)	1 st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	94	64	311
Result before tax	1.2	4.0	3.5
Margin before tax	1.2%	6.2%	1.1%
Order book (close of period)	1,409	892	1,288

BAM PPP's operational result in the first quarter of 2011 was in line with management expectations. The relatively high result in the first quarter of 2010 had benefited from the partial reimbursement of tendering costs related to successful contract bids. In Q1 2011, BAM PPP was chosen as the preferred bidder for two new contracts in Belgium.

BAM PPP has reached agreement with Dutch pension fund administrator PGGM to set up a joint venture to invest in current and future PPP contracts after the construction phase. Current and future PPP contracts will be transferred to the joint venture in accordance with a predetermined yield formula. The agreement foresees the transfer of approximately €150 million of current contracts to the joint venture between 2011 and 2014 and the investment of approximately €240 million by the joint venture in future PPP contracts.

BAM PPP will retain full responsibility for bid management for new projects, provision of asset management services to the joint venture and represent the joint venture in its transactions. PGGM will provide the majority of the required capital for existing projects while new projects will be funded on a 50/50 basis. The board of the joint venture will be formed on an equal basis between the parties. The PPP contracts transferred to the joint venture will be partially consolidated for inclusion in BAM's balance sheet and income statement based on beneficial ownership, which will immediately benefit the Group's balance sheet, and improve the capital ratio. It is expected that the first tranche of projects will be transferred to the JV later this year.

This agreement provides access to a new source of long-term capital that will enable BAM PPP to accelerate its growth in the European market, to focus on the bidding and construction phases of these concessions, and facilitates its exit from contracts entering the operating stage.

The total amount of receivables under PPP contracts (including the current portion) and intangible fixed assets (concessions) increased to €1,089 million at the end of Q1 2011 (year-end 2010: €1,019 million) as a result of the normal progress of the projects. PPP loans stood at €1,014 million as at 31 March 2011 (year-end 2010: €941 million). The committed net investment obligation for the PPP contracts in the order book – including the two new Belgian PPP contracts – was approximately €265 million

(year-end 2010: €240 million). Of that amount, approximately €86 million had actually been invested as at 31 March 2011 (year-end 2010: €87 million).

Mechanical and electrical contracting

- Reduced result at BAM Techniek from higher revenues

(x € million)	1st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	74	61	281
Result before tax	2.1	2.1	7.5
Margin before tax	2.9%	3.5%	2.7%
Order book (close of period)	365	405	397

BAM Techniek posted higher revenues in the first quarter of 2011. The result was in line with Q1 2010, thus the margin decreased slightly. The Electrical and Mechanical Contracting sector also saw pressure on margins as a result of lower volumes in the non-residential construction market and higher tendering costs. The order book at the end of the first quarter was healthy.

Consultancy and engineering

- Disappointing margin at Tebodin

(x € million)	1st quarter 2011	1 st quarter 2010	Financial year 2010
Revenue	50	48	210
Result before tax	1.7	2.9	13.6
Margin before tax	3.5%	5.9%	6.5%
Order book (close of period)	112	117	101

Tebodin posted a reduced result in the first quarter of 2011, mainly due to high preparation costs on a major project, the continuing difficult market circumstances in Poland and Germany and the impact of exchange rate fluctuations.

Dredging

The participating interest in the dredging company Van Oord (21.5 percent) made a smaller contribution to the result (€6.4 million) in the first quarter of 2011 than in the same period last year (€7.1 million).

Order book

The value of the work in the order book fell by 1 percent during the first quarter of 2011 to €11.9 billion as at 31 March 2011 (year-end 2010: €12.1 billion). It is expected that €5.3 billion of the total amount of work in the order book will be carried out in the remainder of 2011 leaving €6.6 billion scheduled for the period from 2012 to 2015.

The order book records orders received for the next five years. The Group also has more than €3 billion in orders for post-2015. These orders are mainly maintenance contracts for PPP projects and concession income.

Financial position

(x € million)	1 st quarter 2011	1 st quarter 2010	Financial year 2010
Net cash position	699	446	913
Interest-bearing debts	2,331	2,246	2,271
Net debt position	1,621	1,678	1,357
Non-current assets	2,595	2,252	2,560
Net operating capital (excl. cash and cash equivalents and current liabilities)	534	705	311
Shareholders' equity	1,141	862	1,100
Capital base	1,342	1,063	1,302
Balance sheet total	6,967	6,714	7,134
Capital ratio	19.3%	15.8%	18.2%

The net cash position (the balance of cash and cash equivalents minus short-term credit from banks) was €699 million as at 31 March 2011 (year-end 2010: €913 million). This decrease follows the usual seasonal pattern.

Total interest-bearing debt stood at €2,331 million as at 31 March 2011 (year-end 2010: €2,271 million) and the net debt position was €1,621 million (year-end 2010: €1,357 million). The majority of the debt consists of non-recourse PPP loans and non-recourse project funding (€1,299 million), recourse project funding (€420 million), a senior loan (€360 million) and a subordinated loan (€200 million). The increase in the debt position was caused by the increased funding of PPP contracts.

An increase in PPP receivables caused non-current assets to increase slightly in the first quarter of 2011 to €2,595 million as at 31 March 2011 (year-end 2010: €2,560 million).

Net operating capital (excluding cash and cash equivalents and current liabilities) stood at €534 million as at 31 March 2011 (year-end 2010: €311 million). The increase in the net operating capital was in line with the usual seasonal pattern.

The Group's capital base as at 31 March 2011 was €1,342 million. The increase of €40 million compared to year-end 2010 (€1,302 million) was caused by the effects of changes in interest rates on the hedge reserve. The capital ratio stood at 19.3 percent as at 31 March 2011, which was higher than year-end 2010 (18.2 percent).

Covenants

Loan covenants are in place for the Group's credit facility (€475 million), the senior loan (€360 million) and the subordinated loan (€200 million). Based on its own calculations, the Group complied with these covenants as at 31 March 2011. The main covenants are the recourse leverage ratio with a limit as at 31 March 2011 of ≤ 2.5 , the recourse interest coverage ratio with a limit of ≥ 4.0 , the recourse solvency ratio with a limit of ≥ 15 percent and the current ratio with a limit of ≥ 1.0 . Based on the Group's calculations, the recourse leverage ratio was 1.3, the recourse interest coverage ratio 6.4, the recourse solvency ratio 24.9 percent and the current ratio 1.25 all as at 31 March 2011.

Result per ordinary share

The number of ordinary shares ranking for dividend was 231.8 million as at 31 March 2011. At present, approximately 0.3 million convertible preference shares remain.

Compared to the same period last year, the average number of outstanding ordinary shares in Q1 2011 has risen to 231.8 million because of the rights issue in June 2010 (Q1 2010: 135.2 million shares). The average number of outstanding shares before the rights issue has been adjusted in accordance with IFRS for the purposes of comparing the net result per share. This adjustment puts the average number of outstanding ordinary shares for Q1 2010 at 172.2 million. The improved results in the first quarter of 2011 compared to the first quarter of 2010 meant that the net result per ordinary share rose to €0.09 in the first quarter of 2011 (first quarter of 2010: €0.06).

Annexes

1. Condensed consolidated income statement
2. Consolidated statement of comprehensive income
3. Consolidated balance sheet
4. Consolidated statement of equity
5. Condensed cash flow statement
6. Figures per ordinary share with a par value of €0.10
7. Explanatory notes to the interim report

This interim report also serves as an interim statement as referred to in Section 5:25e of the Financial Supervision Act [*Wet financieel toezicht*].

1. Condensed consolidated income statement

(x € million)

	<u>1st quarter 2011</u>	<u>1st quarter 2010</u>	<u>Full year 2010</u>
Revenue	1.675	1.542	7.611
Operating result before depreciation, amortisation and impairments	48,6	20,4	206,2
Depreciation and amortisation	-27,4	-27,9	-109,5
Property impairments	-	-	-127,0
Operating result	21,2	-7,5	-30,3
Finance income	16,0	25,1	87,2
Finance expense	-19,3	-14,0	-64,7
Result from associates	8,0	7,9	33,7
Result before tax	25,9	11,5	25,9
Income tax	-5,7	-1,5	-7,6
Net result for the period	20,2	10,0	18,3
Minority interest	-0,1	-0,1	-3,0
Net result attributable to shareholders	20,1	9,9	15,3
(x € 1)			
Per ordinary share with par value of €0.10	0,09	0,06 ¹	0,08 ¹
Per ordinary share with par value of €0.10 (fully diluted)	0,09	0,06 ¹	0,08 ¹

¹ Average numbers of shares adjusted to take into account the rights issue.

2. Consolidated statement of comprehensive income

(x € million)

	<u>1st quarter 2011</u>	<u>1st quarter 2010</u>	<u>Full year 2010</u>
Net result for the period	20,2	10,0	18,3
Fair value cash flow hedges	33,8	-28,7	-38,9
Exchange rate differences	-13,1	5,3	23,3
Other not-realized result	20,7	-23,4	-15,6
Total comprehensive income	40,9	-13,4	2,7
Attributable to:			
Minority interest	0,1	0,0	2,9
Shareholders of the company	40,8	-13,4	-0,2
(x € 1)			
Per ordinary share with par value of €0.10	0,18	-0,08 ¹	-0,00 ¹
Per ordinary share with par value of €0.10 (fully diluted)	0,18	-0,08 ¹	-0,00 ¹

¹ Average numbers of shares adjusted to take into account the rights issue.

3. Consolidated balance sheet

(x € million)

	31 March 2011	31 December 2010	31 March 2010
Property, plant and equipment	397,6	409,1	416,7
Intangible assets	845,1	850,1	825,3
PPP receivables	808,6	753,3	539,7
Associates	217,6	210,8	202,7
Other financial assets	49,3	48,4	64,6
Derivative financial instruments	3,0	1,7	-
Pension plan assets	114,0	112,0	83,6
Deferred tax assets	159,8	174,1	119,7
Non-current assets	2.595,0	2.559,5	2.252,3
Inventories	1.638,7	1.564,2	1.748,2
Trade and other receivables	2.015,5	2.085,9	2.102,8
Current income tax receivable	6,5	8,6	41,9
Derivative financial instruments	1,7	1,7	1,0
Cash and cash equivalents	709,6	913,8	568,1
Non-current assets held for sale	0,1	0,1	0,1
Current assets	4.372,1	4.574,3	4.462,1
Total assets	6.967,1	7.133,8	6.714,4
Share capital	709,5	709,5	469,4
Reserves	-176,2	-196,9	-204,7
Retained earnings	607,5	587,3	596,9
Equity attributable to the Company's shareholders	1.140,8	1.099,9	861,6
Minority interest	1,7	1,7	1,6
Group equity	1.142,5	1.101,6	863,2
Borrowings	1.956,9	1.904,0	1.681,8
Derivative financial instruments	104,9	149,3	133,6
Employee benefit obligations	122,1	120,9	133,5
Provisions	70,3	75,5	87,1
Deferred tax liabilities	67,8	66,3	61,4
Non-current liabilities	2.322,0	2.316,0	2.097,4
Borrowings	374,0	367,0	564,5
Trade and other payables	3.055,9	3.267,6	3.117,3
Derivative financial instruments	2,9	4,0	4,0
Provisions	49,6	55,0	51,3
Income tax payable	20,2	22,6	16,7
Current liabilities	3.502,6	3.716,2	3.753,8
Total equity and liabilities	6.967,1	7.133,8	6.714,4
Capital base	1.342,4	1.301,5	1.063,4

4. Consolidated statement of equity

(x € million)

	<u>1st quarter 2011</u>	<u>1st quarter 2010</u>	<u>Full year 2010</u>
Position as at 1 January	1.101,6	881,2	881,2
Net result for the period	20,2	10,0	18,3
Fair value cash flow hedges	33,8	-28,7	-38,9
Exchange rate differences	-13,1	5,3	23,3
Total comprehensive income	<u>40,9</u>	<u>-13,4</u>	<u>2,7</u>
New shares issued	-	-	240,1
Dividend paid	-	-	-13,9
Other changes	0,0	-4,6	-8,5
Total change	<u>40,9</u>	<u>-18,0</u>	<u>220,4</u>
Position as at period-end	<u>1.142,5</u>	<u>863,2</u>	<u>1.101,6</u>

5. Condensed cash flow statement

(x € million)

	<u>1st quarter 2011</u>	<u>1st quarter 2010</u>	<u>Full year 2010</u>
Net result for the period	20,2	10,0	18,3
Adjustments for:			
- Taxation	5,7	1,5	7,6
- Depreciation and amortisation	27,4	27,9	108,2
- Impairments property	-	-	127,0
- Other impairments	-	-	1,2
- Result on sale of property, plant and equipment	-1,0	-0,3	-2,6
- Finance income and expense	3,3	-11,1	-22,5
- Result from associates	-7,9	-7,9	-33,7
Changes in provisions	-11,3	-20,3	-69,1
Changes in working capital (excl. net cash position)	-195,3	-244,1	14,9
Cash flow from operations	<u>-158,9</u>	<u>-244,3</u>	<u>149,3</u>
Interest paid	-24,7	-17,1	-101,3
Income tax paid	-3,6	9,9	-3,5
Net cash flow from operating activities	<u>-187,2</u>	<u>-251,5</u>	<u>44,5</u>
Net cash flow from investing activities	-82,5	-50,9	-235,0
Net cash flow from financing activities	63,4	30,9	376,0
Increase/decrease in net cash position	<u>-206,3</u>	<u>-271,4</u>	<u>185,5</u>
Net cash position at beginning of the year	912,9	715,2	715,2
Exchange rate differences on net cash position	-7,5	2,0	12,2
Net cash position at period-end	<u>699,1</u>	<u>445,8</u>	<u>912,9</u>
Of which in construction consortiums and other partnerships	223,6	216,4	214,8

6. Figures per ordinary share with par value of €0.10

(x €1, unless indicated otherwise)

	1st quarter 2011	1st quarter 2010	Full year 2010
Net result attributable to shareholders ¹	0,09	0,06	0,08
Net result attributable to shareholders (fully diluted) ¹	0,09	0,06	0,08
Cash flow ¹	0,21	0,22	1,23
Equity attributable to shareholders	4,92	6,37	4,75
Highest closing share price ²	5,47	6,19	6,19
Lowest closing share price ²	4,55	4,10	3,62
Closing share price at period-end ²	5,44	4,52	4,60
Number of shares ranking for dividend (x 1.000)	231.765	135.197	231.766
-Average number of shares ranking for dividend (x 1.000)	231.765	135.197	187.053
-Average number of shares ranking for dividend (fully diluted) (x1.000)	232.206	135.543	187.399
Adjusted for rights issue:			
-Average number of shares ranking for dividend (x 1.000)	231.765	172.195	204.184
-Average number of shares ranking for dividend (fully diluted) (x1.000)	232.206	172.636	204.624

¹ Average numbers of shares adjusted to take into account the rights issue.

² Share prices before rights issue are adjusted to the theoretical value based on the rights issue.

7. Explanatory notes

This interim financial report was compiled in accordance with IAS 34, 'Interim Financial Reporting'. This report should be read in conjunction with the consolidated financial statements for the 2010 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 2010 financial year.

This press release has not been audited.