Royal BAM Group nv

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BAM maintains forecast for 2012 and sets strategic priorities for 2013-2015

- 9M 2012 net loss including impairments: €233 million (9M 2011: profit €84 million)
- 9M 2012 results at Construction and M&E services and Civil engineering impacted by reorganisation costs totalling €16 million and continuing difficult circumstances in our European home markets, in particular the Netherlands; good momentum at BAM International
- Results at Property in line with assumptions for worse market conditions adjusted as per H1
- Solid performance and good bid pipeline at PPP
- Order book at €10.9 billion at end of 9M 2012, up by €0.5 billion on year-end 2011
- Well within limits of banking covenants
- New 3-year strategic priorities emphasise internal improvement in ongoing tough market conditions

(in € million, unless otherwise indicated)	**First nine months of 2012**	First nine months of 2011	Full year 2011
Revenue from continuing operations	**5,170**	5,410	7,697
Result before tax and impairments from continuing operations	**69.0**	102.0	143.5
Margin before tax and impairments from continuing operations	**1.3%**	1.9%	1.9%
Impairments	**-398.0**	-	-
Net result	**-233.4**	83.8	126.0
Order book (end of period)	**10,900**	11,000	10,400

Nico de Vries, Chairman of the Executive Board of Royal BAM Group:

'The operating results for the first nine months include significant restructuring costs of €16 million. The comparison of results for continuing operations before impairments with 9M 2011 also reflects the high pressure on current contracts in our home markets, in particular the Netherlands.

Given the tougher conditions, the operational performance of our businesses is generally satisfactory. With the seasonally stronger fourth quarter to come, we maintain our forecast of a result before tax and impairments from continuing operations of at least €100 million for the full year 2012 including expected total restructuring costs of approximately €37 million.

We have set our strategic priorities for the next 3-year planning period. We are forecasting mixed but overall limited improvement in conditions in our home markets in 2013-2015. Our emphasis will be on operational improvement and targeted growth initiatives in services, multi-disciplinary projects and international niche markets, combined with a prudent financial strategy. We are positioning BAM as a best in class construction company, well placed for the eventual resumption of growth in European markets.'

Live audio webcast

On 15 November 2012 at 10.00 CET there will be a conference call in English to discuss the results for the first nine months of 2012. This call can be followed via a live audio webcast (www.bam.eu).

Analysis by sector

(x € million)	First nine months of 2012		First nine months of 2011	
Results and revenue	**Result**	**Revenue**	Result	Revenue
Construction and M&E services	**40.1**	**2,376**	55.9	2,402
Civil engineering	**35.1**	**2,631**	63.9	2,711
Property	**-5.2**	**334**	-2.9	430
Public Private Partnerships (PPP)	**7.6**	**380**	1.3	363
Eliminations and miscellaneous	**0.7**	**-551**	0.1	-496
Total for continuing sectors	**78.3**	**5,170**	118.3	5,410
Group overhead	**-4.4**		-8.9	
Group interest charge	**-4.9**		-19.6	
Result before tax and impairments from continuing operational activities	**69.0**	**1.3%**	89.8	1.7%
Dredging	**-**		12.2	
Result before tax and impairments from continuing operations	**69.0**	**1.3%**	102.0	1.9%
Impairment Property	**-247.6**		**-**	
Impairment Goodwill	**-150.4**		-	

Order book for continuing sectors (end of period)	**Q3 2012**	Q4 2011
Construction and M&E services	**4,578**	4,456
Civil engineering	**5,406**	5,087
Property	**1,113**	1,103
Public Private Partnerships (PPP)	**765**	908
Eliminations and miscellaneous	**-962**	-1,154
Total	**10,900**	10,400

9M 2012 results and order book for continuing operations

Revenue from continuing operations of €5,170 million was down by €240 million (-4%) on the comparable revenue for the first nine months of 2011. This decline was due mainly to Civil engineering (-€80 million) and Property (-€96 million). The total result of continuing sectors was €78.3 million, a decline from €118.3 million last year for the same sectors. Total restructuring costs included in the first nine months totaled €16 million, which relates mainly to redundancy involving more than 300 employees. The decline also reflected an operational loss in Property and lower margins at Construction and mechanical and electrical services and Civil engineering. The result at PPP was higher. After lower Group costs and sharply lower interest costs, the result before tax and impairments from continuing operations for the first nine months of 2012 was €69.0 million, equating to a pre-tax margin of 1.3% (9M 2011 including dredging: €102.0 million, a margin of 1.9%).

As previously announced, the results for the first half year included non-cash impairments of property assets and related goodwill totaling €398 million because of changed assumptions for the outlook for the Dutch property market, as well as a profit on disposal of the Consultancy and engineering sector of €65 million. Including these items, the net result for the first nine months of 2012 was a loss of €233 million.

In regional terms, market conditions in most activities in the Netherlands worsened in successive quarters of 2012. Conditions in the other four home markets are relatively stable but challenging. BAM International is showing good momentum, especially in Australia and the Middle East.

The total order book for continuing operations closed at 30 September 2012 at €10.9 billion, up by €0.5 billion (+5%) from €10.4 billion at 31 December 2011. The increase was attributable to Civil engineering (+6%) and Construction and mechanical and electrical services (+3%). The order book fell at PPP.

9M 2012 sector performance

At Construction and mechanical and electrical services, revenue was down by €26 million (-1%) to €2,376 million. Most of this fall was due to lower activities in the Netherlands and Germany, offset by higher non-residential revenue in the United Kingdom and Belgium. The sector pre-tax result fell to €40.1 million, equivalent to a margin of 1.7% (9M 2011: 2.3%), due to a combination of higher reorganisation costs and ongoing pressure on margins. The closing order book of €4,578 million was 3% higher than end-2011 mainly due to currency exchange differences.

Revenue at Civil engineering for 9M 2012 was €80 million lower (-3%) at €2,631 million. Revenue trends in the Netherlands and Belgium were lower, with the United Kingdom, Germany and Ireland stable. BAM International performed strongly. Due to higher reorganisation costs as well as lower quality of the order book, the sector pre-tax result fell to €35.1 million from €63.9 million last year. Large orders in Germany and BAM International helped push up the closing order book to €5,406 million (+6%).

In Property, total revenue fell by 22% to €334 million. Conditions in the Dutch residential housing and commercial property markets continued to worsen during the year, in line with the adjusted assumptions announced at the first half year results. In the Netherlands, 1,592 homes were sold (9M 2011: 1,633). The sales mix was significantly biased to cheaper, 'student' apartments and to institutional (60%) rather than retail buyers (40%). Elsewhere, conditions in Ireland and the United Kingdom (outside the South-East) remained subdued; the performance in Belgium was again encouraging. There was an operational loss of €5.2 million due mainly to the impact of adjusted assumptions announced at the first half year results offset by the good Belgian performance.
Total investment in the stock of property at end-September 2012 was €1,314 million (31 December 2011: €1,492 million). Of this total amount €1,001 million was invested in the Netherlands; this included stock of 160 completed but unsold homes, approximately 11,000 m^2 of finished but unlet commercial property and 315 unsold homes still under construction. The divestment programme is on course for the full year total of approximately €100 million, although this will be offset by investments in projects.

At Public-Private Partnerships (PPP), revenue was up to €380 million with a positive result of €7.6 million. The closing order book of €765 million was down on end-2011 but up on end-June 2012 reflecting the win of the contract for the N33 road in the Netherlands in Q3. In the fourth quarter, BAM PPP reached financial close on the Irish Schools Bundle 3 project. The tender pipeline remains healthy, with currently 21 active bids. Governments in our home countries continue to recognise the financial and operational merits of using PPP structures.

Financial position

(x € million)	**30 September 2012**	30 September 2011	31 December 2011
Net cash position	**488**	595	1,008
Interest-bearing debts	**1,661**	2,281	2,191
Net debt position	**1,171**	1,681	1,178
Recourse net debt position	**-23**	387	-56
Fixed assets	**2,147**	2,619	2,229
Net operating capital (excl. cash and cash equivalents and current loans)	**445**	640	621
Shareholders' equity	**889**	1,080	1,162
Capital base	**1,014**	1,280	1,362
Balance sheet total	**6,632**	7,264	7,218
Capital ratio	**15.3%**	17.6%	18.9%

The recourse net debt position at 30 September 2012 improved by €410 million compared to the position a year ago to a recourse net cash position of €23 million. The main reasons for the improvement were the sales of Van Oord (net proceeds €200 million; December 2011) and Tebodin (net proceeds €145 million; April 2012).
The shareholders' equity was negatively affected as a result of the property impairment and the impairment of goodwill in the first half year. This also lowered the capital ratio by approximately 4%-points to 15.3%.
The Group was well within the limits of all its banking covenants as at 30 September 2012; the recourse leverage ratio was -0.1, the recourse interest coverage ratio 5.5, the recourse solvency ratio 22.9% and the current ratio 1.13.

Outlook 2012

BAM continues to forecast a result before tax and impairments from continuing operations for the full year 2012 of at least €100 million. Margins for the full year for Civil engineering are expected to be around 2%. Margins for Construction and mechanical and electrical services are expected to be below 2% for the full year. Property is expected to show an operational loss of approximately €10 million for the full year reflecting the impact of adjusted assumptions announced at the half-year results. PPP is on course for a full year result of approximately €10 million including book profit from divestments. Total reorganisation costs included in the full year forecast is approximately €37 million.

Strategic agenda 2013-2015

Every three years, Royal BAM Group publishes a strategic agenda setting out the main management priorities for the planning period. The Executive Board has drawn up a strategic agenda for 2013-2015.

BAM is a European construction company. The five home markets in North Western Europe account for 97% of the Group's revenue. BAM International operates outside Europe. In terms of activities, the large majority of Group revenue comes from the two operational sectors of Construction and mechanical and electrical services and Civil engineering; the rest is derived from the investment sectors Property and PPP.

Macro economic conditions in the five home countries are currently difficult, with limited economic growth forecast for the next three years. Stronger growth is expected after 2015. A significant proportion of BAM's business is correlated to economic growth, with a late cycle lag. Accordingly, BAM expects conditions in its markets in Europe to remain difficult for this three year planning period.

Under these circumstances, BAM's strategic priorities for the next three years are centered on further internal improvements to become best in class in all BAM does. This will help protect and enhance market positions in the face of ongoing fierce competition, and is also a necessary foundation for targeted growth initiatives in multi-disciplinary projects, services and international niche markets.

Best in class

BAM will improve operational performance through: stricter controls, better risk management, implementing lean working practices, rolling out the BIM (Building Information Modelling) methodology, enhanced procedures for safety and CSR and better country and Group level sourcing. BAM will also improve its financial performance by optimising working capital.

Multi-disciplinary projects

BAM will support business unit success through better internal cooperation and by expanding the range of activities in each country so that it is better positioned for bids of complex projects which require cooperation between different activities (for example, PPP projects that involve roads, railways and waterways).

Services

BAM is setting up dedicated asset management services units to serve 'life cycle projects' where there is a long-term involvement in providing services after construction is completed. These units will grow gradually; first from PPP projects, then through local bolt-on acquisitions and eventually organic expansion. Furthermore, BAM sees opportunities for service revenues from introducing energy and water efficiency concepts to clients.

International niche markets

BAM International will strengthen its organisation, improve its processes and invest in specialist equipment. The geographic focus will be on the regions where BAM International has existing activities and a strong track record; the Middle East, Australia, Indonesia and Africa. The target niche markets include water works, stadia and tunnelling. BAM International will continue to build relationships with successful local partners and multi-national clients.

Financial profile

As noted, BAM expects conditions in its markets in Europe to remain difficult in 2013-2015. Top line growth will be underpinned by the targeted growth initiatives: in multi-disciplinary projects, growth will be driven by expanding the range of activities in each country; BAM International will expand from its current scale of approximately €250 million annual revenue; and BAM intends the new asset management services units to gain significant traction within the 3-year planning period. BAM aims to achieve substantial growth in these areas over the period 2013 to 2015 although they will remain relatively modest in the context of the Group as a whole.

BAM is maintaining its long-term target for annual Group pre-tax margin in a range of 2% to 4%. As a result of the strategic priorities and assuming no unforeseen circumstances, margins in the operational sectors are expected to grow from the low end of this range currently towards 3% by 2015. With multi-disciplinary projects more synergies can be realised; services and international projects typically have higher than average margins; and the best in class measures will enhance margins in all activities. The limited costs associated with these strategic priorities will be absorbed within the sector operating results. For the investment sectors, BAM expects low results at Property and continuing good performance at PPP.

BAM is committed to a strong financial position and solid cash flow for the Group. BAM maintains its target to achieve a reduction of invested capital in the Property sector of approximately €100 million per year in each of the next three years, subject to market conditions. BAM will also implement programmes to optimise (where possible, reduce) working capital. Altogether, BAM is targeting a material reduction in Group invested capital. The combination of higher results and lower invested capital will support Group cash flow and lead to a significant uplift in Group return on capital employed.

Bunnik, the Netherlands, 15 November 2012

Further information

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Annexes

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3. Consolidated balance sheet
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1. Condensed consolidated income statement

(x € million)

	First nine months of 2012	First nine months of 2011	Full year 2011
Revenue from continuing operations	**5,170**	5,410	7,697
Operating result before depreciation, amortisation and impairments	**136.7**	178.1	238.7
Depreciation and amortisation	**-65.7**	-77.6	-103.3
Property impairments	**-247.6**	-	-
Goodwill impairment	**-150.4**	-	-
Operating result from continuing operations	**-327.0**	100.5	135.4
Finance income	**62.6**	51.3	72.7
Finance expense	**-63.4**	-64.8	-99.0
Result from associates	**-1.2**	15.0	34.4
Result before tax from continuing operations	**-329.0**	102.0	143.5
Income tax	**31.1**	-22.9	-28.0
Net result from continuing operations	**-297.9**	79.1	115.5
Net result from discontinued operations	**65.0**	5.8	12.2
Net result for the period	**-232.9**	84.9	127.7
Minority interest	**-0.5**	-1.1	-1.7
Net result attributable to shareholders	**-233.4**	83.8	126.0
(x € 1)			
Per ordinary share with par value of €0.10	**-0.98**	0.36	0.54
Per ordinary share with par value of €0.10 (fully diluted)	**-0.98**	0.36	0.54

2. Consolidated statement of comprehensive income

(x € million)

	First nine months of 2012	First nine months of 2011	Full year 2011
Net result for the period	**-232.9**	84.9	127.7
Fair value cash flow hedges	**-48.5**	-96.2	-73.1
Exchange rate differences	**23.2**	-5.6	11.0
Other not-realized result	**-25.3**	-101.8	-62.1
Total comprehensive income	**-258.2**	-16.9	65.6
Attributable to:			
Minority interest	**0.4**	0.7	1.2
Shareholders of the company	**-258.6**	-17.6	64.4

3. Consolidated balance sheet

(x € million)

	30 September 2012	31 December 2011	30 September 2011
Property, plant and equipment	**365.8**	373.6	374.2
Intangible assets	**590.1**	734.5	844.6
PPP receivables	**742.3**	743.3	819.6
Associates	**18.6**	19.2	187.0
Other financial assets	**55.2**	70.9	68.8
Derivative financial instruments	**0.2**	0.8	1.9
Pension plan assets	**151.5**	137.6	137.2
Deferred tax assets	**223.4**	149.4	185.8
Non-current assets	**2,147.1**	2,229.3	2,619.1
Inventories	**1,337.7**	1,514.5	1,649.1
Trade and other receivables	**2,104.4**	2,116.9	2,129.2
Current income tax receivable	**23.4**	36.5	7.8
Derivative financial instruments	**2.0**	5.1	4.1
Cash and cash equivalents	**489.1**	1,012.6	599.3
Assets held for sale	**528.2**	303.2	255.7
Current assets	**4,484.8**	4,988.8	4,645.2
Total assets	**6,631.9**	7,218.1	7,264.3
Share capital	**735.4**	714.7	714.7
Reserves	**-283.8**	-258.5	-298.4
Retained earnings	**437.1**	706.2	664.1
Equity attributable to the Company's shareholders	**888.7**	1,162.4	1,080.4
Minority interest	**1.3**	0.7	1.8
Group equity	**890.0**	1,163.1	1,082.2
Borrowings	**1,225.0**	1,951.1	1,982.4
Derivative financial instruments	**268.4**	249.5	237.6
Employee benefit obligations	**99.5**	100.9	121.9
Provisions	**83.0**	82.5	67.3
Deferred tax liabilities	**80.0**	76.1	68.3
Non-current liabilities	**1,755.9**	2,460.1	2,477.5
Borrowings	**435.5**	240.1	298.3
Trade and other payables	**2,931.5**	3,047.9	3,062.9
Derivative financial instruments	**3.5**	2.0	1.6
Provisions	**47.2**	54.3	44.4
Income tax payable	**24.7**	17.5	28.7
Liabilities held for sale	**543.6**	233.1	268.7
Current liabilities	**3,986.0**	3,594.9	3,704.6
Total equity and liabilities	**6,631.9**	7,218.1	7,264.3
Capital base	**1,013.7**	1,362.4	1,280.4

4. Consolidated statement of equity

(x € million)

	First nine months of 2012	First nine months of 2011	Full year 2011
Position as at 1 January	**1,163.1**	1,101.6	1,101.6
Net result for the period	**-232.9**	84.9	127.7
Fair value cash flow hedges	**-48.5**	-96.2	-73.1
Exchange rate differences	**23.2**	-5.6	11.0
Total comprehensive income	**-258.2**	-16.9	65.6
Conversion preference shares	**-**	1.4	1.4
Dividend paid	**-17.5**	-4.0	-5.3
Other changes	**2,6**	0.1	-0.2
Total change	**-273.1**	-19.4	61.5
Position as at period-end	**890.0**	1,082.2	1,163.1

5. Condensed cash flow statement

(x € million)

	First nine months of 2012	First nine months of 2011	Full year 2011
Net result for the period	**-232.9**	84.9	127.7
Adjustments for:			
- Taxation	**-31.1**	24.8	31.0
- Depreciation and amortisation	**65.7**	79.6	106.0
- Impairment of goodwill	**150.4**	-	-
- Property impairment	**247.6**	-	-
- Result on sale of PPP projects	**-2.3**	-	-11.7
- Result on sale of property, plant and equipment	**-7.2**	-2.3	-4.3
- Result from associates	**1.2**	-15.1	-34.4
- Result on sale discontinued operations	**-65.0**	-	
- Finance income and expense	**0.8**	13.5	26.3
Investment ppp-receivables	**-337.3**	-315.1	-419.0
Changes in provisions	**-22.0**	-42.9	-40.2
Changes in working capital (excl. net cash position)	**-250.0**	-310.5	-90.9
Cash flow from operations	**-482.1**	-483.1	-309.5
Interest paid	**-82.2**	-85.4	-130.0
Income tax paid	**-13.5**	-4.9	-13.5
Net cash flow from operating activities	**-577.8**	-573.4	-453.0
Investment/divestment fixed assets	**69.1**	-47.6	136.1
Sale PPP projects	**4.8**	-	25.4
Sale discontinued operations	**145.0**	-	-
Received interest	**61.6**	51.6	72.9
Received dividend	**1.9**	41.0	41.8
Other investment activities	**-0.8**	-3.2	-3.0
Net cash flow from investing activities	**281.6**	41.8	273.2
Repurchase preference shares	**-**	-0.3	-0.3
Changes long-term loans	**-208.4**	228.2	291.2
Paid dividend (incl. minority interest)	**-17.5**	-4.0	-5.3
Net cash flow from financing activities	**-225.9**	223.9	285.6
Increase/decrease in net cash position	**-522.1**	-307.7	105.8
Net cash position at beginning of the year	**1,008.0**	912.9	912.9
Change net-liquidities assets and liabilities held for sale	**-8.5**	-5.9	-17.2
Exchange rate differences on net cash position	**10.4**	-4.5	6.5
Net cash position at period-end	**487.8**	594.8	1,008.0
Of which in construction consortiums and other partnerships	**244.6**	226.4	204.8

6. Statement by sector

(x € million)

Results and revenue	First nine months of 2012 Result	First nine months of 2012 Revenue	First nine months of 2011 Result	First nine months of 2011 Revenue
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Group interest charge	**-4.9**		-19.6	
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Dredging	**-**		12.2	
Result before tax and impairments from continuing operations	**69.0**	**1.3%**	102.0	1.9%
Impairment Property	**-247.6**		-	
Impairment Goodwill	**-150.4**		-	
Income tax	**31.1**		-22.9	
Net result from continuing operations	**-297.9**		79.1	
Net result from discontinued operations	**65.0**		5.8	
Net result for the period	**-232.9**		84.9	
Minority interest	**-0.5**		-1.1	
Net result attributable to shareholders	**-233.4**		83.8	

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

(x €1, unless indicated otherwise)

	First nine months of 2012	First nine months of 2011	Full year 2011
Net result attributable to shareholders	**-0.98**	0.36	0.54
Net result attributable to shareholders (fully diluted)	**-0.98**	0.36	0.54
Cash flow (net result + depreciation + impairments)	**0.97**	0.70	1.00
Equity attributable to shareholders	**3.68**	4.64	4.99
Highest closing share price	**3.97**	5.76	5.76
Lowest closing share price	**1.94**	2.75	2.17
Closing share price at period-end	**2.38**	3.04	3.26
Number of shares ranking for dividend (x 1,000)	**241,525**	232,938	232,938
Average number of shares ranking for dividend (x 1,000)	**237,075**	232,573	232,665

8. Explanatory notes

Royal BAM Group was incorporated under Dutch law and is domiciled in the Netherlands. This interim report contains the financial data for the first nine months of 2012 for the Company and its subsidiaries (jointly referred to as 'the Group') and for its share in joint ventures.

This interim report does not contain all the information and explanatory notes that are prescribed for financial statements. This financial data should therefore be read in conjunction with the 2011 Annual Report and the 2012 Half-Yearly Report.

This interim report was approved by the Supervisory Board and released for publication by the Executive Board.

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

This press release has not been audited.