Royal BAM Group nv

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Adjusted pre-tax result of €34 million in 2020; new strategic plan for 2021-2023

After the disappointing first half year Royal BAM Group recorded an adjusted result before tax of €168 million over the second half of 2020, supported by €118 million of the BAM PPP transaction. For the full year, BAM reports a net loss of €122 million, mainly driven by Covid-19 and the loss of €110 million at BAM International. Apart from Dutch Construction and Property, and BAM PPP, the operational performance was not satisfactory. The execution of the €100 million cost reduction programme announced in September is on schedule. During the second half year, there was further improvement of the cash position and the order book. The new strategy for 2021-2023 will lead to a smaller but profitable and predictable company, while creating a sustainable platform for future growth. BAM will provide its outlook for 2021 in due course.

- Good results from Dutch Construction and Property, mainly driven by residential, and BAM PPP
- BAM PPP transactions contributed €132 million to the full year adjusted result before tax, going forward BAM PPP is classified as joint venture
- Strong positive cash flow development; year-end cash position at €1.8 billion (including €400 million RCF)
- Order backlog maintained at high level with continued focus on risk/reward balance
- Capital ratio improved to 13.4% versus 11.3% in first half-year, supported by the BAM PPP transaction
- Cost reduction programme on schedule to reach annual savings of €100 million
- New strategy 2021-2023: restructure portfolio, increase profitability and create sustainable platform for future growth

Key numbers[1] (in € million, unless otherwise indicated)	**Full year 2020**	H2 2020	H1 2020	Full year 2019	H2 2019	H1 2019
Revenue	**6,809**	3,701	3,108	7,209	3,755	3,454
Adjusted result before tax[2]	**34.3**	167.9	-133.6	74.1	101.3	-27.2
Adjusted result before tax[2] margin	**0.5%**	4.5%	-4.3%	1.0%	2.7%	-0.8%
Net result attributable to shareholders	**-122.2**	112.3	-234.5	11.8	64.2	-52.4
Earnings per share	**-€0.45**			€0.04		
Dividend per share	**-**			-		
Return on average capital employed[3]	**-4.2%**		-6.6%	3.4%		0.9%
Trade working capital efficiency[4]	**-13.9%**		-12.1%	-10.4%		-9.1%
Order book (end of period)	**13,800**		13,300	12,700		12,800

For all footnotes, refer to page 15 of this press release.

Ruud Joosten, CEO of Royal BAM Group:

'BAM's results in the past year do not reflect the underlying potential of the Group. Especially, Covid-19 has been a cloud over our markets, businesses, clients and colleagues in 2020, and continues to drive uncertainty in our markets. I am impressed with how our people responded to the challenge by adapting our operations, preserving our resilience and supporting our communities.

From an operational perspective, our activities in Dutch Construction and Property and BAM PPP contributed well in 2020. In our other businesses, there is clearly room for improvement. The additional loss by BAM International was disappointing; the winding down is progressing and BAM International will complete most projects during 2021. I am pleased that we agreed the extension of our partnership with PGGM Infrastructure Fund, which will benefit both shareholders.

It is good to see BAM made further progress in areas such as digital construction, innovation and sustainability. BAM maintained its place in CDP’s Climate A list published in early 2021, in recognition of our ongoing drive to reduce emissions and to achieve a net positive impact.

Today we announce our new strategy for 2021-2023, ’Building a sustainable tomorrow’. Under this plan, the Group will restructure its portfolio of businesses to focus on markets and projects where it can leverage its proven competitive strengths and serve the growing demand for sustainable solutions in the construction sector, while substantially lowering our projects’ risk profile. Serving all our stakeholders – employees, clients, partners, suppliers and the communities in which we do business – BAM will structurally improve the profitability and predictability of the Group as a client- and service-driven business. As a first step, we are on track with our cost reduction programme, with a target of €100 million annually.

I have confidence that our new strategy will provide the basis for sustainable improvement of our operational and financial performance, and lead to better returns for our shareholders. BAM has the capabilities to play a leading role in shaping the built environment in the years to come. I am looking forward to achieving this ambition in close cooperation with my colleagues.’

Business review 2020

In the tables for the income statement and business lines, the revenue and result of BAM International, which is being wound down, is reported separately to provide better insight in the underlying performance of the Group. The result of the transfer of 50 per cent of BAM PPP to PGGM is also shown as a separate line item.

Income statement

(x € million)	Full year 2020		Full year 2019	
Analysis by sector	**Revenue**	**Result**	Revenue	Result
Construction and Property	**3,695**	**0.3**	4,102	67.7
Civil engineering	**2,949**	**11.8**	2,884	20.8
BAM International	**153**	**-110.3**	252	-38.6
Eliminations and miscellaneous	**-29**		-62	
Total sectors excluding PPP	**6,768**	**-98.2**	7,176	49,9
Public Private Partnerships (PPP)	**53**	**34.8**	45	27.2
Transfer of BAM PPP shares to PGGM		**118.2**		
Eliminations and miscellaneous	**-12**		-12	
Total sectors	**6,809**	**54.8**	7,209	77.1
Group overhead		**-1.4**		5.8
Group interest charge		**-19.1**		-8.8
Adjusted result before tax		**34.3**		74.1
Restructuring		**-44.7**		-5.0
Impairments		**-74.7**		-18.5
Pension one-off		**1.2**		-
Result before tax		**-83.9**		50.6
Income tax		**-38.5**		-38.7
Non-controlling interest		**0.2**		-0.1
Net result attributable to shareholders		**-122.2**		11.8

Revenue declined by 6 per cent to €6,809 million in 2020 compared to 2019, mainly by the extraordinary circumstances caused by Covid-19 (resulting in 19 per cent lower revenues in the second quarter) and the decision to wind down BAM International. Revenue recovered in the second half-year to €3,701 million, 1 per cent below the comparative period in the previous year. Following the decision to wind down BAM International, the revenue and result of this business are presented as a separate line item.

The lower revenue in the first half-year resulted in reduced margins and only partial coverage of company tied costs. All operating companies incurred extra costs for adjusting their procedures to meet social distancing requirements and supply chain challenges related to Covid-19. BAM responded to the pandemic by implementing new ways of working and adjusting the cost profile, only allowing for business-critical expenditures and voluntary temporary reduction of salaries. Governmental support schemes also helped mitigate the impact of Covid-19.

Next to Covid-19, the adjusted result before tax reflected losses at BAM International of €110 million and the settlement of the Cologne metro claim, which had a negative effect of €36 million on German Civil engineering. There was clear underperformance at German Construction, Belgium and Dutch Civil engineering. The contribution of Dutch Construction and Property and BAM PPP remained strong. Furthermore, during the fourth quarter the result of the Civil engineering business line was supported by a large claim settlement in Germany and the termination fee for the asphalt plant in The Hague.

The transfer of 50 per cent of BAM PPP to PGGM in December resulted in a net gain of €118 million, after a reclassification of €36 million of hedge reserves. This is shown as a separate line in the table above. €78 million of the net gain is caused by revaluation of BAM's remaining interest in BAM PPP to market value. For 2020, the BAM PPP transactions contributed €132 million to the full year adjusted result before tax. As a result of this transaction, BAM has classified the remaining 50 per cent interest in BAM PPP as a joint venture, which is accounted for as an equity investment.

Including the BAM PPP transaction, the adjusted result before tax recovered to €167.9 million in the second half of the year. The Group interest charge increased by €10 million, mainly due to fully drawing down the revolving credit facility (RCF) from March 2020 onwards. All in all, this equates to an adjusted profit before tax for the full year of €34.3 million (2019: €74.1 million) and an adjusted profit before tax margin of 0.5 per cent (2019: 1.0 per cent).

Net income was impacted by non-cash impairments and restructuring costs. Total restructuring costs of €44.7 million (of which €1.4 million in the first half-year), included €31.9 million for the cost reduction programme announced in September and €12.8 million for the wind down of BAM International. Total non-cash impairments for 2020 were €74.7 million. The majority of this relates to goodwill on BAM International (€22 million), Belgium (€26 million) and Germany (€12 million). There was a €13.2 million impairment on property development positions in 2020, (of which €5.5 million in the first half-year), mainly related to the Netherlands. Furthermore, other impairments totalled €1.2 million.

Income tax in 2020 included a non-cash impairment of deferred tax assets (DTA) of €50.8 million, mainly in the Dutch fiscal unity. The gain on the BAM PPP transaction was exempt from taxes.

Construction and Property

(in € million, unless otherwise indicated)	Full year 2020	H2 2020	H1 2020	Full year 2019	H2 2019	H1 2019
Revenue						
Netherlands	**1,629**	856	773	1,612	799	813
United Kingdom	**894**	502	392	1,061	570	491
Belgium	**322**	192	130	445	203	242
Ireland	**399**	236	163	508	270	238
Germany	**451**	254	197	476	246	230
Eliminations and miscellaneous	**-**	-	-	-	-	-
Total sector revenue	**3,695**	2,040	1,655	4,102	2,088	2,014
Result						
Netherlands	**60.8**	33.0	27.8	65.6	33.6	32.0
United Kingdom	**-3.3**	15.0	-18.3	35.6	23.1	12.5
Belgium	**-7.7**	0.8	-8.5	3.9	1.6	2.3
Ireland	**-5.1**	11.6	-16.7	21.0	16.6	4.4
Germany	**-44.4**	-19.3	-25.1	-57.5	-12.1	-45.4
Total sector result	**0.3**	41.1	-40.8	68.6	62.8	5.9
Order book	**6,184**			6,133		
Order book growth	**1%**					
TWC efficiency	**-16.8%**			15.0%		
Revenue growth	**-10%**	-2%	-18%			
Adjusted result before tax margin	**0.0%**	2.0%	-2.5%	1.7%	3.0%	0.3%

The business line Construction and Property was severely affected by initial Covid-19 lockdowns in March and April. With the re-opening of sites in Belgium, the United Kingdom and Ireland, activity levels recovered through the second and subsequent quarters of 2020. The pandemic had a negative effect on operational efficiency and led to extra costs in all countries, not just those where there was a full lockdown.

Revenue for full year 2020 of €3.7 billion declined by 10 per cent overall compared to 2019. The main impact came in the first half-year which contracted by €359 million (18 per cent) to €1.7 billion. Revenue in the second half year recovered to over €2 billion, 2 per cent less than the level of the second half of 2019.

The business line made an adjusted result before tax for the full year of €0.3 million. Results in all countries improved sequentially in the second half-year, leading to a positive adjusted result before tax contribution of €41.1 million in the second half.

The Dutch Construction and Property activities again showed a strong performance driven by residential construction and property development. BAM realised total Dutch home sales of 2,379, somewhat lower than the exceptionally high level in 2019 (2,569). BAM's total gross investment in property decreased by €27 million to €504 million.

In the first half-year, the performance in the United Kingdom was impacted by a technical set-back on a project under construction. Both the UK and Irish activities contributed well in the second half-year. The performance of Belgium improved in the second half-year, with an around break-even result. In the last quarter the German results were impacted by a provision for BAM Swiss AG, which is qualified as held for sale.

Trade working capital efficiency further improved to -16.8 per cent, mainly driven by the well performing Dutch operations and continuing focus on cash collection.

The order book in Construction and Property at the end of 2020 was €6.2 billion, in line with the end of 2019. A slightly lower order book in the first half-year, primarily explained by the timing of awarded contracts, reversed in the second half-year. Year on year, the order backlog in the Netherlands and United Kingdom slightly increased, the latter also supported by winning framework agreements for public sector projects. The order backlog in Ireland showed an increase, Belgium was stable, while Germany reported a 13 per cent decline.

Market outlook. Despite a short-term impact on sentiment in some sectors from the Covid-19 crisis, the long-term outlook remains positive.

In the Netherlands, the demand for new homes continues to be larger than the supply while interest rates remain low. Uncertainty regarding nitrogen continues to create additional delays in the issuance of building permits. Consumers and investors are increasingly demanding homes with a low environmental footprint. BAM is actively engaging in new types of partnerships with housing corporations and local governments to supply homes at an attractive price.

In the United Kingdom, competition has increased due to Covid-19 and the end of the UK/EU transition period. Public sector clients continue as before, with competition for key new frameworks for health and education while there is a mixed picture for the private sector. Recently, BAM was appointed to the major Manchester hospital project under the Procure22 Health Framework and the contract for Sky Studios Elstree, the most sustainable film and TV studio in the world, following an extensive ECI (early contractor involvement) process.

In Ireland, the mid- to longer-term outlook for the construction sector remains positive. The government continues to focus on education and health care and is committed to public sector housing, and Ireland remains an attractive home base for multinationals and data centres. The markets in Belgium and Germany remain generally stable but competitive.

Civil engineering

(in € million, unless otherwise indicated)	Full year 2020	H2 2020	H1 2020	Full year 2019	H2 2019	H1 2019
Revenue						
Netherlands	**1,325**	710	615	1,283	660	623
United Kingdom	**974**	520	454	876	484	392
Belgium	**233**	125	108	294	156	138
Ireland	**70**	47	23	95	34	61
Germany	**350**	208	142	340	181	159
Eliminations and miscellaneous	**-3**	-1	-2	-4	-2	-2
Total sector revenue	**2,949**	1,609	1,340	2,884	1,513	1,371
Result						
Netherlands	**21.9**	38.1	-16.2	-17.3	3.3	-20.6
United Kingdom	**12.3**	-0.9	13.2	23.0	19.9	3.1
Belgium	**-3.7**	8.7	-12.4	5.3	3.5	1.8
Ireland	**-5.8**	-1.1	-4.7	-4.3	-4.0	-0.3
Germany	**-12.9**	22.6	-35.5	14.1	17.7	-3.6
Total sector result	**11.8**	67.4	-55.6	20.8	40.4	-19.6
Order book	**7,519**			6,382		
Order book growth	**18%**					
TWC efficiency	**-10.4%**			-3.6%		
Revenue growth	**2%**	6%	-2%			
Adjusted result before tax margin	**0.4%**	4.2%	-4.2%	0.7%	2.7%	-1.4%

Civil engineering in 2020 was less affected by Covid-19 lockdowns compared to the business line Construction and Property, due to the nature of the work which makes social distancing easier, however there were additional costs in all countries for adapting working methods and supply chain adjustments. The order book grew strongly due to public sector infrastructure investments.

Revenue for full year 2020 was 2 per cent ahead of 2019. First half year revenue was down by 2 per cent compared to first half 2019; the second half increased by 6 per cent year-on-year. Revenue in the two largest businesses, the Netherlands and the United Kingdom, was up by 3 per cent and 11 per cent respectively. Covid-19 lockdowns had significant impact on BAM's revenue in Belgium and Ireland.

The adjusted result before tax for Civil engineering for full year 2020 of €11.8 million comprised a loss of €55.6 million in the first half year, followed by a positive result of €67.4 million in the second half year. This first half performance reflected the impact of Covid-19, the Cologne metro settlement of €36 million in Germany and a provision for two long-term maintenance contracts in the Netherlands.

The second half-year saw a recovery. In the fourth quarter the result of the Civil engineering business line was supported by a substantial claim settlement in Germany (which also contributed to the Dutch operations) and a termination fee for an asphalt plant. From an operational perspective, the performance of the activities in the Netherlands were still disappointing. The underlying performance of the activities in the United Kingdom remained strong, but the result in the second half-year was impacted by provisions. Belgium improved in the second half, also due to a modest positive claim settlement.

Trade working capital efficiency improved to -10.4 per cent, also due to more favourable cash profiles on new projects and some governments showed more flexibility regarding milestone settlements.

The order book increased by €1.1 billion (18 per cent) to €7.5 billion during 2020. The order book in the United Kingdom reported an increase of €0.8 billion (24 per cent) mainly due to BAM's participation in HS2 project and the SMART Motorways programme. The Fehmarnbelt project, adding approximately €0.85 billion, was included in the order book in 2020 as the client issued the Commencement Notice.

Market outlook. In the Netherlands, the volume of work coming to the market is at normal levels as the public sector continues to invest. The uncertainty regarding nitrogen continues. The electrification of construction equipment is increasingly important for BAM's competitive position in tenders.

In the United Kingdom, the expected growth across all infrastructure sectors is strengthening. In December, the Government published its Construction Playbook setting out how it will work with the construction sector to make sure public sector works are delivered faster, better and greener. As a leading player in United Kingdom construction, BAM will support the British recovery from the pandemic and its progress towards net zero carbon. There has been minimal disruption to BAM's operations since the start of the new UK/EU trade agreement.

In Ireland, public sector spending on infrastructure is at a low level, however the new government's published programme supports investment in infrastructure in the coming years. In the other markets of Germany and Belgium, public sector tenders are largely at normal levels.

BAM PPP

(x € million)	**31 December 2020**	31 December 2019[2]
Adjusted result before tax	**34.8**	27.2
Number of operational projects	**41**	40
Projects under construction	**7**	9
Preferred bidder stage	**0**	0
Total number of PPP projects	**48**	49

BAM PPP delivered a strong performance in 2020, with an adjusted result before tax of €34.8 million. This included €13.6 million from the partial transfer of 21 investments to PGGM in the first half year, reducing BAM's interest in these projects from 20 per cent to 10 per cent. In addition, three projects were transferred to the joint venture with PGGM in the second half year having reached their completion dates. All the operational projects have remained available throughout Covid-19 to date.

In 2020, one new project was added to the portfolio with the financial close of the Dendermonde prison in Belgium. On 31 December 2020 BAM PPP handed back the A59 in the Netherlands to the client at concession completion. At the end of 2020, BAM had 41 operational projects and 7 projects under construction. The PPP portfolio also provides recurring operations and maintenance revenues for other BAM companies.

On 23 December 2020, BAM completed the transfer of 50 per cent of BAM PPP to PGGM. Since BAM's remaining equity share is at market value, the table showing portfolio value at different discount rates is no longer provided.

Market outlook. BAM expects that the enhanced strategic partnership with PGGM will accelerate growth potential. The pipeline of prospects and active bids remains healthy with 14 active bid opportunities ongoing at 31 December 2020. Longer term, BAM expects a global increase in government use of PPP/ private finance models to stimulate economies and develop infrastructure assets.

BAM International

The winding down of BAM International which was announced in July is underway. BAM International recorded revenues of €153 million (2019: €252 million) and a loss of €110.3 million for full year 2020 versus €56.4 million in the first half. This disappointing performance is mainly explained by additional cost overruns on two projects in the Middle East and the impact of Covid-19. In addition, under coverage of company tied costs also had a negative impact. Restructuring costs of €13 million related to the winding down are included within the total Group restructuring cost for 2020. At the end of 2020, BAM International had an order backlog of €83 million (2019: €443 million).

Outlook 2021

Looking ahead, for 2021 BAM sees signs of recovery in its markets, although there are differences in pace per country and sector, and Covid-19 related uncertainty persists. BAM will provide its outlook for 2021 in due course.

Key performance indicators for profit, people and planet

	2020	2019	Strategic target
Return on average capital employed [3]	**-4.2%**	3.4%	>10%
Adjusted result before tax margin [2]	**0.5%**	1.0%	2%-4%
Trade working capital efficiency [4]	**-13.9%**	-10.4%	< -10%
Property portfolio (€ million)	**504**	531	< 500
Capital ratio [7]	**13.4%**	16.5%	Towards 25%
Incident Frequency [8]	**5.3**	4.8	3.5
CO_2 emission (tonnes/€m)	**20.0**	23.5	23.2
Construction and office waste (tonnes/€m)	**14.6**	17.7	16.2

BAM's financial performance in 2020 did not meet its strategic targets, except for trade working capital efficiency which exceeded the ambition of -10 per cent. BAM has worked hard in recent years to foster a strong safety leadership culture, and safety awareness has risen across the Group and the number of serious accidents declined by 17 per cent versus 2019. Nevertheless, BAM had to report one deeply regrettable fatality on a BAM project in 2020. There is positive momentum on other important indicators such as investment in training, diversity, carbon emissions and resource efficiency and BAM remains on the A-list of CDP.

BAM strategic plan 2021-2023: Building a sustainable tomorrow

Increased profitability and continued de-risking by focus on markets and projects where BAM has proven competitive strengths, creating a platform for future growth

Highlights

- Restructure portfolio to focus on markets, projects and partnerships, where BAM can leverage its proven competitive strengths:
    - Platform for growth in Netherlands, United Kingdom and Ireland
    - Manage businesses in Germany and Belgium for value, supported by operational improvements and, potentially, divestment
    - Expand partnerships for creating assets with fixed long-term income by growing the current Private Public Partnerships (PPP) business and establishing new partnerships to develop residential properties
    - Leverage expertise in sustainability, digitalisation, modularisation and industrialised construction
    - Continue de-risking project portfolio

- Mid-term financial targets (by 2023)
    - Adjusted EBITDA margin to increase to approximately 5%
    - Revenue to decrease to approximately €5.5 billion
    - ROCE >10%
    - Trade working capital efficiency <-10%
    - Grow capital ratio to 20% over strategic period
    - Maintain dividend policy of 30-50% pay-out of net result

- Commitment to sustainability and safety
    - Sustainability: Maintain ranking CPD A-list and, in line with Science-Based Targets initiative (SBTi), reduce the CO_2 intensity of BAM's operations by 50% in 2030 compared to the 2015 base year
    - Employee safety: incident frequency <3.5 and zero fatalities

Serving BAM's corporate purpose

The strategic plan 2021-2023 serves BAM's corporate purpose to provide clients with best-in-industry capabilities, contribute to the global movement toward sustainability, provide employees a safe and rewarding work environment and generate attractive returns for shareholders.

Strategy driven by market opportunities

BAM's strategic plan is aimed at the significant and expanding part of the construction industry being driven by clients' growing emphasis on sustainability. Clients are increasingly demanding resource conservation, energy efficiency and carbon reduction during the design, construction and operational phases of their projects. Another major market trend is the substantial shortage of housing. These are areas where BAM has strong experience and expertise and is investing to expand its capabilities.

Platform for growth

BAM will focus on growing its business in the Netherlands, United Kingdom and Ireland. These are the markets where BAM has by far the largest scale. In these countries, BAM starts with top-3 positions in both the Construction and Property and the Civil engineering business lines and with a strong and growing position in Public Private Partnerships (PPP).

In these markets, BAM will focus its portfolio, strive to business excellence and product leadership, and grow life-cycle solutions, providing clients with innovative and sustainable design, development, construction and facilities management solutions that can be integrated.

BAM will prioritise projects where such innovation is replicable, in order to reduce risk and increase profitability. Examples include:

- Offering energy/climate-neutral residential concepts for new build schemes and refurbishment programmes for social housing cooperatives;
- Rolling out sustainable lifecycle energy solutions for offices and homes (ESCos);
- Focussing on two-stage tenders, framework agreements and repeat business.

Managing for value

BAM's activities in Germany and Belgium, markets where scale, risks and competitive dynamics have been more challenging will be managed for value through further operational improvement actions and, potentially, divestments. BAM will be selective in its order intake while maintaining optimal services to clients, efficiency of operations and commitment to employee safety and development.

De-risking

The strategic plan will specifically focus on improving BAM's risk/reward profile. As such, BAM will move its project portfolio away from large unrewarded risk by limiting the size of single-stage, lump sum tenders in which it will participate in its Construction and Property, and Civil engineering businesses to €150 million.

Organisational commitment

BAM's new Executive Board has confidence that the Group, based on this strategic plan, can create greater, and more sustainable value to its clients, employees, communities and investors. Tangible progress will be reported over the course of 2021.

Financial review

Cash flow [9]

(x € million)	Full year 2020	Full year 2019
Net cash result [10]	**81**	137
Investments (in)tangible fixed assets	**-137**	-170
Trade working capital [11]	**279**	177
Net Investment:		
Property	**39**	-1
PPP	**55**	14
Other changes in working capital	**195**	-16
Business cash flow	**512**	141
Dividend	**0**	-19
Restructuring	**-9**	**-5**
Pensions (additional)	**-5**	**-9**
RCF	**400**	
Other	**36**	2
Change in cash position	**934**	110

In 2020, the Group generated a strong business cash flow of €512 million (2019: €141 million). The draw-down of the RCF at €400 million and the proceeds of the BAM PPP with PGGM further strengthened the total cash position. Business cash flow was supported by various factors: optimal use of Covid-19 governmental support schemes; focus of management on cutting costs and non-business critical expenditure; and close attention to improving working capital. Trade working capital efficiency improved to -13.9 per cent at the end of 2020 (2019: -10.4 per cent).

The main items affecting the Group's cash position in 2020 were as follows:

- Group net cash result was €81 million, driven by the profit reported in the second half of the year
- Investments (in)tangible assets declined by €33 million to €137 million, which includes €72 million in right of use assets (leases), compared to full year 2019. In March, as a response to Covid-19, all non-essential capital expenditure in property, plant and equipment and intangible assets was put on hold and a sale and lease back transaction also contributed €10 million;
- Cash flow from trade working capital improved compared to last year. BAM continued its strong focus on the collection of receivables. Also supportive was more favourable cash profiles on new projects and the effect that some governments showed more flexibility regarding milestone settlements;
- Net investment in property declined by €39 million, nearly reaching the previous strategic target of €500 million. Some planned divestments of commercial property will take somewhat longer due to Covid-19 uncertainty;
- BAM PPP contributed a cash inflow of €55 million, including the partial transfer of 21 investments to PGGM (€39 million) in the first half-year;
- Other changes in working capital contributed €195 million to cash flow in the year. This is primarily explained by approximately €230 million of deferred VAT and salary tax payments for which a payment arrangement (over a period of three years) has been agreed as part of a general available government support programme.
- Other cash flow included the effect related to the transaction with PGGM announced in November, the Cologne metro settlement, exchange rate differences of €11 million and the €5 million repurchase of the convertible bond.

Overall, the cash position improved by €934 million to €1,789 million at the end of 2020 versus €854 million at the end of 2019.

Financial position

(x € million)	**31 December 2020**	31 December 2019 [2]
Cash position	**1,789**	854
Interest-bearing debt	**-635**	-271
Net (debt) / cash before lease liabilities	**1,154**	583
Lease liabilities	**-294**	-312
Net (debt) / cash	**860**	271
Shareholders' equity	**583**	628
Capital base	**702**	749
Balance sheet total	**5,225**	4,540
Capital ratio	**13.4%**	16.5%
Capital employed	**1,959**	1,537
Return on average capital employed	**-4,2%**	3.4%

Compared to 2019, BAM's cash position increased substantially as explained above. The draw-down of the €400 million RCF is also reflected in the higher interest bearing debt at the end of 2020.

BAM's capital ratio declined to 13.4 per cent versus 16.5 per cent at 2019 year-end. In the second half of the year, the capital ratio improved by 2.1 percentage points. Overall, BAM's capital base declined by €47 million. This is primarily explained by the net loss of €122 million, a negative impact of €11 million due to exchange rate movements and €5 million buy back of the convertible bond. These negative elements were mainly mitigated by the reversal of interest rate hedges of €86 million for BAM PPP. The total positive effect of the BAM PPP transactions on equity, including the effect of interest rate hedges and revaluation of remaining equity stake, was €228 million. The balance sheet total increased by €685 million, mainly due to the €400 million RCF and approximately €230 million of Covid-19 related deferred payments. Without the fully drawn RCF and deferred payments the capital ratio would have been 15.3 per cent.

As announced on 10 August 2020, the Group obtained a waiver from the providers of the RCF for the recourse interest ratio and for the recourse leverage ratio. The waiver including two temporary financial covenants are applicable for four quarters as of 30 June 2020. The Group is paying a waiver fee of 25 basis points. The margin increases by 25 basis points for these four quarters as long as Recourse EBITDA is not less than zero. If Recourse EBITDA was below zero then the margin would be 2.75 per cent per annum as part of the original margin grid.

The company complies with the two financial requirements applicable for four quarters as of 30 June 2020:

- Requirement Consolidated net recourse borrowings: not exceed €0 (reported: €1.3 billion negative); and
- Requirement Recourse EBITDA: not less than €25 million negative (reported: €79 million).

Recourse solvency is 20.3% (requirement threshold unchanged: ≥ 15%).

At 31 December 2020, the Group complies with all financial covenant requirements.

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. Taking into account the financial performance during 2020 no dividend will be proposed.

Foreign exchange translation

The closing rate of the pound sterling against the euro changed from 1.17 as at 31 December 2019 to 1.09 as at 31 December 2020. The average exchange rate of the pound sterling versus euro was 1.13 in 2020 compared to 1.14 in 2019.

Executive Board, Royal BAM Group nv

R.J.M. Joosten, CEO
L.F. den Houter, CFO
Bunnik, the Netherlands, 17 February 2021

Live audio webcast

The Executive Board of Royal BAM Group will present the full year results 2020 on 18 February 2021 during an analysts' meeting at 9 a.m. CET (in English). At 15 p.m. CET the Executive Committee will present the strategic plan 2021-2023. Both meetings can be followed via a live audio (morning) and video (afternoon) webcast.

Key financial dates

14 April 2021	Annual General Meeting (Bunnik, 2 p.m. CET)
6 May 2021	Trading update first quarter 2021
19 August 2021	Publication half-year results 2021
4 November 2021	Trading update first nine months 2021

Further information

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Regulated information

This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Forward looking statements

This press release contains 'forward-looking statements', based on currently available plans and forecasts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, and BAM cannot guarantee the accuracy and completeness of forward-looking statements.

These risks and uncertainties include, but are not limited to, factors affecting the realisation of ambitions and financial expectations, exceptional income and expense items, operational developments and trading conditions, economic, political and foreign exchange developments and changes to IFRS reporting rules.

BAM's outlook, in line with these forward-looking statements, merely reflects expectations of future results or financial performance and BAM does not make any representation or warranty in that respect. Statements of a forward-looking nature issued by the company must always be assessed in the context of the events, risks and uncertainties of the markets and environments in which BAM operates. These factors could lead to actual results being materially different from those expected, and BAM does not undertake to publicly update or revise any of these forward-looking statements.

Footnotes

[1] Key numbers include continued and discontinued operations
[2] Before restructuring, impairments and pension one-off.
[3] Rolling year EBIT divided by the average capital employed
[4] The average four quarters' trade working capital divided by rolling year revenue.
[5] BAM International no longer included in the business lines, disclosed in separate line item and paragraph.
[6] Geography defined on where the operating company is based.
[7] Capital base (shareholder equity plus subordinated convertible bonds) divided by total assets.
[8] The total number of industrial accidents leading to absence from work per million hours worked.
[9] These metrics are not directly comparable with IFRS-based condensed cash flow statement.
[10] Net cash result is net result excluding depreciation, impairments, restructuring, movements of provisions and book profit on sale of PPP projects.
[11] Working capital excluding property positions, PPP receivables, assets and liabilities held for sale, derivatives, provisions, taxes, other receivables and other payables.

Annexes

1. Condensed consolidated income statement
2. Condensed consolidated statement of comprehensive income
3. Condensed consolidated statement of changes in equity
4. Consolidated statement of financial position
5. Condensed consolidated statement of cash flows
6. Segment information
7. Figures per ordinary share with a par value of €0.10
8. Explanatory notes

1. Condensed consolidated income statement

(x € million)	Full year 2020	Full year 2019
Revenue	**6,768.2**	7,176.0
Operating result before depreciation, amortisation and impairment charges, restructuring costs and share of result of investments in associates and joint ventures	**62.9**	**211.6**
Depreciation and amortisation charges	**-60.1**	**-59.9**
Depreciation right-of-use assets	**-98.8**	**-99.3**
Impairment charges	**-74.8**	**-18.5**
Restructuring costs	**-44.7**	**-5.0**
Share of result of investments in associates and joint ventures	**-5.8**	**5.7**
Operating result	**-221.3**	34.6
Finance income	**8.2**	4.9
Finance expense	**-23.8**	-16.1
Total finance income and expense	**-15.6**	-11.2
Result before tax	**-236.9**	23.4
Income tax	**-35.1**	-36.7
Net Result from continuing operations	**-272.0**	-13.3
Result from discontinued operations	**149.6**	25.2
Net Result	**-122.4**	11.9
Attributable to:		
Non-controlling interests	**-0.2**	0.1
Shareholders of the Company	**-122.2**	11.8
	-122.4	11.9
Earnings per share:		
Net result attributable to shareholders of the company (basic)	**-0.45**	0.04
Net result attributable to shareholders of the company (diluted)	**-0.45**	0.04

2. Condensed consolidated statement of comprehensive income

(x € million)	Full year 2020	Full year 2019
Net result for the period	**-122.4**	11.9
Items that may be reclassified to the income statement, net of tax		
Cash flow hedges	**94.6**	-30.8
Exchange rate differences	**-10.7**	23.0
Items that will not be reclassified to the income statement, net of tax		
Remeasurements of post-employment benefit obligations	**-1.9**	-68.1
Other comprehensive income	**82.0**	-75.9
Total comprehensive income, net of tax	**-40.4**	-64.0
Attributable to:		
Non-controlling interests	**-0.2**	0.2
Shareholders of the Company	**-40.2**	-64.2
	-40.4	-64.0

3. Condensed consolidated statement of changes in equity

(x € million)	Full year 2020	Full year 2019
As at 1 January	**633.9**	734.9
Net result for the period	**-122.4**	11.9
Cash flow hedges	**94.6**	-30.8
Remeasurements of post-employment benefit obligations	**-1.9**	-68.1
Exchange rate differences	**-10.7**	23.0
Other comprehensive income net of tax	**82.0**	-75.9
Total comprehensive income	**-40.4**	-64.0
Dividends paid (including non-controlling interests)	**-0.1**	-20.0
Other changes	**-8.7**	-17.0
Total change	**-49.2**	-101.0
Position as at period-end	**584.7**	633.9

4. Consolidated statement of financial position

(x € million)	31 December 2020	31 December 2019
Property, plant and equipment	**253.1**	277.1
Right-of-use assets	**293.4**	312.2
Intangible assets	**334.5**	400.1
PPP receivables	**11.2**	73.7
Investments in associates and joint ventures	**256.1**	135.0
Other financial assets	**69.5**	109.7
Employee benefits	**55.1**	68.9
Deferred tax assets	**106.2**	136.5
Non-current assets	**1,379.1**	1,513.2
Inventories	**517.6**	545.9
Trade and other receivables	**1,495.3**	1,612.1
Income tax receivable	**15.3**	5.8
Derivative financial instruments	**0.7**	0.7
Cash and cash equivalents	**1,789.3**	854.0
Current assets	**3,818.2**	3,018.5
Assets held for sale	**27.2**	8.5
Total assets	**5,224.5**	4,540.2
Share capital and premium	**839.3**	839.3
Reserves	**-99.7**	-183.7
Retained earnings	**-156.2**	-27.2
Equity attributable to the shareholders of the Company	**583.4**	628.4
Non-controlling interests	**1.3**	5.5
Total equity	**584.7**	633.9
Borrowings	**429.0**	193.8
Lease liabilities	**207.4**	221.4
Derivative financial instruments	**0.2**	9.7
Employee benefits	**113.7**	128.2
Provisions	**133.3**	163.4
Social security and other taxes	**183.6**	-
Deferred tax liabilities	**13.7**	18.5
Non-current liabilities	**1,080.9**	735.0
Borrowings	**205.7**	77.7
Lease liabilities	**86.5**	90.2
Trade and other payables	**3,044.3**	2,882.5
Derivative financial instruments	**0.5**	0.8
Provisions	**193.7**	111.7
Income tax payable	**7.4**	8.4
Current liabilities	**3,538.1**	3,171.3
Liabilities held for sale	**20.8**	-
Total equity and liabilities	**5,224.5**	4,540.2
Capital base	**702.1**	748.9

5. Condensed consolidated statement of cash flows

(x € million)	Full year 2020	Full year 2019
Net result from continuing operations	**-272.0**	-13.3
Result from discontinued operations	**149.6**	25.2
Net result	**-122.4**	11.9
Adjustments for:		
Income tax	**38.5**	38.7
Depreciation and amortisation charges	**60.1**	59.9
Depreciation of right of use assets	**99.2**	99.7
Impairment charges	**74.7**	18.5
Result on sale of PPP projects	**-18.3**	-1.1
Result on sale of discontinued operations	**-118.2**	-
Result on sale of property, plant and equipment	**-3.5**	-2.8
Share of result of investments in associates and joint ventures	**-5.7**	-14.6
Finance income and expense	**7.2**	1.7
Interest received	**14.2**	12.0
Dividends received from investments in associates and joint ventures	**19.8**	26.8
Changes in provisions and pensions	**86.0**	-23.0
Changes in working capital (excluding cash and cash equivalents)	**503.6**	169.4
Cash flow from operations	**635.2**	397.1
Interest paid	**-23.8**	-21.6
Income tax received / (paid)	**-8.5**	-16.4
Net cash flow from ordinary operations	**602.9**	359.1
Investments in PPP receivables	**-19.1**	-21.3
Repayments of PPP receivables	**30.5**	27.6
Net cash flow from operating activities	**614.3**	365.4
Investments in non-current assets	**-127.2**	-152.2
Disposals and repayments of non-current assets	**33.0**	34.9
Sale of PPP projects	**72.9**	13.1
Net proceeds from sale of discontinuing operations	**81.7**	-
Net cash flow from investing activities	**60.4**	-104.2
Proceeds from borrowings	**435.9**	56.2
Repayments of borrowings	**-38.7**	-93.5
Repayments of principal amount of lease liabilities	**-97.9**	-98.4
Dividends paid (including non-controlling interests)	**-0.1**	-20.0
Repurchase of shares	**-**	-16.9
Other financing activities	**-5.0**	-
Net cash flow from financing activities	**294.2**	-172.6
Change in net cash and cash equivalents	**968.9**	88.5
Cash and cash equivalents at beginning of the year	**854.0**	743.7
Change in cash and cash equivalents in assets and liabilities held for sale	**-6.2**	-
Change in cash and cash equivalents as a result of change in accounting policy	**-**	-0.9
Exchange rate differences on cash and cash equivalents	**-27.8**	22.7
Net cash position at period-end	**1,788.9**	854.0
Cash and cash equivalents	**1,789.3**	854.0
Bank overdrafts	**-0.4**	-
Net cash position at period-end	**1,788.9**	854.0
Of which in joint operations:	**305.7**	226.5

Royal BAM Group nv

6. Segment information

(x € million)	Full year 2020		Full year 2019	
Revenue and results	**Revenue**	**Result**	**Revenue**	**Result**
Construction and Property	**3,757.8**	**-88.9**	4,225.9	46.3
Civil engineering	**3,039.0**	**-9.3**	3,012.2	3.6
Public Private Partnerships (PPP)	**52.7**	**153.0**	45.1	27.2
Eliminations and miscellaneous	**-40.1**	**-**	-74.1	-
Total	**6,809.4**	**54.8**	7,209.1	77.1
Group overhead		**-1.4**		5.8
Group interest charge		**-19.1**		-8.8
Adjusted result before tax		**34.3**		74.1
Restructuring		**-44.7**		-5.0
Impairment charges		**-74.7**		-18.5
Other exceptional costs		**1.2**		
Result before tax		**-83.9**		50.6
Income tax		**-38.5**		-38.7
Net result for the period		**-122.4**		11.9
Non-controlling interests		**0.2**		-0.1
Net result attributable to shareholders		**-122.2**		11.8

Revenue and results from BAM PPP are classified as discontinued operations in the condensed consolidated income statement. See note 1. The reconciliation between the net result from discontinued operations and continuing operations to total net result is as follows:

(x € million)	Full year 2020		Full year 2019	
Revenue and results	**Revenue**	**Result**	**Revenue**	**Result**
Public Private Partnerships (PPP)	**52.7**	**34.8**	45.1	27.2
Eliminations and miscellaneous	**-11.5**	**-**	-12.0	-
Total	**41.2**	**34.8**	33.1	27.2
Transfer of BAM PPP shares to PGGM		**118.2**		-
Result before tax from discontinued operations		**153.0**		27.2
Income tax		**-3.4**		-2.0
Net result for the period from discontinued operations		**149.6**		25.2
Net result from continuing operations		**-272.0**		-13.3
Net result for the period		**-122.4**		11.9

Revenue and results of BAM International as included in the segment information above can be detailed as follows:

(x € million)	Full year 2020		Full year 2019	
Revenue and results	**Revenue**	**Result**	**Revenue**	**Result**
Construction and Property	**62.7**	**-89.3**	123.7	-21.4
Civil engineering	**90.0**	**-21.0**	128.1	-17.2
Adjusted result before tax	**152.7**	**-110.3**	251.8	-38.6
Restructuring		**-12.8**		-0.5
Result before tax		**-123.1**		-39.1

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

(x €1, unless indicated otherwise)	Full year 2020	Full year 2019
Net result attributable to shareholders of the company (basic)	**-0.45**	0.04
Net result attributable to shareholders of the company (diluted)	**-0.45**	0.04
Cash flow (net result plus depreciation, amortisation and impairment charges)	**0.41**	0.69
Equity attributable to shareholders of the company	**2.13**	2.30
Highest closing share price	**2.68**	4.38
Lowest closing share price	**1.03**	2.16
Closing share price at period-end	**1.71**	2.69
Number of shares ranking for dividend (x 1,000)	**273,296**	273,296
Average number of shares ranking for dividend (x 1,000)	**273,296**	273,496
Number of shares ranking for dividend diluted (x 1,000)	**298,144**	299,158
Average number of shares ranking for dividend diluted (x 1,000)	**299,124**	299,039

8. Explanatory notes to the full year 2020 Financial Statement

The financial summaries on pages 16 to 21 inclusive are drawn from the audited financial statements of Royal BAM Group nv for 2020 (the 'financial statements'). An unqualified auditor's opinion was issued on these financial statements on 17 February 2021. The financial summaries must be read in conjunction with the financial statements from which they are derived, and also in conjunction with the unqualified auditor's opinion. The financial statements will be available on the company's website (www.bam.com) in digital format by 26 February 2021 at the latest.

8.1 Explanatory note on the cash flow analysis

The business cash flow analyses in this press release is an Alternative Performance Measure (APM) that is used by management and that BAM wishes to use, because BAM is of the opinion that this business cash flow provides additional insight for stakeholders in the Group's cash movements on top of the cash flow statement according to IFRS. This business cash flow cannot be fully reconciled to the IFRS cash flow statement. Explanations of the line items in BAM's business cash flow are given below.

- Group: net cash result: cash flow from net result, excluding non-cash items in net result such as depreciation (including on right-of-use assets), amortisation, impairment, and excluding cash flows relating to restructuring activities, but including interest and tax cash flows.
- Investment tangible fixed assets: net investment in (in)tangible fixed assets and additions of right-of-use assets, which are represented by repayments on lease liabilities.
- Trade working capital: cash flow from working capital. Cash flow from trade working capital excludes cash flows from land and building rights, property development, PPP receivables, other financial assets, other receivables, taxes, derivative financial instruments, provisions, other liabilities and assets and liabilities held for sale.
- Net investment in:
    - Property: net cash investment in land and building rights and property development, taking into account the cash flow from property financing (project specific funding). Also included are the cash flows resulting from our investments in property development associates and joint ventures.
    - PPP: net cash investment in PPP projects, taking into account the cash flow from PPP loans (project specific funding). Also included are the cash flows resulting from our equity investments in PPP joint ventures, as well as the cash inflows from the transfers of operational PPP projects to the BAM PPP/PGGM joint venture.
- Other changes in working capital: cash flow from other working capital items that are not included in trade working capital.
- Dividend: payment of cash dividend to the shareholders of the company.
- Additional pension payments: cash payments relating to the contractually agreed repair deficit contributions.
- Restructuring: cash flow from restructuring activities.
- Other: other cash flow items, such as the currency translation effects of the Pound sterling, the net proceeds from divestment of subsidiaries, repurchase of shares relating to our Performance Share Plan, and corporate funding activities (funding that is not project specific).