



Royal BAM Group nv



Integrated Report 2017

Summary

Key figures

(x € million, unless otherwise stated)

	2017	2016
Profit		
Continuing operations		
Revenue	6,604	6,976
Adjusted result before tax	63.3	102.7
Result before tax	58.3	60.1
Net result attributable to the shareholders of the company	12.5	46.8
Earnings per share (in €1)	0.05	0.17
Dividends per ordinary share (in €1)	0.10	0.09
Dividend payout (in %) ¹	50	50
Number of shares as at 31 December (x 1,000)	273,213	270,622
Share closing price as at 31 December (in €1)	3.83	4.39
Equity attributable to the shareholders of the Company	852.2	834.3
Capital base	967.2	946.7
Total assets	4,571.2	4,812.1
Order book	11,609	10,193
Net investment in property, plant and equipment	70.7	45.1
Depreciation charges	55.0	60.3
Amortisation charges	4.5	4.1
Impairment charges	4.8	50.7
Cash flow before dividend	76.8	161.9
Ratios		
Adjusted result before tax as % of revenue	1.0	1.5
Net result attributable to the shareholders of the Company as % of revenue	0.2	0.7
Net result attributable to the shareholders of the Company as % of average equity	1.5	5.4
Solvency ratios		
ROCE (in %)	2.8	2.8
Equity attributable to the shareholders of the Company as % of total assets	18.6	17.3
Capital base as % of total assets	21.2	19.7
People		
Human resource		
Average number of employees (in FTE)	19,720	20,370
Number of employees as at 31 December (in FTE)	19,837	19,486
Training costs per employee (in €1)	614	667
Female/male employees (in %)	16/84	15/85
Safety		
Incident frequency (IF BAM)	4.6	4.8
Planet		
Climate positive		
CO ₂ emissions (in kilotonnes)	186	203
CO ₂ emissions intensity (in tonnes per € million revenue)	28.1	29.1
Energy (in terra joules)	2,644	3,000
Resource positive		
Construction and office waste intensity (in tonnes per € million revenue)	20.3	21.3
Construction and office waste (in kilotonnes)	134	148
Construction waste separation (in %)	23	25
Total waste (in million tonnes)	1.9	2.8
Sustainable certified timber (in %)	97	98

¹ The dividend pay out has been adjusted for a one-off non-operational and non-cash impairment of deferred tax assets.

Message from the CEO

‘Working together to better serve our clients, improving our financial performance, and acting as preferred employer and partner, creating a better, more sustainable future. We made further progress delivering on our strategy Building the present, creating the future.



‘Making it happen together’

The majority of our activities performed in line with our expectations in 2017. We had another year of positive business cash flow and our overall financial position remains strong. However, we are disappointed that the project loss at sea lock IJmuiden setback our 2017 result by €68 million and damaged our margin by 1 per cent-point.

BAM's total revenue of €6,604 million was €372 million (5 per cent) below the level of 2016, of which €142 million was attributable to the weaker pound sterling. We have consistently maintained our tender discipline throughout BAM and our order book improved to €11,600 million (31 December 2016: €10,200 million).

Looking ahead we will accelerate our strategy execution to capitalise on our potential, and of course implement the key learnings from sea lock IJmuiden. Key priorities for 2018 are further IT standardisation, enhancing business control, digitalisation and improving pre-construction management.

Ensuring a safe working environment remains a top priority for BAM. Our safety and sustainability performance further improved. We are proud that BAM has won the 2017 Crystal Prize, the award for the most transparent 2016 integrated report in the Netherlands. The jury appreciated BAM's efforts to firmly keep social issues on the agenda, and to include them in its integrated report. It specifically welcomed the way in which BAM invites its stakeholders to participate in discussions on the long-term vision and the 2020 strategic objectives.

Values

Our strategic agenda for 2020 is aimed at achieving a double-digit return on capital employed in that year, by improving the performance of our current project and business portfolio, and positioning us well for future opportunities. A more disciplined focus on market segments and projects where we can use either scale or expertise as critical success factors ('doing things better'), will contribute to improving our profitability and capital efficiency.

Secondly, we are shaping our business portfolio towards 'doing better things' by rationalising our propositions and developing new solutions for customers. Thirdly, we keep investing in digitalisation to be an industry leader in how we build and what we build – 'doing new things'.

Our distinctive capabilities are enhanced by our One BAM culture through learning and collaboration and employee engagement. Four values – predictable performance, scalable learning, proactive ownership and open collaboration – underpin the successful further development of our Group. We work together to better serve our clients, improve our financial performance, and be a preferred employer and partner to create a better, more sustainable future.

Outlook

Most of BAM's markets are developing in a positive direction which is reflected in our order book. At the same time, we are feeling rising pressure on cost and availability in some parts of our supply chain. For the full year 2018 we expect an adjusted result before tax margin of around 2 per cent.

Also on behalf of Thessa Menssen and Erik Bax, I would like to thank all our stakeholders for their confidence in BAM and especially our employees for their hard work and commitment throughout the year. I am confident we will be able to accelerate on strategy delivery in 2018. With our combined capabilities and dedication we will reach our goals.'

Bunnik, the Netherlands, 20 February 2018

Rob van Wingerden,
CEO,
Royal BAM Group nv

Organisation

Business lines

BAM's operating companies are active in the business lines Construction and Property and Civil engineering, as well as through Public Private Partnerships.

BAM's European home markets are the Netherlands, Belgium, the United Kingdom, Ireland and Germany. In addition the Group delivers projects in Denmark, Luxembourg and Switzerland. BAM International is providing services to clients outside Europe: Africa, the Americas, Asia Pacific, Australia, the Middle East and Antarctica.

Construction and Property

BAM operates non-residential construction activities in all its home markets, as well as in Switzerland and Denmark. In addition, BAM delivers residential construction projects, primarily in the Netherlands and Belgium.

BAM's non-residential property development activities are carried out in the Netherlands, the United Kingdom, Ireland and Belgium. Family homes are developed and built mainly in the Netherlands. Development and construction of these projects are provided in fully integrated solutions. The business line Construction and Property employs approximately 9,000 professionals.

Civil engineering

The civil engineering activities cover all BAM's home markets, as well as Denmark and Luxembourg. BAM International carries out civil engineering works in niche markets around the world.

The business line Civil engineering employs approximately 10,000 professionals.

Public Private Partnerships

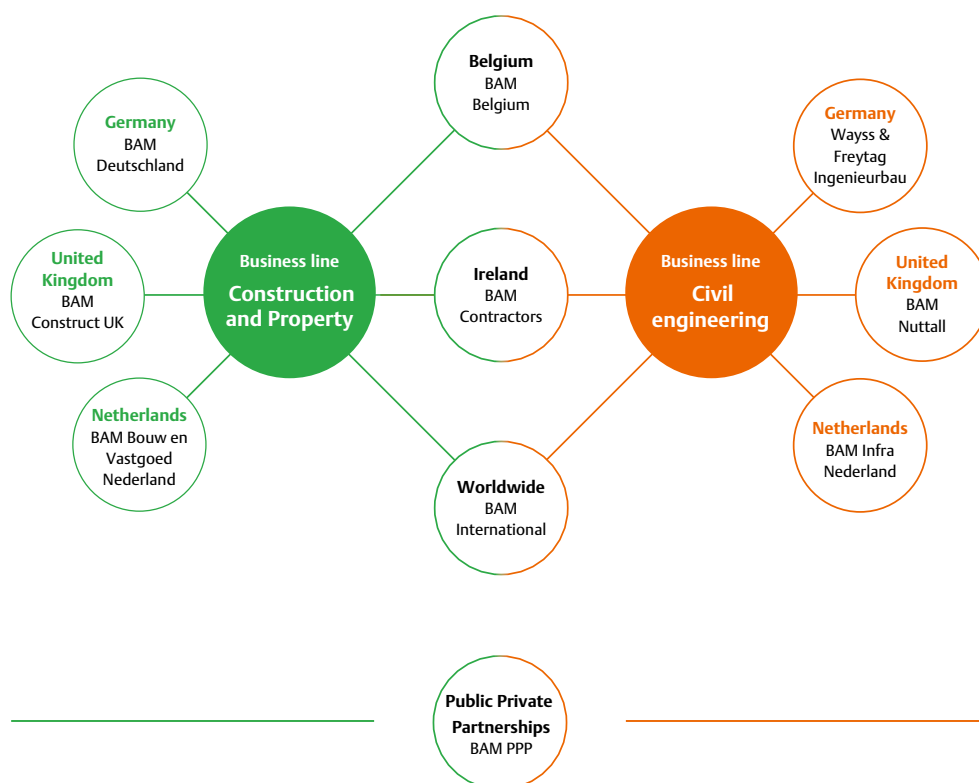
In addition BAM is a well respected player in the European market for Public Private Partnership projects. These projects deliver construction and recurring maintenance revenue for BAM's business lines, and operates concessions for roads, rail, education, health care and government buildings. BAM PPP employs approximately 100 professionals.

New business models

BAM's unique product market combination and broad geographical presence, as well as its relationship with clients and the supply chain and stakeholders, enable BAM to continuously expand and improve its potential. BAM's strategic agenda 'Building the present, creating the future' – focus project portfolio, shape business portfolio, create future portfolio – is reflected in BAM's business model.

In line with BAM's strategic objective to create a future portfolio, a startup programme was designed and implemented in 2016. This programme focuses on developing new business models at the edge of BAM's existing organisation. Guided by the Lean Startup Methodology, new business models based on digital opportunities are being explored.

1 - Organisational structure



Building the present, creating the future

It is BAM's mission to create sustainable environments that enhance people's lives by enabling the right people to capitalise on state-of-the-art knowledge, resources and digital technologies, providing solutions across the total construction lifecycle for the Group's clients and generating maximum value for its stakeholders.

It's BAM's vision that by 2020 the Group will be recognised as one of Europe's leading sustainable and innovative construction businesses, with healthy profits and a strong balance sheet, active across the total construction lifecycle in its European home markets and in selected growing economies around the world.

BAM's vision and unique culture are underpinned by four values that guide the people of BAM: predictable performance, scalable learning, proactive ownership and open collaboration.

2 - Values

Proactive ownership

'I take initiative to prevent, rather than fix'

Open collaboration

'I share, so we all gain'



Predictable performance

'I deliver what I promise'

Scalable learning

'I ask, listen and support, so that we learn collectively'

To realise the strategy Building the present, creating the future, BAM will position itself as leader in the digitalisation of the industry. The construction industry has shown a limited increase in productivity over the last decades¹. Furthermore, several external influences impact the construction industry. Firstly, economies across our home markets are growing but are still vulnerable with global geopolitical uncertainties and unclarity about the outcome of the Brexit process. Secondly, sustainability and mega trends such as urbanisation and energy efficiency are creating new areas for increased growth.

¹ Mc Kinsey Global Institute, Reinventing Construction: a route to higher productivity, February 2017

Thirdly, digitalisation is increasingly transforming the construction industry and the built environment. Against this background, the main focus of BAM's strategy for 2016-2020 is to continue to improve profitability and capital efficiency. The strategy is based on three pillars: focusing the project portfolio, shaping the business portfolio and creating the future portfolio. These are supported by a strong foundation consisting of two layers: culture and capabilities.

Strategic targets

BAM's vision is translated in specific goals for profit, planet and people. The objectives of BAM for 2020 are: a return on capital employed (ROCE) of more than 10 per cent, an increase of the adjusted margin before taxes to between 2 and 4 per cent, reduction of the real estate portfolio to less than €500 million and a reduction of working capital to less than -10 per cent. BAM aims to have a net positive impact on the planet and reach an incident frequency of less than 3.5.

Differentiating capabilities

BAM's differentiating capabilities and operating model are being sharpened, with a focus on employee training and development and setting minimum requirements. The operating companies are improving their systems, knowledge and expertise for data-driven project selection, tendering and execution. At the same time, Group synergies are being leveraged in areas such as business controls, information management, digital construction, strategic sourcing and partnerships, enhancing local entrepreneurship to serve clients. The Group has a blueprint target-operating model around strategic enablers and gradually aligns core processes in accordance with these enablers.

BAM's unique culture

Reaching BAM's strategic goals will be supported by its four values:

1. Scalable learning;
2. Predictable performance;
3. Open collaboration;
4. Proactive ownership.

Another fundamental part of BAM's unique culture is its safety ambition of 'zero accidents', allowing everyone to go home healthy every day, and recognition as a leader in safety in the European construction sector. CSR (corporate social responsibility) is an important aspect of BAM's sustainability journey. CSR best describes the impact BAM will have as a business on the environment and its social responsibility towards both internal and external stakeholders.

3 - Targets 2020



ROCE
> 10%



Adjusted
pre tax margin
2-4%

Property
< €500m
TWC < -10%



Safety
benchmark
IF < 3.5



Net positive
impact
(2050)

Financial performance

4 - Target: Creating return on capital employed above 10 per cent

Targets

Performance in 2017

Progress

 <p>Return on capital employed (ROCE) >10 per cent by 2020 In order to reach that target return must go up and capital employed must go down.</p>	<p>ROCE in 2017 amounted to 2.8 per cent (2016: 2.8 per cent).</p> <p>○○○</p>
 <p>Key performance indicators (KPIs) Return: BAM aims to get its results on projects into a 2 to 4 per cent range.</p>	<p>The margin on the adjusted result before tax for 2017 deteriorated to 1.0 per cent, 0.5 per cent points down compared to 2016.</p> <p>●○○</p>
 <p>Capital employed: Increase trade working capital efficiency below -/- 10 per cent of revenue.</p>	<p>The trade working capital efficiency improved to -/- 10.4 per cent at year-end 2017 compared to -/- 10.0 per cent at year-end 2016.</p> <p>○○●</p>
 <p>Capital employed: Reduce investment in land bank and property development below €500 million.</p>	<p>BAM achieved divestments of land bank and property for a total of €35 million in 2017 (2016: €62 million). Balance sheet value for land bank and property down to €591 million.</p> <p>○○●</p>
 <p>Improve capital ratio towards 25 per cent by 2020.</p>	<p>Capital ratio amounted to 21.2 per cent compared to 19.7 per cent at year-end 2016.</p> <p>○○●</p>

Management summary

We are disappointed that the project loss at sea lock IJmuiden set back our 2017 result by €68 million and damaged our margin by 1%-point. Apart from this, the majority of our activities performed in line with our expectations. Our order book grew as anticipated while we maintained our tender discipline. We had another year of positive business cash flow and our overall financial position remains solid.

We made further progress delivering on our strategy Building the present, creating the future. Looking ahead, we will accelerate execution to capitalise on our potential. Key priorities remain pre-construction management, business controls, digitalisation and IT standardisation and of course implementing the key learnings from sea lock IJmuiden.

Revenue

Revenue of €6,604 million was €372 million (5 per cent) below the level of 2016. Of this, 40 per cent (€142 million) came through the weakening of the pound sterling with softening of revenue in the Construction and Property sector offset by some growth in Ireland and Germany.

Result

The adjusted result before tax for the year 2017 was heavily impacted by the project loss (€68 million) at the lock IJmuiden in the Netherlands. There was also some negative impact from the Eindhoven Airport parking garage collapse. Both items were included in the result for the fourth quarter. These were partly offset by the strongly improved performance of Construction and Property sector. The result of PPP was slightly ahead of last year.



'Predictable performance is about having an honest and transparent approach'



Alistair Hynd, BAM Construct UK

Net result is impacted by an impairment of €40 million of deferred tax assets, triggered by the loss on sea lock IJmuiden and cumulative past underperformance in the Dutch fiscal entity.

Order book

As at 31 December 2017 the order book (orders in hand for the next five years) amounted to €11.6 billion, representing an increase of €1.4 billion in the year (2016: decrease of €1.3 billion in the year). Of the current order book position, €5.7 billion (2016: €5.4 billion) is expected to be carried out in 2018 and €5.9 billion (2016: €4.8 billion) in the years after. In addition, the Group has more than €1.8 billion (2016: €2.1 billion) in the order book beyond five years, mainly comprising of long-term maintenance contracts for PPP projects.

Earnings per share

The number of outstanding ordinary shares of the Group increased by 2.6 million in 2017 to 273.2 million shares as at 31 December 2017, due to stock dividend minus the repurchase of shares for the conditional performance share plan. (Diluted) earnings per share amounted to 5 euro cents (2016: 17 euro cents).

Dividend proposal

BAM's policy is to pay out 30 to 50 per cent of the net result for the year subject to considering the balance sheet structure supporting the strategic agenda and the interests of the shareholders. BAM's net result for 2017 of €12.5 million included a charge of €40 million for the impairment of deferred tax assets. Since this item is one-off non-operational and non-cash in nature, BAM has added back this item for the payout calculation. Therefore, BAM proposes a dividend of 10 euro cents per ordinary share for 2017 (2016: 9 euro cents) which equates to a payout ratio of 50 per cent of the adjusted net result. Subject to approval by the Annual General Meeting on 18 April 2018, this will be paid in cash with a scrip alternative on 16 May 2018. BAM will repurchase and cancel shares to offset the dilution due to shareholders taking the scrip alternative. The dividend return amounts to 2.6 per cent, based on the 2017 closing price (2016: 2.1 per cent).

5 - Financial position

(x €1 million, unless otherwise stated)

	2017	2016
Cash and cash equivalents	696	739
Less: borrowings	(503)	(612)
Net cash	193	127
Add: non-recourse financing	265	368
Recourse net cash	458	495

Capital employed

- Non-current assets	1,407	1,446
- Net working capital	(515)	(456)

Shareholders' equity	852	834
Capital base	967	947
Total assets	4,571	4,812
Solvency (%)	21.2	19.7

6 - Key financial results

(x €1 million, unless otherwise stated)

	2017	2016
Revenue	6,604	6,976
Adjusted result before tax	63.3	102.7
Margin (%)	1.0	1.5
Result before tax	58.3	60.1

Net result attributable to the shareholders

of the Company	12.5	46.8
Order book	11,609	10,193
Earnings per share	5 cents	17 cents
Dividend proposal	10 cents	9 cents

7 - Result before tax

(x €1 million, unless otherwise stated)

	2017	2016
Continuing operations		
Adjusted result before tax, depreciation and amortisation charges	122.8	167.1
Depreciation and amortisation charges	(59.5)	(64.4)
Adjusted result before tax	63.3	102.7
Impairment charges	(4.8)	(50.7)
Restructuring and other exceptional costs	(0.2)	(33.5)
Pension one-off	-	41.6
Result before tax	58.3	60.1
Income tax	(44.9)	(10.9)
Result for the year	13.4	49.2
Non-controlling interests	0.9	2.4
Net result attributable to shareholders of the Company	12.5	46.8

8 - Business cash flow ¹

	Full year 2017	Full year 2016
Group: net cash result ²	78	90
Investments (in)tangible fixed assets	(83)	(55)
Trade working capital ³	(39)	116
Net investment:		
- Property	80	(1)
- PPP	1	7
Other changes in working capital	(24)	27
Business cash flow	13	184
Dividend	(7)	(2)
Restructuring	(25)	(33)
Pensions (additional)	(12)	(12)
Other	(12)	(35)
Change in cash position	(43)	102

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, cash out related to restructuring, 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.

9 - Borrowings

(x €1 million, unless otherwise stated)

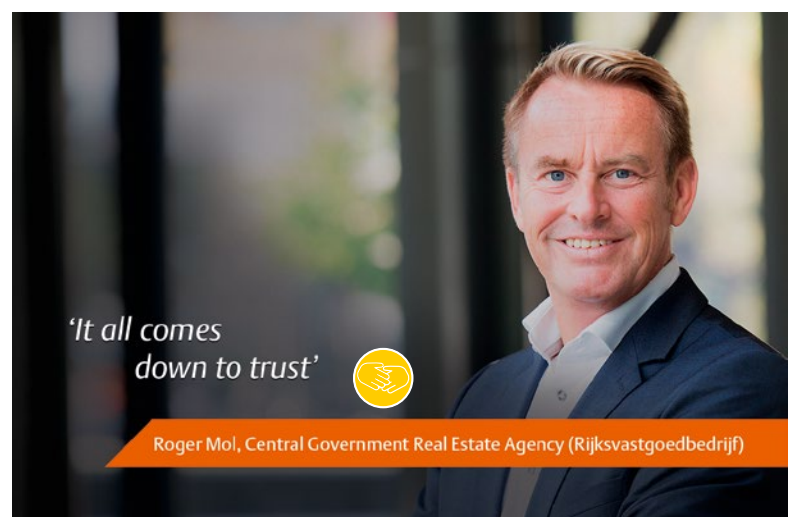
	2017	2016
Non-recourse debt		
PPP	190	274
Property	69	86
Other	6	8
	265	368
Subordinated convertible bonds	115	113
Recourse debt		
PPP	30	50
Property	80	74
Financial lease	13	7
	238	244
Borrowings	503	612

Cash and cash equivalents

Cash and cash equivalents was €696 million as at 31 December 2017 (2016: €739 million), of which €217 million (2016: €223 million) concerns the Group's share of cash and cash equivalents in joint operations.

For the fourth consecutive year the business cash flow was positive. Investments in (in)tangible assets increased after years of structural lower investments. BAM invested strategic equipment and in the patented development of Gravity Based Foundations for offshore wind power.

The property cash flow was mainly driven by the transfer (as announced in November 2016) of the property positions in the north east of the Netherlands and the sale of the Stadium Complex Zwolle. Other changes in working capital in 2017 were driven by changes in accruals and negative effects from the cash flow in relation to joint arrangements, whereas in the same period in 2016 there was a favourable effect from the cash flow in relation to joint arrangements.



The cash outflow from restructuring in 2017 relates mainly to the Netherlands for prior year organisational changes. Other included the effect of the weaker pound sterling and the purchase of treasury shares.

Borrowings

As at 31 December 2017 total borrowings amounted to €503 million (2016: €612 million) of which €265 million (2016: €368 million) concerned non-recourse debt. Non-recourse loans associated with PPP projects decreased with €84 million (2016: increase €79 million) and property development decreased in 2017 with €17 million (2016: €30 million decrease) principally due to PPP project divestments in the year and consequential debt repayments.

As at 31 December 2017 a net cash position is achieved of €193 million (2016: €127 million net cash position). This position comprised of cash and cash equivalents minus borrowings of €503 million (2016: €612 million).

The Group had two credit facilities as at 31 December 2017: unsecured subordinated convertible bonds for €125 million and a committed syndicated credit facility of €400 million. The bonds will be convertible into ordinary shares of BAM with a nominal value of €0.10 each. The bonds are subordinated to BAM's senior payment obligations. The bonds will carry an annual coupon of 3.5 per cent payable semi-annually and a conversion price of €5.2245. The bonds will be redeemed at their principal amount on or around 13 June 2021. BAM will have the option to call all but not some of the outstanding bonds at their principal amount plus interest from 28 June 2019, if the value of a BAM share exceeds for a specified period of time a price which is 30 per cent higher than the conversion price.

The committed syndicated credit facility has a duration until 31 March 2022 and as at 31 December 2017 the committed syndicated credit facility was not used, just as in 2016.

The recourse net debt, part of the recourse leverage ratio in BAM's financing arrangements, mainly comprising equity bridge loans for PPP projects and property loans on a recourse basis minus cash and cash equivalents, amounted to a net cash position of €458 million as at 31 December 2017, €37 million down compared to 2016.

Capital employed

Non-current assets

On balance, non-current assets decreased in the year with €39 million (2016: decrease €61 million).

As the net capital expenditures in the year were higher than the annual depreciation, the carrying amount of property, plant and equipment increased with €12 million to €282 million. The majority of the capital expenditures concerned the asset category equipment and installations in the sector Civil engineering.

Intangible assets predominantly comprises goodwill with a carrying amount of €375 million, a decrease of €4 million compared to 2016 owing to the lower exchange rate of the British pound sterling. Goodwill is tested for impairment annually and this did not result in



'It's important to support young colleagues in their development'

Irina Scheffler, Wayss & Freytag Ingenieurbau

an impairment. The sensitivity analyses indicated that for a Belgian cash-generating unit, representing a goodwill amount of €16 million, a limited headroom remains in case of a negative change of 50 basis points on the discount rate and/or growth rate beyond the forecast period.

Besides decrease in goodwill, intangible assets increased with €18 million, mainly due to investment in Gravity Based Foundations and non-integrated software.

PPP receivables decreased in 2017 to €249 million from €359 million principally due to construction progress on current PPP projects (€127 million) compensated by the transfer of one project to the joint venture with PGGM (€150 million). In 2017, just as in 2016, no PPP receivables were reclassified to assets held for sale to the PGGM joint venture.

The carrying amounts of investments (accounted for using the equity method) and other financial assets increased in the year with €10 million (from €86 million to €96 million) respectively remains at the same level as last year (€92 million).

Net working capital

Net working capital (current assets excluding cash and cash equivalents minus current liabilities excluding current borrowings) as at 31 December 2017 amounted to minus €515 million (2016: minus €456 million). Gross investment in property development has been reduced with €39 million in 2017 to €591 million, as a consequence of property sales, divestments and an impairment charge of €4 million (2016: €48 million). Net investment in property development, taking into account associated borrowings, amounted to €446 million (2016: €475 million).



'Digitalisation in the construction industry is still in its infancy'



Karl-Heinz Heller, Partnerschaft Deutschland

Shareholders' equity and capital base

Shareholders' equity increased by €18 million in 2017 to €852 million as at 31 December 2017. This increase is principally due to the net result for the year of €13 million.

Capital base includes the subordinated convertible bonds of €115.0 million (2016: €112.5 million). The difference between the nominal value of the convertible bonds of €125 million and the reported value of €115.0 million, consists of the valuation of the conversion right and transaction cost.

Solvency

As at 31 December 2017 solvency is 21.2 per cent (2016: 19.7 per cent) determined by using the capital base. Given the higher capital base and the lower balance sheet total, solvency increased in 2017. Recourse solvency, the ratio in accordance with the bank covenants, slightly increased to 29.4 per cent as at 31 December 2017 (2016: 29.0 per cent), which comfortably exceeds the required minimum of 15 per cent.

Other significant movements in balance sheet items

Post-employment benefits

The net benefit liability amounted to €43 million as at 31 December 2017, a decrease of €39 million compared to 2016 principally due to changes in actuarial assumptions, specifically the discount rate used.

Provisions

Provisions, other than post-employment benefits, decreased by €28 million to €114 million (2016: €142 million), predominantly effected by the decrease of the restructuring provision by €27 million. In 2017 €3.0 million were added to the restructuring provision, €2.9 million of unused provisions were released and €24.7 million were used for payments on restructurings, mainly in the Netherlands.

Deferred tax assets and liabilities

The Group has a net deferred tax asset of €190 million (2016: €223 million) principally reflecting the tax losses carried forward in the Netherlands and Germany. The valuation as at 31 December 2017 allows for estimates of the level and timing of future taxable profits for the upcoming nine years (the Netherlands) and for an indefinite period (Germany) including available tax planning opportunities. In 2017 an impairment of the deferred tax assets of €40 million was made, triggered by the loss on sea lock IJmuiden and cumulative past underperformance in the Dutch fiscal entity, including large impairments on property and restructuring charges in prior years.

Assets and liabilities held for sale

The assets and liabilities held for sale as at 31 December 2017 amount to €9 million (2016: €40 million) for the assets and €0 million (2016: €4 million) for the liabilities and are fully attributable to one remaining property position to be transferred in the Northeast part of the Netherlands. In 2016 the assets and liabilities held for sale were fully attributable to the proposed sale of all 47 property development positions in the Northeast part of the Netherlands.

Tax

In 2017, BAM recognised a tax expense of €44.9 million (2016: €10.9 million). Excluding the impairment of deferred tax assets of €40 million, the effective tax rate of the Group for 2017 is 8.4 per cent (2016: 18.1 per cent), influenced predominantly by the use of previously unrecognised tax losses.

On corporate income tax, taxes on wages, social security contributions and VAT, the Group paid a total amount of €725 million in 2017. Relative to the Group's revenue, the share of taxes paid deviates most from the share of revenue in the Netherlands. Here, the Group's share of taxes is relatively high compared to revenue.

10 - Taxes paid in 2017

(x €1 million, unless otherwise stated)

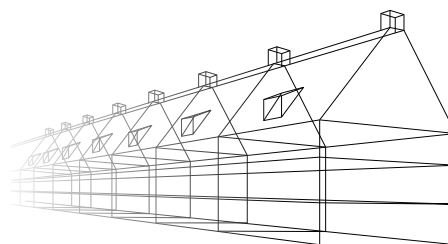
	Taxes	%	Revenue	%
Netherlands	390	54	2,322	35
United Kingdom	179	25	1,929	29
Belgium	39	5	690	10
Germany	82	11	804	12
Ireland	20	3	421	6
Rest of the world	15	2	438	7
Total	725	100	6,604	100

Business line results

With effect from 2016, the Group has changed its reporting sectors to align with its implemented updated strategy. The ten operating companies now report as three sectors: Construction and Property, Civil Engineering and PPP. The Construction and Property activities are now managed and reported as one integrated business line. In addition, construction activities in Ireland, Belgium and at BAM International have been reclassified from Civil Engineering to Construction and Property.

Construction and Property

11 - Construction and Property



	2017	2016
Revenue	3,708	4,124
Adjusted result before tax	73.0	3.5
Margin (%)	2.0	0.1
Order book	6,890	6,264

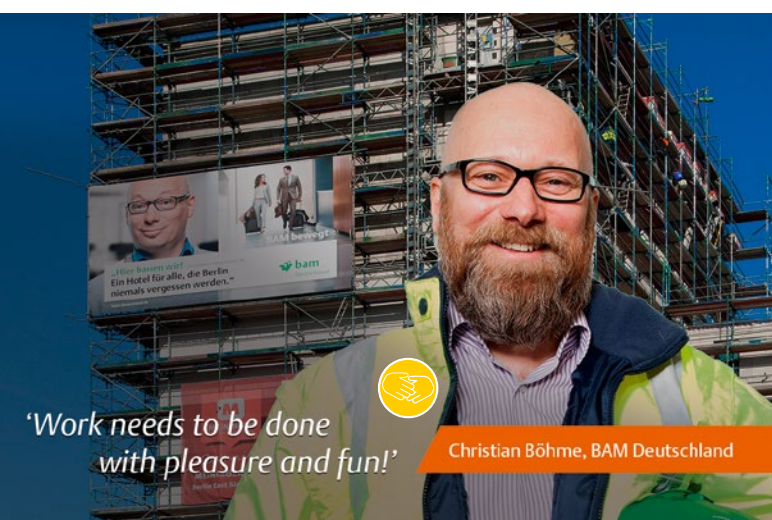
(x €1 million, unless otherwise stated)

At Construction and Property, revenue was €3,708 million, which was lower by €416 million including the negative impact of the pound sterling of €82 million. Revenue reduced mainly at Dutch non-residential construction following the trend of the order book and in the United Kingdom due to caution in the construction market and the absence of property development transactions. Ireland had higher revenues reflecting BAM's strong position in a growing market.

The total sector result was €73.0 million including a property development result of €26.7 million, equal to 2016, with a good contribution from Dutch residential. Germany delivered a break even result for the full year after the refocusing of activities in 2016. The benefits of the recently acquired projects will become slowly visible in the results, while negotiations on settlements at older projects are ongoing. All other regions delivered solid margins according to expectations. Dutch house sales were up by 7 per cent to 2,316 due to planning and zoning constraints at municipalities.

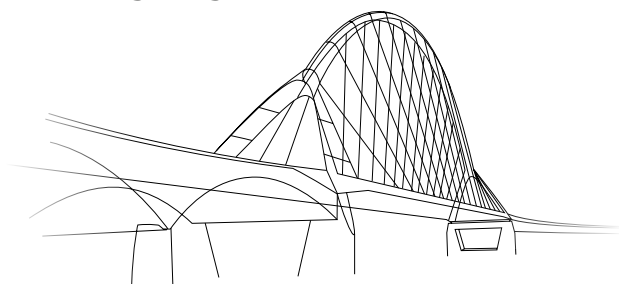
The year-end order book was higher by €626 million (10 per cent) including a negative FX of €61 million. The increase came mainly from the Netherlands and Ireland. The order book at Dutch non-residential started to grow slowly after years of decline and the increase at residential construction and property reflects the increasing demand for new build homes. Order book at BAM International grew due to onshore project wins.

The gross investment in property reduced by €39 million to €591 million at the end of 2017. These investments were financed by €75 million recourse property loans (year-end 2016: €69 million) and €69 million non-recourse property loans (year-end 2016: €86 million).



Civil engineering

12 - Civil engineering



	2017	2016
Revenue	2,964	2,899
Adjusted result before tax	(24.3)	83.4
Margin (%)	(0.8)	2.9
Order book	4,693	3,950

(x €1 million, unless otherwise stated)

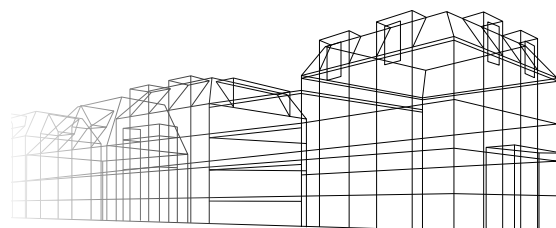
In Civil engineering, revenue rose by €65 million to €2,964 million, including negative FX of €59 million. Revenue in the Netherlands and at BAM International reduced slightly and was up in all other regions including the United Kingdom at constant currency.

The sector result was severely impacted by the project loss at sea lock IJmuiden in the Netherlands. The Dutch activities were also held back by the competitive regional market. The small losses at Belgium and BAM International reflected the challenging market conditions, however both markets appear to have bottomed out. All other regions had margins of 2per cent or above.

The order book rose by €743 million (19 per cent), mainly due to multiyear project awards in the United Kingdom and Germany.

PPP

13 - PPP



	2017	2016
Revenue	135	197
Adjusted result before tax	19.0	17.1
Order book	210	342
Average invested equity	110	103
Return on equity (%)	17.3	16.6

(x €1 million, unless otherwise stated)

PPP had a result of €19 million coming mostly from existing portfolio. One project was transferred to the joint venture with PGGM. At the end of the year the BAM/PGGM joint venture was selected preferred bidder for the German road project A10/A24 and financial close was reached in February 2018. The order book reduced during the year due to the progress on the construction of projects. The pipeline of active bids remains healthy. The total directors' valuation of the PPP portfolio as at the end of 2017 was €229 million, which included €75 million of unrealised value.

At the end of 2017 the number of PPP projects in the portfolio was 44 of which BAM PPP retains an interest in 40; for the remaining 4 projects only asset management services are provided by BAM PPP. In 2017 BAM PPP was awarded a contract to provide asset management services to a further project (Zaanstad Prison) owned by third party investors.

BAM PPP's projects are spread across BAM's European markets with revenue based mainly on the availability criterion. The ratio of accommodation to civil engineering projects is balanced, although civil engineering projects are generally greater in size.

The joint venture with PGGM continued to grow in 2017, with an investment in a further project. The joint venture provides BAM PPP with the twin benefits of a strong position from which to pursue further projects and a stable platform within which equity can be made available for new investments.

Social performance



Safety



Human Resources



Enhancing lives

14 - Ambition: to offer added value to clients, employees, business partners and the community

Targets



Fully incorporate safety in daily activities to achieve a BAM incident frequency (IF BAM) of ≤ 4.0 for 2017 and of ≤ 4.0 for 2018.



BAM values implemented in the operating companies in 2017.



Leadership development programme for top business management in 2019.



Olympus: project management development programme for top project managers in 2018.



Enhance one million lives in local communities by 2020.

Performance in 2017

IF BAM of 4.6 (2016: 4.8).

This goal has been achieved. Further cascading will take place in 2018.

As a foundation for the design of this leadership programme ten dialogue sessions were organised between the Executive Board and Opco Board members.

The Olympus leadership programme was launched in April 2017. Approximately sixty project managers participated in this programme in 2017. The programme will be offered to another group of eighty project managers in 2018.

Continue to develop Groupwide strategy and resource whilst beginning to collect meaningful data and evidence of life-enhancing activities across the group.

Progress

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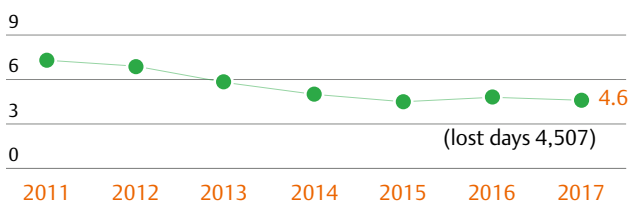
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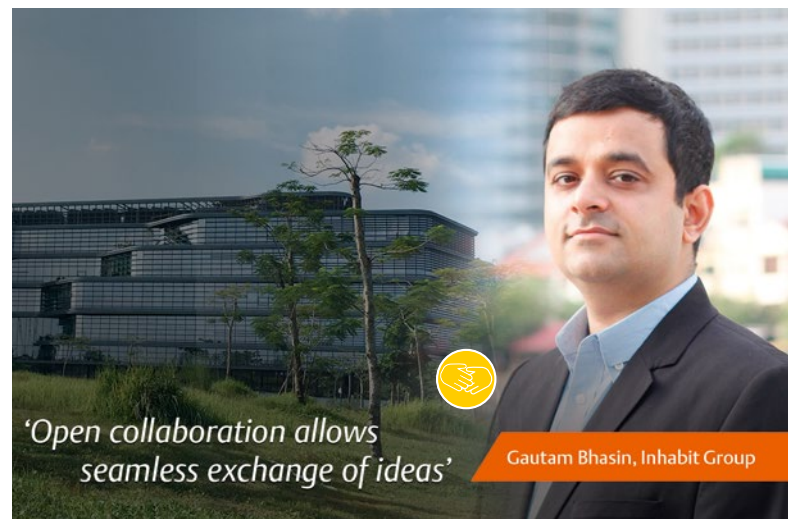
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15 - Group incident frequency (IF BAM)



16 - Female/male employees by region (in % of total employees)

	2017	2016
Netherlands	12/88	11/89
United Kingdom	25/75	24/76
Belgium	12/88	11/89
Germany	21/79	21/79
Ireland	23/87	26/74
Rest of the world	6/94	5/95



Environmental performance



Resource
positive



Climate
positive

17 - Ambition: to achieve a net positive impact on climate and natural resources

Targets



To achieve 25 per cent relative emissions reduction scope 1, 2 and 3 by 2020 (base year 2015).



To be included in the CDP Climate A List Leadership Index by achieving performance band A.



Deliver at least one product or service contributing to wider emissions reduction (zero carbon product).



To aspire zero construction waste to landfill and incineration in 2025.



Deliver at least one BAM circular project, product or service in each operating company by 2020.



Source 100 per cent sustainable timber by 2020.

Performance in 2017

BAM reduced its CO₂-intensity by 9 per cent compared to 2015, emissions went down to 186 kilotonnes in 2017 (2015: 230 kilotonnes).

BAM achieved leadership status on CDP's climate change benchmark in 2017 and performance was rated A-.

The group set up a definition to measure performance on this target going forward.

BAM reduced construction and office waste from 161 kilotonnes in 2015 to 134 kilotonnes in 2017, a reduction of 16 per cent. 65 per cent of this waste was reused.

BAM built two circular projects in the Netherlands. One refurbishment and one new building. BAM completed one circular consultancy project in the United Kingdom

BAM verified 97 per cent sustainable certified timber in the Netherlands and 99 per cent in the United Kingdom.

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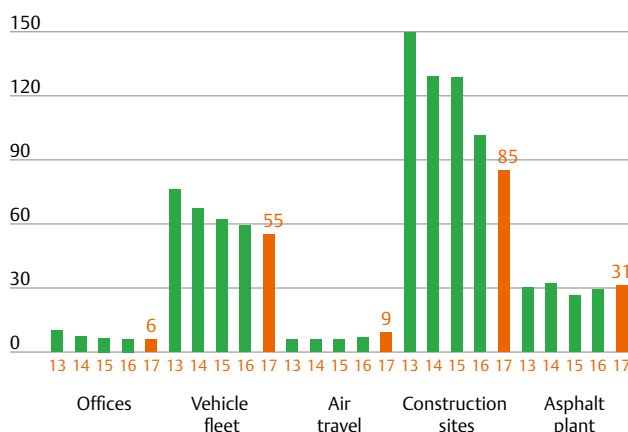
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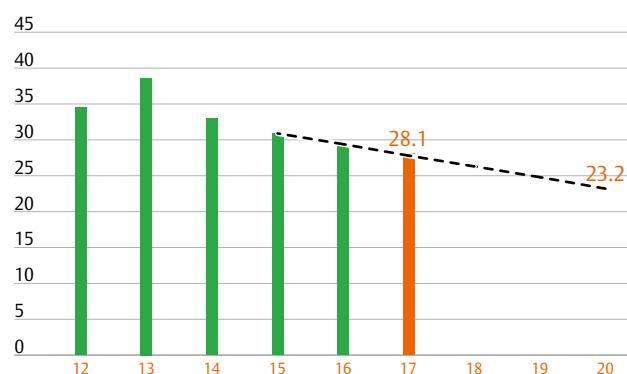
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18 - CO₂ emissions per source
(in kilotonnes)



19 - CO₂ emissions intensity
(in tonnes per €1 million revenue)



Supervisory Board

H.L.J. (Harrie) Noy (1951), Chairman

Mr Noy completed his studies at Eindhoven University of Technology in 1974. Mr Noy worked for Arcadis throughout his entire career. He joined that company, which at the time still operated under the name Heidemij, in 1975 and has since occupied various positions. From 1989 to 1994 he was a member of the Management Board of Arcadis' consultancy division in the Netherlands, and served as Chairman of that Board from 1992 to 1994. In 1994, Mr Noy was appointed as a member of the Executive Board. From 2000 to May 2012, Mr Noy served as CEO and Chairman of the Executive Board of Arcadis. Mr Noy is a Dutch national and does not own any shares in the company's capital.

Other offices: Chairman of the Supervisory Board of Fugro; Chairman of the Board of Stichting Administratiekantoor TKH Group; extraordinary member of the Dutch Safety Board.

Mr Noy was appointed to the Supervisory Board in 2012 and reappointed in 2016. He was appointed as Chairman of the Supervisory Board in 2017.

K.S. (Klaas) Wester (1946) Vice-chairman

Mr Wester graduated in civil engineering from Delft University of Technology in 1969. He then worked briefly for Fugro as a geotechnical engineer, after having performed military service. He went on to work at Costain Blankevoort and later at Ballast Nedam, working in the United Kingdom, the United Arab Emirates and Kuwait. In 1981, he returned to Fugro, where he held various management positions before being appointed as a member of the Fugro Executive Board under the Articles of Association in 1996. Mr Wester went on to become Chairman of the Executive Board in 2005, a position he held until his retirement in 2012. Mr Wester is a Dutch national and does not own any shares in the company's capital.

Other offices: Chairman of the Supervisory Board of ACTA; Chairman of the Supervisory Board of Iv-Groep.

Mr Wester was appointed to the Supervisory Board in 2011 and reappointed in 2015. He was appointed as Vice-chairman of the Supervisory Board in 2017.

G. (Gosse) Boon (1959)

Mr Boon studied both quantitative business economics and Dutch law at Erasmus University Rotterdam. He also completed the RA (Chartered Accountant) study at the same university. Mr Boon started his career at Unilever. From 1983 to 2000, he fulfilled various senior positions within the company, lastly as the CFO of Unilever Brazil. In 2000, Mr Boon was appointed the CEO of DiverseyLever Netherlands, a position he fulfilled until 2004. Subsequently, Mr Boon held the position of CFO and member of the Executive Board with Rijnmond Waste Processing and Van Gansewinkel Group respectively. In 2010, he transferred to Nutreco, being appointed CFO and Executive Board member in 2011. In 2015, following the delisting of Nutreco, he decided to leave the company. He is a Dutch national and does not own any shares in the company's capital.

Other offices: Chairman of the Supervisory Board of Albron; member of the Supervisory Board of KPMG; member of the Supervisory Board IDH (Sustainable Trade Initiative); lay judge (expert member) of the Companies and Business Court (Enterprise Chamber), which is part of the Amsterdam Court of Appeal. Mr Boon was appointed to the Supervisory Board in 2017.

From the left: C.M.C. Mahieu, K.S. Wester, H.L.J. Noy, M.P. Sheffield, H. Valentin and G. Boon.



C.M.C. (Carla) Mahieu (1959)

Mrs Mahieu studied economics at the University of Amsterdam, where she graduated in 1984. She began her career at Royal Dutch Shell, where she held various management positions dealing with human resources, communication and corporate strategy. After several years as a consultant, Mrs Mahieu joined Royal Philips Electronics as Senior Vice-President Corporate Human Resources in 2003. She took up her current position as Executive Vice-President and Global Head of Human Resources at Aegon in September 2010. She became a member of Aegon's Management Board in 2016. Mrs Mahieu is a Dutch national and does not own any shares in the company's capital.

Other offices: member of the Supervisory Board of VodafoneZiggo.

Mrs Mahieu was appointed to the Supervisory Board in 2011 and reappointed in 2015.

M.P. (Paul) Sheffield CBE, BSc, CEng, MICE (1961)

Mr Sheffield studied civil engineering at the University of Surrey (United Kingdom). He is a Chartered Engineer and Fellow at the British Institution of Civil Engineers. From 1983 to 2014 he was employed by the Kier Group, a large British construction and property development group, listed on the London stock exchange, where he held a number of management positions. During the first years of his career, Mr Sheffield was involved as an engineer in various projects in New Guinea, Turkey and the United Kingdom. Thereafter, he was responsible for projects in the United Kingdom, Saudi Arabia and Hong Kong as a project manager. In 1998 he became Director of Operations and in 1999 was appointed Managing Director of the Civil Division. In 2005 he joined the Board of the Kier Group with responsibility for all construction activities and he was appointed as Chief Executive Officer in 2010. In 2014 Mr Sheffield left the Kier Group for Laing O'Rourke, one of the largest private construction companies of the United Kingdom, where he was a member of the Group Executive Committee until 2017, responsible for their activities in Europe and the Middle East. Mr Sheffield is a British national and does not own any shares in the company's capital.

Other offices: Non-Executive Director at Southern Water Services Ltd.

Mr Sheffield was appointed to the Supervisory Board in 2017.

H. (Helle) Valentin (1967)

Since 2016, Ms Valentin has served as the COO of IBM's Watson Internet of Things. In that capacity, she is responsible for developing the business and designing and building the business structure and product portfolio of this new IBM division. She is also an member of the supervisory board of IBM Denmark Aps since 2013. Before that, she was the COO of IBM's Germany/Austria/Switzerland region in the period 2014-2016, also responsible for rolling out the new strategy and implementing a new business model. She started her career with IBM in 1992, after graduating as a Master of Engineering at Denmark Technical University. Ms Valentin is a Danish national and does not own any shares in the company's capital.

Other offices: Member of the Supervisory Board of PFA Pension fund; advisor of the National Disruption Council in Denmark. Ms Valentin was appointed to the Supervisory Board in 2017.

20 - Retirement schedule for the Supervisory Board

Member	Date of birth	Date of initial appointment	Year of reappointment	End of current term	End of second term
H.L.J. Noy*, Chairman	27-03-1951	25-04-2012	2016	2020	2020
K.S. Wester, Vice-chairman	02-07-1946	20-04-2011	2015	2019	2019
G. Boon	09-04-1959	19-04-2017	-	2021	2025
C.M.C. Mahieu*	16-10-1959	20-04-2011	2015	2019	2019
M.P. Sheffield	25-05-1961	24-08-2017	-	2021	2025
H. Valentin	16-01-1967	19-04-2017	-	2021	2025

* Strengthened right of recommendation of Central Works Council.

Executive Board



R.P. (Rob) van Wingerden (1961), CEO
Mr Van Wingerden graduated as a civil engineer from Delft University of Technology in 1988. He joined the Group as a project surveyor in 1988 and subsequently worked in a variety of project management and other roles for operating companies in the Netherlands and elsewhere (including Taiwan and Hong Kong). He completed his MBA cum laude at Twente School of

Management in 1994. During this period he attended the Advanced Management Program at Harvard Business School, Boston, USA. He was appointed Director of HBG Bouw en Vastgoed in 2000, became Director at BAM Utiliteitsbouw in 2002 and was appointed Chairman of the Board of BAM Woningbouw in 2005. Mr Van Wingerden has been a member of the Executive Board of Royal BAM Group since 2008. In October 2014 he was promoted to the position of CEO and Chairman of the Executive Board. He is a Dutch national. Information about Mr Van Wingerden's shareholding position is on pages 132-134. *Other offices:* member of the Supervisory Board of Royal Saan; member of the Board of Governors of the Dutch Construction and Infrastructure Federation (Bouwend Nederland); member of the Board of De Bouwcampus; member of the Taskforce Bouw; member of the Advisory Board of DIMI (Delft Deltas, Infrastructures & Mobility Initiative).



T. (Thessa) Menssen (1967), CFO
Mrs Menssen graduated from the University of Technology Eindhoven in 1990 with a degree in mechanical engineering. She then received a master's degree in business administration from the Technical University of Twente. In 1992 Mrs Menssen joined Unilever, where she held various management positions. In 2006 Mrs Menssen was appointed to

the Executive Board of Havenbedrijf Rotterdam (Rotterdam Port Authority), first as CFO and from 2010 as COO. Mrs Menssen has been a member of the Executive Board of Royal BAM since October 2012 and CFO since January 2013. She is a Dutch national. Information about Mrs Menssen's shareholding position is on pages 132-134.

Other offices: member of the Supervisory Board of PostNL; member of the Supervisory Board of FMO; member of the Supervisory Board of the Rotterdam Philharmonic Orchestra; member of the Monitoring Committee of the 'Talent naar de Top' programme; member of the Supervisory Board of the Foundation 'Topvrouw van het Jaar' (a platform for the promotion of gender diversity at board level in the Netherlands).



E.J. (Erik) Bax (1957), COO
Mr Bax studied engineering, building and construction at the Tilburg Institute for Technology and obtained an MBA at Erasmus University Rotterdam and Georgia State University in Atlanta, USA. He joined CRH, the international leader for production and distribution of building materials, in 1984 and held various management positions at CRH's different operating companies and

divisions. He then fulfilled a number of positions in CRH's senior management. As of 2010 he was Managing Director CRH Europe and member of the Executive Committee of CRH in Dublin. Mr Bax has been a member of the Executive Board of Royal BAM Group since May 2014 and COO since October 2014. He is a Dutch national and holds no other offices. Information about Mr Bax' shareholding position is on pages 132-134.

21 - Retirement schedule for the Executive Board

Member	Date of birth	Date of initial appointment	Year of reappointment	End of current term
R.P. van Wingerden, Chairman	21-07-1961	07-05-2008	2012, 2016	2020
T. Menssen ¹	04-05-1967	01-10-2012	2016	2020
E.J. Bax	21-04-1957	01-05-2014		2018

¹ Mrs Menssen will step down from the Executive Board with effect from 1 July 2018.

Consolidated income statement

(x €1,000)

	Notes	2017	2016
Continuing operations			
Revenue	5	6,603,706	6,976,090
Raw materials and consumables used		(1,330,918)	(1,295,185)
Subcontracted work and other external charges		(3,652,244)	(4,013,649)
Employee benefit expenses	24	(1,273,614)	(1,276,214)
Depreciation and amortisation charges	7,8	(59,548)	(64,449)
Impairment charges	25	(4,579)	(50,659)
Other operating expenses		(254,194)	(245,131)
Exchange rate differences		29	2,137
		(6,575,068)	(6,943,150)
Operating result		28,638	32,940
Finance income	28	30,002	31,805
Finance expense	28	20,440	24,485
		9,562	7,320
Share of result of investments	10	20,317	19,827
Share of impairment charges in investments	10,25	(193)	-
		20,124	19,827
Result before tax		58,324	60,087
Income tax	29	(44,939)	(10,883)
Result for the year from continuing operations		13,385	49,204
Discontinued operations			
Result for the year from discontinued operations	35	-	-
Net result		13,385	49,204
Attributable to:			
Shareholders of the Company		12,520	46,831
Non-controlling interests		865	2,373
		13,385	49,204
Earnings per share			
(x €1)			
Basic	30		
Continuing operations		0.05	0.17
Discontinued operations		-	-
Total		0.05	0.17
Diluted	30		
Continuing operations		0.05	0.17
Discontinued operations		-	-
Total		0.05	0.17

The notes refer to page 153 to 228 of the the full Integrated Report which is integrated with the consolidated statements.

Consolidated statement of comprehensive income

(x €1,000)

	Notes	2017	2016
Net result		13,385	49,204
<i>Items that may be subsequently reclassified to the income statement</i>			
Fair value of cash flow hedge		12,629	24,605
Tax on fair value of cashflow hedge		<u>(3,109)</u>	<u>(7,344)</u>
Cash flow hedges	19	9,520	17,261
Fair value movement hedges in joint ventures		12,494	(24,308)
Tax on fair value movement hedges in joint ventures		<u>(4,395)</u>	<u>6,979</u>
Cash flow hedges of investment in joint ventures	19	8,099	(17,329)
Exchange rate differences		(17,279)	(65,862)
<i>Items that will not be subsequently reclassified to the income statement, net of tax</i>			
Movement in remeasurements		17,365	(62,559)
Tax on movement in remeasurements		<u>(2,853)</u>	<u>9,262</u>
Remeasurements of post-employment benefit obligations	20	14,512	(53,297)
Other comprehensive income		14,852	(119,227)
Total comprehensive income		<u>28,237</u>	<u>(70,023)</u>
Attributable to:			
Shareholders of the Company		27,361	(72,111)
Non-controlling interests		<u>876</u>	<u>2,088</u>
		<u>28,237</u>	<u>(70,023)</u>
Total comprehensive income attributable to the shareholders of the Company arises from:			
Continuing operations		27,361	(72,111)
Discontinued operations		<u>-</u>	<u>-</u>
		<u>27,361</u>	<u>(72,111)</u>

The notes refer to page 153 to 228 of the the full Integrated Report which is integrated with the consolidated statements.

Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	2017	2016
Non-current assets			
Property, plant and equipment	7	281,874	270,173
Intangible assets	8	403,718	389,992
PPP receivables	9	240,687	296,395
Investments	10	95,594	85,866
Other financial assets	11	91,903	92,044
Derivative financial instruments	19	464	-
Employee benefits	20	75,020	62,773
Deferred tax assets	22	217,971	248,845
		<u>1,407,231</u>	<u>1,446,088</u>
Current assets			
Inventories	12	606,731	645,433
Trade and other receivables	13	1,845,399	1,934,542
Income tax receivable		6,462	6,226
Derivative financial instruments	19	1,058	983
Cash and cash equivalents	14	695,779	738,577
		<u>3,155,429</u>	<u>3,325,761</u>
Assets held for sale	35	8,516	40,245
		<u>3,163,945</u>	<u>3,366,006</u>
Total assets		<u>4,571,176</u>	<u>4,812,094</u>
Equity attributable to the shareholders of Company			
Share capital	15	839,311	839,311
Reserves	16	(157,923)	(170,252)
Retained earnings		<u>170,830</u>	<u>165,191</u>
		852,218	834,250
Non-controlling interests		<u>5,556</u>	<u>5,061</u>
Total Equity		<u>857,774</u>	<u>839,311</u>
Non-current liabilities			
Borrowings	18	398,146	463,515
Derivative financial instruments	19	14,952	20,347
Employee benefits	20	118,512	144,708
Provisions	21	65,611	86,058
Deferred tax liabilities	22	28,062	26,287
		<u>625,283</u>	<u>740,915</u>
Current liabilities			
Borrowings	18	104,944	148,131
Trade and other payables	23	2,917,155	3,004,428
Derivative financial instruments	19	133	4,354
Provisions	21	48,268	55,805
Income tax payable		<u>17,619</u>	<u>14,817</u>
		3,088,119	3,227,535
Liabilities held for sale	35	-	4,333
		<u>3,088,119</u>	<u>3,231,868</u>
Total equity and liabilities		<u>4,571,176</u>	<u>4,812,094</u>
Capital base	17	967,205	946,741

The notes refer to page 153 to 228 of the the full Integrated Report which is integrated with the consolidated statements.

Consolidated statement of changes in equity

(x € 1,000)

	Notes	Attributable to the shareholders of the Company				Non-controlling interests	Total equity
		Share capital and premium	Reserves	Retained earnings	Total		
As at 1 January 2016		839,311	(104,536)	167,372	902,147	3,638	905,785
Cash flow hedges	19	-	(45)	-	(45)	(23)	(68)
Remeasurements of post-employment benefit obligations	20	-	-	(53,226)	(53,226)	(71)	(53,297)
Exchange rate differences		-	(65,671)	-	(65,671)	(191)	(65,862)
Other comprehensive income, net of tax		-	(65,716)	(53,226)	(118,942)	(285)	(119,227)
Net result		-	-	46,831	46,831	2,373	49,204
Total comprehensive income		-	(65,716)	(6,395)	(72,111)	2,088	(70,023)
Issue of convertible bonds		-	-	7,852	7,852	-	7,852
Dividends	31	-	-	(1,978)	(1,978)	(540)	(2,518)
Repurchase of ordinary shares	15	-	-	(2,529)	(2,529)	-	(2,529)
Share based payments		-	-	606	606	-	606
Other movements		-	-	263	263	(125)	138
		-	-	4,214	4,214	(665)	3,549
As at 31 December 2016		<u>839,311</u>	<u>(170,252)</u>	<u>165,191</u>	<u>834,250</u>	<u>5,061</u>	<u>839,311</u>
Cash flow hedges	19	-	17,505	-	17,505	114	17,619
Remeasurements of post-employment benefit obligations	20	-	-	14,512	14,512	-	14,512
Exchange rate differences		-	(17,176)	-	(17,176)	(103)	(17,279)
Other comprehensive income, net of tax		-	329	14,512	14,841	11	14,852
Net result		-	-	12,520	12,520	865	13,385
Total comprehensive income		-	329	27,032	27,361	876	28,237
Issue of convertible bonds		-	-	-	-	-	-
Dividends	31	-	-	(7,466)	(7,466)	(410)	(7,876)
Repurchase of ordinary shares	15	-	-	(2,696)	(2,696)	-	(2,696)
Share based payments		-	-	818	818	-	818
Development cost		-	12,000	(12,000)	-	-	-
Other movements		-	-	(49)	(49)	29	(20)
		-	12,000	(21,393)	(9,393)	(381)	(9,774)
As at 31 December 2017		<u>839,311</u>	<u>(157,923)</u>	<u>170,830</u>	<u>852,218</u>	<u>5,556</u>	<u>857,774</u>

The notes refer to page 153 to 228 of the the full Integrated Report which is integrated with the consolidated statements.

Consolidated statement of cash flows

(x € 1,000)

	Notes	2017	2016
Net result		13,385	49,204
Adjustments for:			
- Income tax	29	44,939	10,883
- Depreciation of property, plant and equipment	7	55,042	60,305
- Amortisation of intangible assets	8	4,506	4,144
- Impairment of property, plant and equipment	7,25	-	2,213
- Impairment of other financial assets	11,25	153	(196)
- Impairment of intangible assets	8,25	703	833
- Impairment of inventories	12,25	3,723	47,809
- Share of impairment charges in investments	10,25	193	-
- Result on sale of subsidiaries		-	(270)
- Result on sale of PPP projects	35	(900)	(4,400)
- Result on sale of property, plant and equipment		(4,736)	(6,291)
- Share based payments	37	818	606
- Share of result of investments	10,11	(20,317)	(19,826)
- Finance income	28	(30,002)	(31,805)
- Finance expense	28	20,440	24,485
Interest received		9,870	10,866
Dividends received from investments	10,11	23,331	13,033
Changes in provisions and pensions	20,21	(46,368)	(62,423)
Changes in working capital (excluding cash and cash equivalents)		48,857	176,425
Cash flow from operations		123,637	275,595
Interest paid		(25,179)	(38,468)
Income tax paid		(10,762)	(14,473)
Net cash flow from ordinary operations		87,696	222,654
Investments in PPP receivables	9	(127,161)	(189,785)
Repayments of PPP receivables	9	104,982	35,048
Net cash flow from operating activities		65,517	67,917
Acquisition of subsidiaries, net of cash acquired		-	(904)
Purchases of property, plant and equipment	7, 18	(72,933)	(61,927)
Proceeds from sale of property, plant and equipment	7	16,488	16,004
Purchases of intangible assets	8	(23,513)	(4,993)
Proceeds from disposal of intangible assets	8	60	-
Investments in non-current receivables	11	(23,206)	(11,892)
Repayments of non-current receivables	11	14,699	11,799
Investments in other financial assets	10,11	(15,166)	(15,690)
Proceeds from disposal of other financial assets	10,11	2,634	3,357
Proceeds from sale of PPP projects	35	20,500	16,600
Proceeds from sale of subsidiaries		-	(2,318)
Net cash flow from investing activities		(80,437)	(49,964)
Proceeds from borrowings	18	175,230	312,216
Repayments of borrowings	18	(184,327)	(189,976)
Dividends paid to shareholders of the Company	31	(7,466)	(1,978)
Dividends paid to non-controlling interests		(410)	(540)
Repurchase of ordinary shares with respect to Performance Share Plan		(2,696)	(2,529)
Net cash flow from financing activities		(19,669)	117,193
Change in cash and cash equivalents		(34,589)	135,146
Cash and cash equivalents at beginning of year	14	738,575	637,209
Change in cash and cash equivalents in assets and liabilities held for sale	35	-	(614)
Exchange rate differences on cash and cash equivalents		(8,207)	(33,166)
Net cash position at end of year	14	695,779	738,575

The notes refer to page 153 to 228 of the the full Integrated Report which is integrated with the consolidated statements.

Royal BAM Group nv shares

Stock exchange listing

BAM has been listed on Euronext Amsterdam since 1959 (symbol: BAMNB; ISIN code: NL0000337319). The share is included in the Amsterdam Midcap Index (AMX) and the Euronext NEXT-150 Index. Options are traded by Liffe, the Euronext derivatives exchange. The market capitalisation was €1.1 billion at year-end 2017 (year-end 2016: €1.2 billion).

Investor relations policy

The purpose of the investor relations policy is to provide accurate, transparent, consistent, simultaneously and timely information to stakeholders, which include existing and potential shareholders, financial institutions, brokers and the media. BAM wants to ensure a clear understanding about its strategy, performance and decisions to create awareness and confidence. Information is made available through the annual integrated report, quarterly (financial) information, press releases and presentations to investors which are all available on the website. BAM publishes price sensitive information without delay by a press release and on its site.

BAM publishes quarterly (financial) information. The full year and half year results are presented at analyst meetings. The trading updates for the first quarter and the nine months are presented during conference calls. These events are held in the English language and can be followed live or on demand on the website. BAM organises road shows and participates at investor conferences to meet existing and potential investors. All data and venues are published on the website.

BAM observes a closed period in which no meetings with existing or potential investors take place. For the annual results, this period extends from 1 January up to date of publication. For the half year results the closed period extends from 1 July up to the day of publication. For the trading updates after the first quarter and the nine months, it extends from 1 April and 1 October, up to the day of publication.

BAM is covered by analysts of all major Dutch brokers, they are key in distributing information to support the investment case to their clients. Research reports about BAM are available through these brokers. Contact details are available on the website.

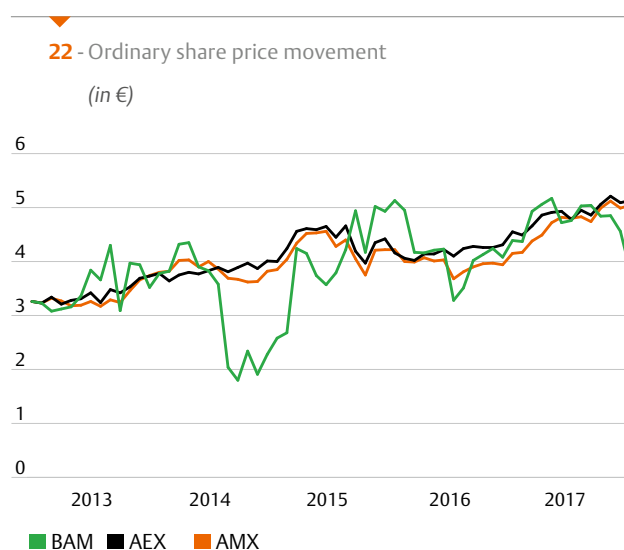
All the activities comply with the rules and regulations of Euronext Amsterdam and the Dutch Authority for financial markets (AFM).

For more information about investor relations www.bam.com under the link Investor relations or contact Investor Relations Manager Joost van Galen, e-mail ir@bam.com, telephone +31 (0)30 659 87 07.

Share price

The 2017 closing price of the ordinary share was €3.83, which was 13 per cent below the closing price at year-end 2016 (€4.39). The AMX index ended the year 21 per cent higher. BAM's share price rose by about 19 per cent over the last five years. By way of comparison, the AEX and the AMX index rose by 59 per cent and 56 per cent in the same period.

► Graph 22 shows the history of the BAM ordinary share price over the past five years.



Trading volume on Euronext Amsterdam

In 2017, the number of ordinary shares traded were 491 million (2016: 441 million).

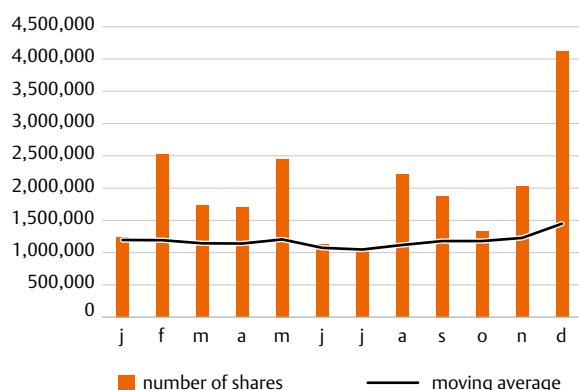
The average daily trade was 1,926,000 ordinary shares (2016: 1,717,000). The value of ordinary shares traded in 2017 was €2,311 million (2016: €1,804 million). In 2017 the average daily trade in BAM shares was €9.0 million (2016: €7.0 million).

If necessary, ING and Rabobank act as liquidity providers for the trade in ordinary shares.



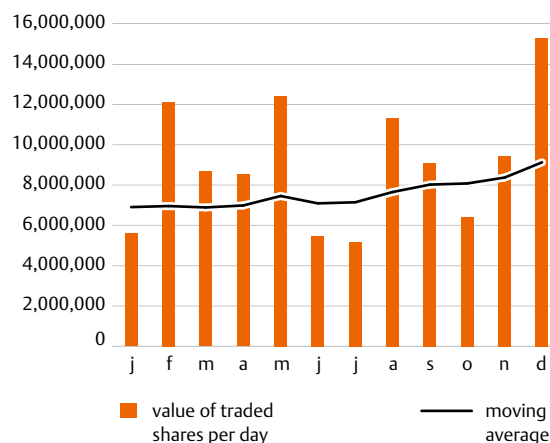
► Graph 23 shows the development of the average number of ordinary shares traded in 2017 on Euronext Amsterdam.

23 - Number of traded ordinary shares in 2017
(average per day - Euronext 2017)



► Graph 24 shows the development of the average value of traded ordinary shares on Euronext Amsterdam in 2017.

24 - Value of traded ordinary shares in 2017
(average € per day - Euronext 2017)



25 - Information per share
(in € per share, unless otherwise indicated)

	2017	2016	2015	2014	2013
Number of ordinary shares ranking for dividend	273,213,334	270,621,583	270,393,982	270,998,957	269,424,089
Average number of ordinary shares	272,215,432	270,503,004	270,956,691	270,394,899	245,951,992
Net result ranking for dividend	0.05	0.17	0.04	(0.40)	0.19
Net result from continued operations	0.05	0.17	0.04	(0.40)	0.15
Average number of ordinary shares (<i>diluted</i>)	296,427,682	283,642,546	270,956,691	270,394,899	245,951,992
Number of ordinary shares ranking for dividend (<i>diluted</i>)	297,584,081	294,547,317	270,393,982	270,998,957	269,424,089
Net result (<i>diluted</i>)	0.05	0.17	0.04	(0.40)	0.19
Net result from continued operations (<i>diluted</i>)	0.05	0.17	0.04	(0.40)	0.15
Cash flow before dividend	0.28	0.60	0.44	0.33	0.67
Equity attributable to shareholders	3.12	3.08	3.34	3.05	3.45
Dividend ¹	0.10	0.09	0.02	-	0.05
Payout (<i>in %</i>)	50	50	50	-	30
Dividend yield (<i>in %</i>) ²	2.6	2.1	0.4	-	1.4
Highest closing price	5.46	5.02	5.16	4.50	4.73
Lowest closing price	3.45	2.97	2.22	1.65	2.99
Price on 31 December	3.83	4.39	5.13	2.58	3.78
Average daily trade (<i>in number of shares</i>)	1,926,000	1,717,000	3,117,000	2,742,000	1,439,200
Market capitalisation at year-end (<i>x €1,000</i>) ³	1,053,239	1,193,267	1,387,121	698,093	1,019,321

¹ Dividend proposal 2017.

² Based on share price at year-end.

³ Based on total number of ordinary shares in issue.



27 - Shareholders owning 3 per cent or more in BAM's share capital as at 31 December 2017

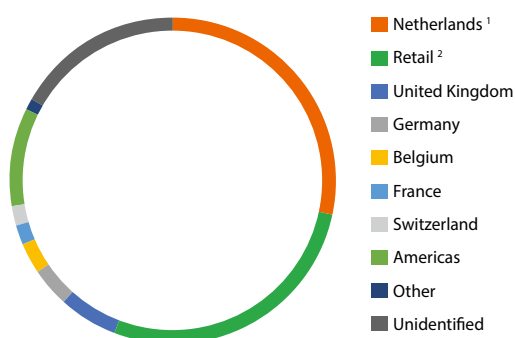
	Owner-ship	Date of last notification	Interest above 3 per cent since *
A. van Herk	9.9%	2 March 2017	October 2005
NN Group N.V.	5.5%	26 May 2015	February 1992
I.M. Fares	5.0%	24 October 2014	July 2013

* According to the AFM register of substantial shareholdings, three institutional investors have real interests of 3 per cent or more. Changes may have occurred, however, within the disclosure thresholds. Danske Invest SICV is no longer a shareholder owning 3 per cent or more in BAM's share capital (2016: 4.3%).

Shareholders

BAM closely monitors the development in its shareholder base by following public market information and a yearly shareholder identification report. Under the Dutch Financial Supervision Act, shareholders of 3 per cent or more must disclose to the Dutch Authority for the Financial Markets (AFM) and when these shareholders transfer to a different threshold level. The Company holds 1,712,085 (0.6 per cent) treasury shares for the long-term incentive plan of management.

26 - Geographical distribution shareholders as at 31 December 2017



¹ Including treasury shares.

² Primary Dutch shareholders.

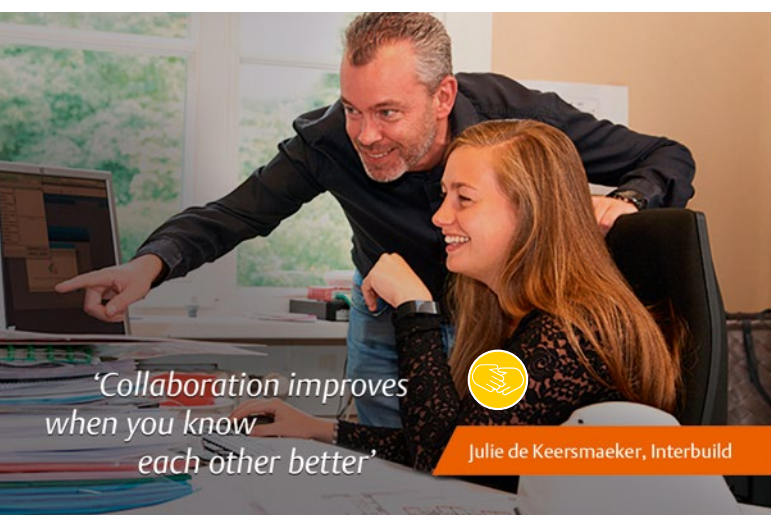


Number of outstanding ordinary shares

The movement in the number of outstanding shares is shown in table 28.

28 - The movement in the number of outstanding shares

	2017	2016
Outstanding ordinary shares as at 1 January	271,814,728	270,998,957
Shares issued for stock dividend	3,110,691	815,771
Outstanding ordinary shares as at 31 December	274,925,419	271,814,728
Treasury shares held for Performance Share Plan	(1,712,085)	(1,193,145)
Ordinary shares ranking for dividend as at 31 December	273,213,334	270,621,583
Percentage ordinary shares ranking for dividend	99.4%	99.6%



Subordinated unsecured convertible bonds

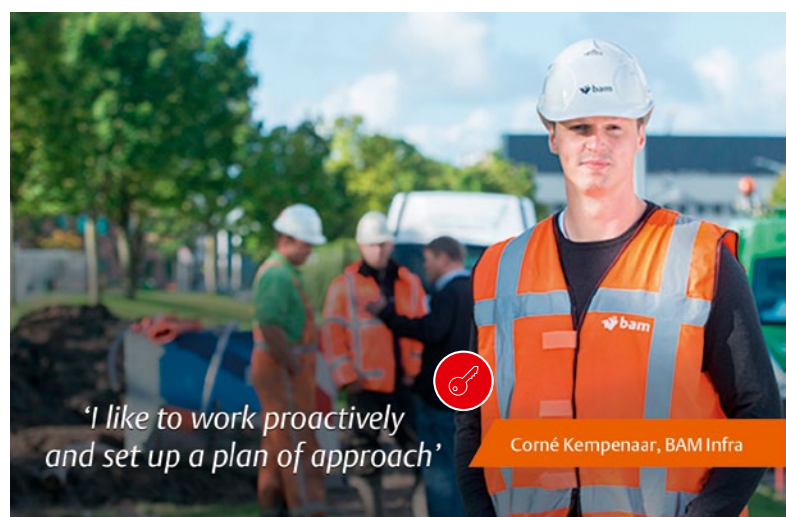
In 2016, BAM placed €125 million subordinated unsecured convertible bonds to redeem the existing subordinated loan of the same amount. The transaction was in line with BAM's financing strategy to strengthen its balance sheet by lengthening the maturity and broadening the sources of its funding. It also improved BAM's commercial position and supports the execution of its strategy 'Building the present, creating the future'.

The bonds have an annual coupon of 3.5 per cent, an initial conversion premium of 32.5 per cent and are convertible into ordinary shares of BAM with a nominal value of €0.10 each. The Bonds were issued at 100 per cent of their principal amount and, unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 13 June 2021. Upon exercise of their conversion rights, holders will receive shares at the then prevailing conversion price. BAM will have the option to call all but not some of the outstanding bonds at their principal amount plus accrued but unpaid interest from 28 June 2019, if the value of the shares underlying a bond exceeds €130,000 for a specified period of time. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange.

More details of the subordinated unsecured convertible bond are published on the website.

Dividend policy

BAM has a dividend policy to distribute a dividend between 30 and 50 per cent of the net result for the year. When deciding upon the dividend, the company takes into account the balance sheet structure supporting the strategic agenda 'Building the present, creating the future' and the interest of the shareholders. In accordance with the company's dividend policy the proposal is to distribute a dividend of 10 euro cents per ordinary share for 2017 (2016: 9 euro cents). This equates to a pay-out ratio of 50 per cent of net result corrected for the non-operational and non-cash impairment of deferred tax assets (2016: 50 per cent) in line with BAM's policy. Subject to approval by the Annual General Meeting on 18 April 2018, this will be paid in cash with a scrip alternative on 16 May 2018. BAM will repurchase and cancel shares to offset the dilution due to shareholders taking the scrip alternative.



Key financial dates

18 April 2018	Annual General Meeting of Shareholders
3 May 2018	Trading update first quarter 2018
23 August 2018	Publication of half-year results 2018
8 November 2018	Trading update first nine months 2018
20 February 2019	Publication of annual results 2018
17 April 2019	Annual General Meeting of Shareholders
9 May 2019	Trading update first quarter 2019
22 August 2019	Publication of half-year results 2019
7 November 2019	Trading update first nine months 2019

Colophon

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