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BAM reports improved results and strong cash flow; reiterates full year outlook

- Construction: Netherlands profitable and turnaround ongoing; negative result and refocus in Germany
- Civil engineering: strong margin improvement
- Property: improved results for residential and non-residential activities
- PPP: solid performance driven by portfolio; funding PGGM JV increased
- Brexit: predominantly FX translation effects
- Order book: lower level, improved quality due to tender discipline
- Cash flow: strong improvement in working capital efficiency

(in € million)	1 st half-year 2016	1 st half-year 2015	Full year 2015
Revenue	3,404	3,515	7,423
Adjusted result before tax*	40.6	19.6	88.2
Restructuring	-10.6	-13.1	-38.6
Impairments	-0.3	-2.5	-39.1
Pension one-off	15.3	-	2.8
Net result	32.9	4.7	10.2
Order book (end of period)	10,600	11,100	11,500

* Before restructuring, impairments and pension one-off

Rob van Wingerden, CEO of Royal BAM Group:

'In line with our new strategy Building the present, creating the future we are improving the quality of our order book by taking in new orders with better cash flow and risk profile. We continued to streamline our business portfolio by selling two local subsidiaries. We made key management appointments to reinforce our position in digital construction. The further improvement in our working capital efficiency and the refinancing of the subordinated loan strengthened our balance sheet.

I am particularly pleased with the projects won based on our integrated approach and the differentiating capabilities of our operating companies, such as Ulster Hospital's acute services block, the innovative gravity base foundations for the Blyth Offshore Wind Project and the Femernbelt Tunnel between Denmark and Germany with its enhanced digital design.

The adjusted result improved year-on-year. Within the Construction and M&E sector, the turnaround of the Dutch construction activities is well underway. We are now refocusing the German construction activities in selected regions and differentiated projects as part of our strategy implementation. There was positive margin momentum in Civil engineering and a good performance at Property.

Since the Brexit vote, the only effect on BAM has been the translation of the weaker pound. Our UK order book is solid and we will maintain our tender discipline. We are monitoring new order intake closely and will adjust our operations if required.

We continue to expect the adjusted result before tax for the full year will be higher than the level of 2015. We anticipate a full year restructuring charge of at least €20 million, related to strategy implementation and mixed market conditions.'

Analysis by sector

<i>(x € million)</i>	1 st half-year 2016		1 st half-year 2015	
	Revenue	Result	Revenue	Result
Results and revenue				
Construction and M&E services	1,620	-23.8	1,574	-9.5
Civil engineering	1,671	35.8	1,905	22.9
Property	204	18.2	161	3.7
PPP	116	6.8	93	6.4
Eliminations and miscellaneous	-207	0.0	-218	0.7
Total	3,404	37.0	3,515	24.2
Group overhead		5.3		-3.1
Group interest charge		-1.7		-1.5
Adjusted result before tax		40.6		19.6
Restructuring		-10.6		-13.1
Impairments		-0.3		-2.5
Pension one-off		15.3		-
Result before tax		45.0		4.0

<i>(x € million)</i>	30 June	31 December
	2016	2015
Order book (end of period)		
Construction and M&E services	4,550	4,608
Civil engineering	5,427	6,143
Property	874	926
PPP	450	558
Eliminations and miscellaneous	-701	-735
Total	10,600	11,500

Analysis by geography

<i>(x € million)</i>	1 st half-year 2016		1 st half-year 2015	
	Revenue	Result	Revenue	Result
Results and revenue				
The Netherlands	1,227	9.7	1,133	-3.4
United Kingdom	1,057	18.2	1,093	3.9
Belgium	363	-0.5	388	-2.3
Ireland	168	7.4	202	4.5
Germany	393	-7.5	513	4.2
PPP	116	6.8	93	6.4
International	177	2.9	202	10.9
Eliminations and miscellaneous	-97	-	-109	-
Total	3,404	37.0	3,515	24.2
Group overhead		5.3		-3.1
Group interest charge		-1.7		-1.5
Adjusted result before tax		40.6		19.6

First half year 2016 results and order book

Revenue of €3,404 million reduced by 3% compared to the first half of 2015 of which over half was the translation impact of the lower pound (€65 million). The fall came mainly in BAM's German Construction and UK Civil engineering activities. Revenue was up in the Netherlands and in the Group's UK Construction activities.

The adjusted result before tax for the first half year improved to €40.6 million. The result was impacted by a loss in Construction and M&E services which mainly related to Germany (-€17.7 million). There were strongly improved results at Civil engineering and Property. Group overhead included the release of a dividend provision in the first quarter of 2016 of €9.7 million related to the divestment of BAM's 21.5% stake in Van Oord in 2011.

Total restructuring costs for the first half of 2016 were €10.6 million (first half of 2015: €13.1 million).

The pension one-off benefit was due to a change in indexation arrangements in BAM's UK pension scheme.

In the first six months of 2016, the order book fell by €0.9 billion to €10.6 billion. The translation impact of the lower pound was €0.3 billion, and €0.2 billion related to a project cancellation in the first quarter in Belgium. BAM is maintaining its tender discipline in all markets, focusing on margin, cash flow and symmetric risk profile of new orders.

Sector review

In the Construction and M&E services sector, revenue of €1,620 million was up despite the translation impact of the weaker pound (€40 million). The increase came mainly from the Netherlands and the UK. There was a significant fall in revenues in Germany due to order phasing. The loss of €23.8 million for the sector in the first half of 2016 reflected a combination of elements: subcontractor bankruptcies in Germany and Belgium in the first quarter; under recovery of overheads in Germany due to lower volumes as the project portfolio is being refocused and projects postponed by clients; and small losses on a few projects in their closing phases in the UK. The result of the Dutch activities turned around to a profit. The order book at end-June was slightly down at €4.6 billion. On a constant currency basis (impact pound € 194 million) the order book was up in all countries except the Netherlands (non-residential).

In Civil engineering, revenue of €1,671 million was lower due to phasing of large multi-year orders won recently and the translation effect of the weaker pound (€24 million). The sector posted a good result of €35.8 million, equivalent to a margin of 2.1%, driven by the UK, Germany and Ireland. There were lower results in the Netherlands due to order phasing and at BAM International related to reduced oil and gas activity. The order book fell to €5.4 billion because of the combined effects of the lower pound (€127 million), one project cancellation in Belgium in the first quarter and the slowdown in the oil and gas market. The Femernbelt Tunnel project (BAM share about €850 million) will not be taken into the order book until the commencement date has been confirmed.

In Property, revenue and results improved significantly due to growing Dutch residential activities and non-residential sales in the UK. Conditions in the Dutch residential market remain mixed. Despite growing demand, the supply of new build houses is stagnant. In line with this, BAM's Dutch house sales in the first six months of the year were flat at 1,091 and came predominately in and around the major cities. The retail market in the Netherlands is still worsening. The total investment in property reduced by €41 million in the first half of 2016 to €699 million, in line with BAM's strategy to reduce its invested capital in property. BAM

will continue to shape the property portfolio by converting residential property outside the core urban areas and non-residential property into cash and using the proceeds to invest in equity light propositions. The property investments were partly financed by recourse property loans of €67 million (year-end 2015: €80 million) and non-recourse property loans of €98 million (year-end 2015: €116 million).

PPP delivered a solid result of €6.8 million from the project portfolio and two (half year 2015: one) divestments to the PGGM JV. The successful partnership with PGGM was confirmed by PGGM increasing its commitment to the joint venture by another €140 million, making the total funding commitment to the joint venture €775 million. Of this amount €489 million has been invested and allocated to nearly 30 projects to date. The total portfolio represent approximately €100 million recurring annual maintenance revenues for BAM's operational sectors. The order book reduced due to progress on projects and the absence of new project wins in the first half of 2016. The pipeline of active bids remains healthy with decisions expected in 2017 and beyond.

Cash flow analysis¹

(x € million)	1 st half-year 2016	1 st half-year 2015	Full year 2015
Group: net cash result ²	39	28	85
Investments (in) tangible fixed assets	-21	-22	-53
Trade working capital ³	1	-96	31
Investment sectors: net investment			
Property	11	17	71
PPP	4	-9	-6
Other changes in working capital	-16	-63	-33
Business cash flow	18	-145	95
Dividend	-2	-	-
Restructuring	-17	-28	-54
Pensions (additional)	-6	-14	-36
Other	-26	21	8
Increase/decrease in cash position	-33	-166	13

¹ These metrics are not directly compatible with the IFRS-based condensed cash flow statement.

² Net cash result is net result excluding depreciation, impairments, movements of provisions and book profit on sale of PPP projects.

³ Working capital excluding property positions, PPP receivables, assets and liabilities held for sale, derivatives, provisions, taxes, other receivables and other payables.

Business cash flow improved significantly by €163 million. In the first half of 2016 the cash flow was positive compared to a large cash outflow in the same period in 2015. This improvement came from all categories of trade working capital, especially trade receivables. Trade working capital efficiency (defined as average four quarter-end trade working capital as a percentage of rolling four quarters revenue) improved to -9.1% at 30 June 2016 (31 December 2015: -8.1%).

Other changes in working capital improved in the first half of 2016 compared to the same period in 2015 mainly due to the more favourable cash flows in relations to joint arrangements.

The change in 'other' reflects mainly the weaker pound in the first half of 2016.

Financial position

(x € million)	30 June 2016	31 December 2015	30 June 2015
Cash position	604	637	458
Interest-bearing debt	579	<u>597</u>	<u>756</u>
Net cash (debt)	25	40	-298
Recourse net cash	355	359	161
Shareholders' equity	841	902	901
Capital base	953	1,027	1,025
Balance sheet total	4,677	4,852	4,911
Capital ratio	20.4%	21.2%	20.9%
Capital employed	1,796	1,804	2,000
Return on capital employed	2.5%	0.2%	-6.5%

In the first half of 2016 the recourse net cash position was significantly better compared to June 2015 and just below year end 2015. This shows the continued focus on cash flow and improved quality of the new order intake.

The capital ratio as at 30 June 2016 was 20.4%. The capital base was lower because of changes to reserves caused by movements in foreign exchange and interest rates. In the first half of 2016, the subordinated bank loan, which was part of the capital base, was replaced by subordinated convertible bonds (due in 2021) for the same amount.

The Group was well within the limits of all its banking covenants as at 30 June 2016; the recourse leverage ratio was -2.24 (≤ 2.75), the recourse interest coverage ratio 9.9 (≥ 4.0) and the recourse solvency ratio 30% ($\geq 15\%$).

Brexit

The UK is BAM's second largest home market after the Netherlands and accounted for 31% of Group revenue in 2015. The UK activities are split between three operating companies: BAM Construct UK in non-residential construction and property development, BAM Nuttall in civil engineering, and the UK operations of BAM PPP. They are widely diversified by location (strong regional presence across the UK), client base (public and private) and market (retail, office and industrial construction, and across all infrastructure sectors.) These companies are among the leaders in their markets.

The Brexit vote had no effect on BAM's trading in the first half of 2016. The fall in the pound reduced the reported revenue, results and closing order book for the UK.

The combined UK order book at 30 June 2016 was €2.6 billion, and virtually all revenue for 2016 is secured. Since the vote on 23 June 2016, no orders have been cancelled and BAM has won several new orders. A significant percentage of the revenue for 2017 is secured in projects which are already underway.

BAM has undertaken a thorough assessment of the implications of Brexit, and sees no material effect in the short term. BAM will monitor developments closely, maintain tender discipline and adapt its organisation and operations if required.

Outlook

BAM expects the adjusted result before tax for the full year will be higher than the level of 2015. BAM anticipates a full year restructuring charge of at least €20 million, related to strategy implementation and mixed market conditions.

Risks and uncertainties

As indicated in the annual report for the 2015 financial year, there is a Group-wide focus on risk management in the primary process, prompted by increasing complexity and growing competition. The Group's risk management system does not imply avoidance of all risks. Instead it aims at identifying opportunities and threats and managing them. Better, more effective risk management will enable BAM to undertake larger commitments in a well-controlled environment.

The risks that can have a material impact on the Group's results and its financial position are described in detail in the annual report for the 2015 financial year. On that basis, BAM can see the following risks and uncertainties in particular for the remainder of the 2016 financial year:

- The risk that conditions will deteriorate on the Group's markets. Any deterioration of our markets could affect the revenue and result and the valuation of goodwill, the stock of unsold property (property under development, under construction or already completed) and work in progress. The order book could also be affected by the consequences of any further market deterioration.
- Revenue, result and the valuation of accounts receivable could be affected by the risk that it will be impossible to continue relationships with suppliers, partners and customers that do not belong to the Group, but are active in the construction process, causing work on projects to stagnate and perhaps making it impossible to collect receivables.
- The availability of credit and/or the operational cash flow could be affected by the risk of a reduction in the availability of credit for the Group on the financial markets, making it more difficult to receive payments (whether or not in advance) and more difficult to finance or refinance investments in land positions or real estate development.

Other risks that are either not currently known or currently considered non-material could prove to have an effect (material or otherwise) in due course on the markets, objectives, revenue, results, assets, liquidity or funding of the Group.

Declaration in accordance with the Dutch Financial Supervision Act

In accordance with their statutory obligations under Article 5:25d(2)(c) of the Dutch Financial Supervision Act, the members of the Executive Board declare that, in so far as they are aware:

- the half-yearly financial report provides a true and fair reflection of the assets and liabilities, the financial position and the result generated by the Company and by companies included in the consolidated accounts; and
- the half-yearly report by the Executive Board provides a true and fair overview of the information required pursuant to Article 5:25d(8) and (9) of the Dutch Financial Supervision Act.

Bunnik, the Netherlands, 17 August 2016

Executive Board, Royal BAM Group nv:

Rob van Wingerden, CEO

Thessa Menssen, CFO

Erik Bax, COO

Live audio webcast

The Executive Board of Royal BAM Group will present the results of the first half of 2016 on 18 August 2016 during an (English) analyst meeting from 10.00 a.m. to 11.30 a.m. The meeting can be followed via live webcast (www.bam.com).

Further information

Press: Arno Pronk, +31 (0)30 659 86 23, ac.pronk@bamgroep.nl

Analysts: Joost van Galen, +31 (0)30 659 87 07, j.van.galen@bamgroep.nl

Royal BAM Group nv considers the information in this press release to be share price sensitive.

Annexes half-yearly financial report

1. Interim condensed consolidated income statement
2. Interim condensed consolidated statement of comprehensive income
3. Interim consolidated statement of financial position
4. Interim condensed consolidated statement of changes in equity
5. Interim condensed consolidated statement of cash flows
6. Segment information
7. Figures per ordinary share with a par value of €0.10
8. Explanatory notes to the half-year 2016 report
9. Review report

1. Interim condensed consolidated income statement
 (x € million)

	1st half-year 2016	1 st half-year 2015	Full year 2015
<u>Continuing operations</u>	3,404.2	3,514.5	7,422.9
Revenue			
Operating result before depreciation, amortisation and impairment charges and restructuring costs	70.7	45.4	139.5
Depreciation and amortisation charges	-31.9	-35.5	-70.5
Impairment charges	-0.3	-2.5	-41.1
Restructuring costs	-10.5	-13.1	-38.6
Operating result	28.0	-5.7	-10.7
Finance income	16.6	18.6	34.5
Finance expense	-13.0	-13.3	-23.5
Total finance income and –expense	3.6	5.3	11.0
Result from associates and joint ventures	13.4	4.4	11.0
Impairments in associates and joint ventures	-	-	2.0
Result before tax	45.0	4.0	13.3
Income tax	-12.0	0.7	-2.3
Result from continuing operations	33.0	4.7	11.0
<u>Discontinued operations</u>			
Result from discontinued operations	-	-	-
Net result for the period	33.0	4.7	11.0
Attributable to:			
Non-controlling interests	0.1	-	0.8
Net result attributable to shareholders of the Company	32.9	4.7	10.2
	33.0	4.7	11.0
Net result attributable to shareholders of the company	0.12	0.02	0.04
Net result attributable to shareholders of the company (diluted)	0.12	0.02	0.04

2. Interim condensed consolidated statement of comprehensive income

(x € million)

	1st half-year 2016	1 st half-year 2015	Full year 2015
Net result for the period	33.0	4.7	11.0
<i>Items that will be reclassified to profit or loss, net of tax</i>			
Cash flow hedges	-26.5	9.5	4.1
Exchange rate differences	-56.0	42.9	26.4
<i>Items that will not be reclassified to profit or loss, net of tax</i>			
Actuarial gains and losses pensions	-15.0	16.1	37.1
Other comprehensive income	-97.5	68.5	67.6
Total comprehensive income	-64.5	73.2	78.6
Attributable to:			
Non-controlling interests	-0.1	0.2	1.1
Shareholders of the Company	-64.4	73.0	77.5
	-64.5	73.2	78.6

Other comprehensive income in the first half year 2016 was negative caused by movements in foreign exchange and interest rates.

3. Interim consolidated statement of financial position

(x € million)

	30 June 2016	31 December 2015	30 June 2015
Non-current assets			
Property, plant and equipment	279.5	292.2	299.0
Intangible assets	393.7	416.1	424.3
PPP receivables	236.3	279.1	377.6
Investments	96.1	94.1	95.6
Other financial assets	91.3	98.3	83.6
Derivative financial instruments	-	1.0	3.3
Employee benefits	105.6	74.7	39.9
Deferred tax assets	252.2	251.7	242.4
	<u>1,454.7</u>	<u>1,507.2</u>	<u>1,565.7</u>
Current assets			
Inventories	715.7	758.7	879.1
Trade and other receivables	1,871.5	1,891.8	1,979.8
Income tax receivable	4.1	9.3	13.2
Derivative financial instruments	1.8	6.2	15.4
Cash and cash equivalents	603.7	637.2	457.9
	<u>3,196.8</u>	<u>3,303.2</u>	<u>3,345.4</u>
Assets held for sale	25.1	41.8	-
Total assets	<u>4,676.7</u>	<u>4,852.2</u>	<u>4,911.1</u>
Equity attributable to the shareholders of the Company			
Share capital	839.3	839.3	839.3
Reserves	-427.3	-330.0	-329.1
Retained earnings	429.5	392.9	390.4
	<u>841.5</u>	<u>902.2</u>	<u>900.6</u>
Non-controlling interests	3.3	3.6	3.2
Total equity	<u>844.8</u>	<u>905.8</u>	<u>903.8</u>
Non-current liabilities			
Borrowings	479.5	511.9	543.0
Derivative financial instruments	36.6	33.9	46.7
Employee benefits	184.9	151.7	173.9
Provisions	116.7	84.9	87.3
Deferred tax liabilities	34.2	31.0	32.0
	<u>851.9</u>	<u>813.4</u>	<u>882.9</u>
Current liabilities			
Borrowings	99.7	85.5	212.8
Trade and other payables	2,772.6	2,895.7	2,810.4
Derivative financial instruments	19.2	16.7	15.0
Provisions	42.9	65.3	66.7
Income tax payable	21.1	23.3	19.5
	<u>2,955.5</u>	<u>3,086.5</u>	<u>3,124.4</u>
Liabilities held for sale	24.5	46.5	-
Total equity and liabilities	<u>4,676.7</u>	<u>4,852.2</u>	<u>4,911.1</u>
Capital base	<u>952.7</u>	<u>1,026.5</u>	<u>1,025.4</u>

4. Interim condensed consolidated statement of changes in equity

(x € million)

	1st half-year 2016	1 st half-year 2015	Full year 2015
As at 1 January	905.8	830.7	830.7
Net result for the period	33.0	4.7	11.0
Fair value cash flow hedges	-26.5	9.5	4.1
Actuarial gains and losses pensions	-15.0	16.1	37.1
Exchange rate differences	-56.0	42.9	26.4
Other comprehensive income	-97.5	68.5	67.6
Total comprehensive income	-64.5	73.2	78.6
Dividends paid (including non-controlling interests)	-2.0	-0.3	-0.7
Other changes	5.5	0.2	-2.8
Total change	-61.0	73.1	75.1
Position as at period-end	844.8	903.8	905.8

Other comprehensive income in the first half year 2016 was negative caused by movements in foreign exchange and interest rates. In Other changes, the valuation of the right to convert subordinated bonds into equity is included.

5. Interim condensed consolidated statement of cash flows
 (x € million)

	1 st half-year 2016	1 st half-year 2015	Full year 2015
Net result for the period	33.0	4.7	11.0
Adjustments for:			
- Income tax	12.0	-0.7	2.3
- Depreciation and amortisation charges	31.9	35.5	70.5
- Impairment charges	0.3	2.5	41.1
- Impairments in associates and joint ventures	-	-	-2.0
- Result on sale of subsidiaries	-0.3	-	-
- Result on sale of PPP projects	-1.9	-0.1	-5.2
- Result on sale of property, plant and equipment	-2.3	-2.3	-4.6
- Result from associates and joint ventures	-13.4	-4.4	-11.0
- Finance income and expense	-3.6	-5.3	-11.0
Changes in provisions	-19.7	-39.1	-69.6
Changes in working capital (excluding cash and cash equivalents)	25.1	-159.5	91.4
Cash flow from operations	61.1	-168.7	112.9
Interest paid	-23.9	-19.4	-38.2
Income tax received / (paid)	-7.1	-3.9	-10.0
Net cash flow from ordinary operations	30.1	-192.0	64.7
Investments in PPP receivables	-119.0	-93.6	-218.5
Repayments of PPP receivables	15.9	17.7	63.8
Net cash flow from operating activities	-73.0	-267.9	-90.0
Investments in non-current assets	-38.6	-39.3	-103.4
Divestments and repayments of non-current assets	17.6	19.3	33.1
Sale of subsidiaries	4.2	-	-
Sale of PPP projects	11.7	12.1	35.0
Interest received	16.5	18.1	34.9
Dividends received from at equity investments	5.1	3.6	13.3
Other investment activities	-	-	-
Net cash flow from investing activities	16.5	13.8	12.9
Proceeds from borrowings	247.0	98.5	214.2
Repayments of borrowings	-184.4	-28.3	-130.1
Dividends paid (including non-controlling interests)	-2.0	-0.3	-0.7
Repurchase of shares with respect to performance share plan	-2.5	-	-3.1
Net cash flow from financing activities	58.1	69.9	80.3
Change in net cash and cash equivalents	1.6	-184.6	3.2
Cash and cash equivalents at beginning of the year	637.2	624.3	624.3
Change in cash and cash equivalents assets and liabilities held for sale	-8.7	-	-0.4
Exchange rate differences on cash and cash equivalents	-26.4	17.8	10.1
Net cash position at period-end	603.7	457.9	637.2
Cash and cash equivalents	603.7	457.9	637.2
Bank overdrafts	-	-	-
Net cash position at period-end	603.7	457.9	637.2
Of which in joint operations:	192.0	205.4	181.2

6. Segment information

(x € million)

	1 st half-year 2016		1 st half-year 2015	
	Result	Revenue	Result	Revenue
Results and revenue from continuing operations				
Construction and M&E services	-23.8	1,620.4	-9.5	1,574.2
Civil engineering	35.8	1,671.1	22.9	1,904.9
Property	18.2	204.4	3.7	161.2
Public Private Partnerships (PPP)	6.8	115.8	6.4	92.9
Eliminations and miscellaneous	-	-207.4	0.7	-218.7
Total for continuing operations	37.0	3,404.3	24.2	3,514.5
Group overhead	5.3		-3.1	
Group interest charge	-1.7		-1.5	
Adjusted result before tax	40.6		19.6	
Restructuring	-10.6		-13.1	
Impairment charges	-0.3		-2.5	
Pension one off	15.3		-	
Result before tax	45.0		4.0	
Income tax	-12.0		0.7	
Net result from continuing operations	33.0		4.7	
Net result from discontinued operations	-		-	
Net result for the period	33.0		4.7	
Non-controlling interests	-0.1		-	
Net result attributable to shareholders	32.9		4.7	

For further information on segment performance, reference is made to the chapters First half year results and order book and Sector review on pages 3 and 4.

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

(x €1, unless indicated otherwise)

	1 st half-year 2016	1 st half-year 2015	Full year 2015
Net result attributable to shareholders of the company	0.12	0.02	0.04
Net result attributable to shareholders of the company (diluted)	0.12	0.02	0.04
Cash flow (net result plus depreciation, amortisation and impairment charges divided by number of shares ranking for dividend)	0.24	0.16	0.44
Equity attributable to shareholders of the company	3.11	3.32	3.34
Highest closing share price	5.02	4.37	5.16
Lowest closing share price	3.20	2.22	2.22
Closing share price at period-end	3.28	3.79	5.13
Number of shares ranking for dividend (x 1,000)	270,622	270,999	270,394
Average number of shares ranking for dividend (x 1,000)	270,383	270,999	270,957
Number of shares ranking for dividend diluted (x 1,000)	294,547	270,999	270,394
Average number of shares ranking for dividend diluted (x 1,000)	272,618	270,999	270,957

8. Explanatory notes to the half-year 2016 report

1. General information

Royal BAM Group nv ('the Company') was incorporated under Dutch law and is domiciled in the Netherlands. These condensed consolidated interim financial statements contain the financial data for the first six months of 2016 for the Company and its subsidiaries (jointly referred to as 'the Group') and includes its share in joint operations.

These interim financial statements were approved by the Supervisory Board and released for publication by the Executive Board. The information in these condensed consolidated interim financial statements is reviewed, not audited.

2. Basis of preparation

These interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs, and the commentary by the Executive Board earlier in this interim report.

3. Accounting principles

The accounting principles adopted are consistent with those of the previous financial year.

Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

The following exchange rates of the euro against the pound sterling (£) have been used in the preparation of these interim financial statements:

	1 st half-year 2016	Full year 2015	1 st half-year 2015
Closing exchange rate			
Pound sterling	0.82850	0.73681	0.70572
Average exchange rate			
Pound sterling	0.77580	0.72653	0.72364

4. Taxes

During the first half year of 2016, the effective tax rate was mainly influenced by exempt results of participations, tax losses which were not recognised, as well as differences in statutory tax rates that apply to the taxable results in the countries in which the Group operates.

5. Seasonal influences

Due to the seasonal nature of the business in the operational sectors, sometimes adversely influenced by winter conditions, higher revenue and profitability are usually expected in the second half of the year.

6. Estimates and assessments in the interim financial report

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2015. There were no changes in circumstances that should have led to different estimates for the valuation of goodwill and deferred taxes.

7. Legal proceedings

In the normal course of business the Group and its subsidiaries are involved in legal proceedings predominantly concerning litigation as a result of claims with respect to construction contracts. In accordance with current accounting policies, the Group has recognised these claims, where appropriate, which are reflected on its balance sheet as a receivable or liability. Some proceedings, if decided adversely or settled, may have a material impact on the Group's financial position, operational result or cash flows.

8. Related party transactions

In the first half year of 2016 the Group transferred two PPP projects to the joint venture BAM PPP/ PGM. After deduction of cost, the Group realised a net result of €1.9 million.

9. Fair value measurements

The fair value of financial instruments not quoted in an active market is measured using valuation techniques. The Group uses various techniques and makes assumptions based on market conditions on balance sheet date.

One of these techniques is the calculation of the net present value of the expected cash flows (DCF-method). The fair value of the interest rate swaps is calculated as the net present value of the expected future cash flows. The fair value of the forward exchange contracts is measured based on the 'forward' currency exchange rates on balance sheet date. In addition, valuations from financial institutions are requested for interest rate swaps.

Financial instruments measured at fair value consist of interest rate swaps and foreign exchange contracts only and are classified as a level 2 valuation method. As at 30 June 2016 the balance sheet includes derivative financial instruments measured at fair value amounting to €1.8 million (asset) and €55.8 million (liability).

10. Dividend

Holders of ordinary shares were assigned a dividend of € 0.02 per share in cash or 1 new share per 210.24 shares (2015: no dividend assigned).

11. Events after the balance sheet date

No material events after the balance sheet date have occurred.

Review report

To: the Executive Board, Supervisory Board and Audit Committee of Royal BAM Group nv

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Royal BAM Group nv, Bunnik, which comprises the consolidated statement of financial position as at 30 June 2016, the condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the 6-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Executive Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the 6-month period ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, 17 August 2016

Ernst & Young Accountants LLP

Signed by G.A.M. Aarnink