

2014 Results



bam



Royal BAM Group nv

Annual results 2014

Amsterdam, 19 February 2015

BAM 2014 adjusted pre-tax result €62 million; Back in Shape programme on track



Adjusted result supported by strong Q4 at PPP and first Back in Shape savings



Positive cash flow 2014 driven by divestments and improving trade working capital



Results in operational sectors down in a difficult year; strong results at investment sectors



Order book stable, quality improving



Non-cash impairments on Dutch Property land bank and two Irish PPP toll roads



Back in Shape: good momentum in cost and working capital savings and better project control

Revenue and adjusted results per sector

<i>(in € million)</i>	2014		2013	
	Revenue	Result	Revenue	Result*
Construction and M&E services	3,016	-5.5	3,078	23.0
Civil engineering	3,949	14.2	3,970	61.4
Property	477	19.6	236	-15.1
PPP	258	38.6	288	14.4
Eliminations and other	-386	1.4	-530	-1.5
Total sectors	7,314	68.3	7,042	82.2

* Re-stated for restructuring charges

Construction and M&E services

Market

- Recovery IE and UK non-residential markets ongoing; cautious growth in NL residential; BE and DE unchanged stable.

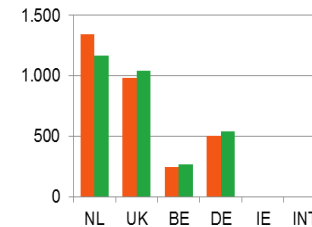


Business

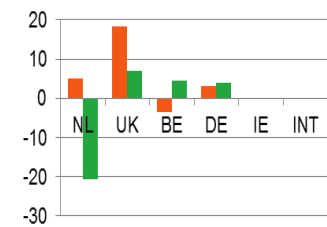
- Revenue: NL down due to weak residential house sales in 2013; UK helped by FX.
- Result: NL loss from lower quality order book and under recovery overhead; UK impacted by market conditions.
- Order book: total up €0.4bn to €4.4bn; partly UK FX effect; BE reduced due to progress one project.
- TWC efficiency: starting to pick up.

(in € million)

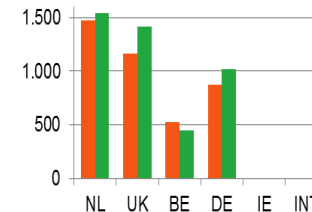
Revenue



Result



Order book



TWC efficiency



■ 2013 ■ 2014

Civil engineering

Market

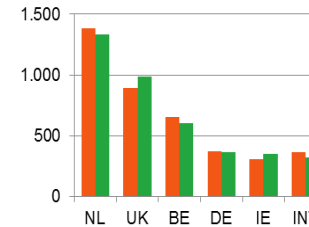
- Recovery IE and UK markets ongoing; NL cautious improvement; DE unchanged stable and BE uncertainty about government spending; INT strong opportunities.

Business

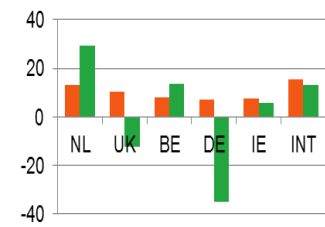
- Revenue: UK higher helped by FX and IE reflecting market position; NL fell due to low order intake 2013; INT reduced due to order phasing.
- Result: UK and DE reflecting losses on the two projects. BE and NL ahead of 2013.
- Order book: stable at €5.1bn; BE higher due to PPP wins; NL down to low book-to-bill on major projects; UK decline caused by order phasing.
- TWC efficiency: bottoming out in Q4.

(in € million)

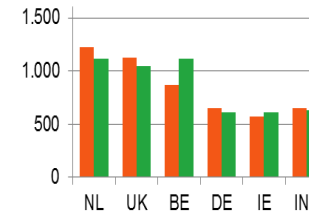
Revenue



Result



Order book



TWC efficiency



■ 2013 ■ 2014

Property

Market

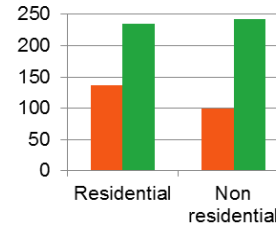
- Twin track development NL residential market.
- Non-residential property UK picking up; BE and NL unchanged.

Business

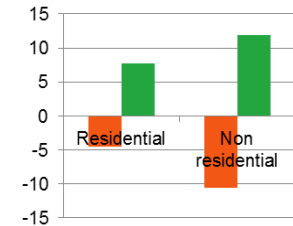
- Revenue: residential higher reflecting house sales; non-residential higher due to divestment programme.
- Result: residential up due to full overhead recovery in NL; non-residential divestments NL, BE and UK.
- House sales NL: 38% up to 1,877; sales to private buyers increased from 55% to 70%.
- Net investment: down due to non-residential divestments and impairments.

(in € million)

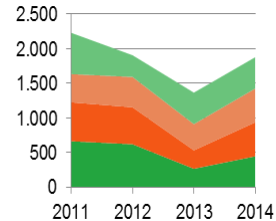
Revenue



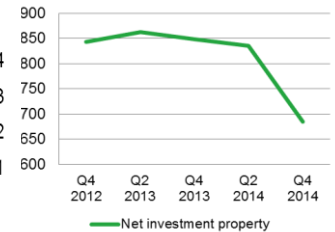
Result



House sales NL



Net investment





■ 2013 ■ 2014

Property (cont'd)

Twin track development NL residential market

- Demand recovering first in and around major cities.
- More demand for affordable homes, driven by reduced financing possibilities (lower interest deductibility, loan-to-value, loan-to-income) and first time buyers entering the market.

Weak track 	Strong track 
Some regional areas	In and around major cities
Expensive / detached	Affordable / starters

Consequences for BAM

- Cutting prices in some regional areas.
- Shifting from expensive to affordable homes in some developments, hence significantly reducing revenue.



- 18% of positions (by number) impaired.
- Total impairment €93 million, equal to 15% of total value before impairment.

PPP

Market

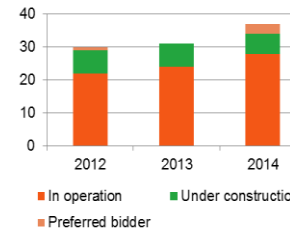
- Good opportunities in all home markets, UK lagging because of upcoming elections.

Business

- Portfolio: grew due to 6 project wins (hit rate 50%).
- Result: excellent in 2014; book profits from 7 transfers and high contribution success fees; increasing result from growing portfolio.
- Revenue: €1 bn construction revenue secured for operational sectors and on top of this €80m recurring maintenance revenue per year.
- Investment: injected equity lower due transfers; commitment joint venture with PGGM increased to €0.6bn in February 2015.
- Two volume-related Irish PPP contracts impaired (€21m) reflecting development of the Irish economy.

(in € million)

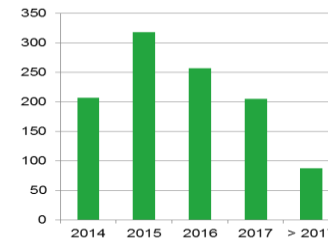
Portfolio (number)



Result



Revenue



Investment



In 2014 secured construction revenue for operational sectors



Income statement

<i>(in € million, unless stated otherwise)</i>	2014	Margin	2013*	Margin
Total result sectors	68.3	0.9%	82.2	1.2%
Group overhead	-0.6		-1.2	
Group interest charge	-5.5		-5.8	
Adjusted result before tax	62.2	0.9%	75.5	1.1%
Restructuring	-68.8		-25.4	
Impairments	-115.9		-30.0	
Pension one-off	-		24.6	
Income tax	15.5		-5.8	
Non-controlling interest	-1.2		-0.9	
Net result from continuing operations	-106.9	Neg.	37.7	0.5%
Discontinued operations	-		8.5	
Net result	-106.9		46.2	

Cash flow analysis

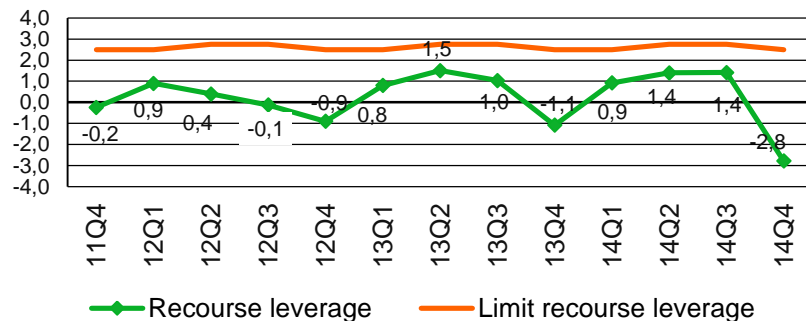
<i>(in € million)</i>	1H14	2H14	FY14	1H13	2H13	FY13
Net cash result	-23	34	11	-13	59	46
Investments TFA	-25	-17	-42	-39	-26	-65
Δ Trade working capital	-296	281	-15	-193	143	-50
Net Investment Property	19	64	83	-1	-25	-26
Net investment PPP	37	31	68	7	9	16
Δ Other working capital	-84	99	15	-87	83	-4
Business cash flow	-372	492	120	-326	243	-83
Dividend	-7	-	-7	-10	-	-10
Equity issue	-	-	-	-	85	85
Pensions (additional)	-14	-10	-24	-14	-14	-28
Δ Group loans	146	-186	-40	142	-102	40
Others	13	14	27	7	-15	-8
Δ Cash position	-234	310	76	-201	197	-4

Key figures: balance sheet

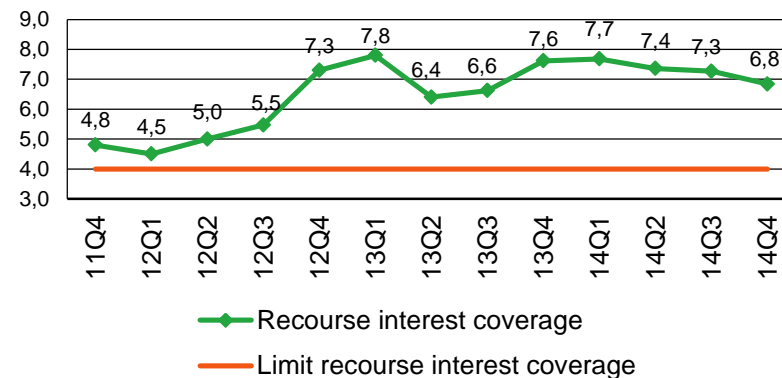
<i>(in € million, unless stated otherwise)</i>	FY14	FY13
Cash position	624	548
Interest-bearing debt	664	931
Net debt position	40	383
Recourse net debt (cash) position	-336	-187
Balance sheet total	4,956	5,316
Shareholders' equity	827	929
Capital base	952	1,053
Capital ratio	19.2%	19.8%
Fixed assets	1,469	1,632
Net operating capital (excl. cash and st-debt)	-223	2

- Improvement recourse net cash position due to substantial divestments non-residential property and PPP projects.
- Net operating capital improved as a consequence of divestments and the impairment at Property.
- Shareholders equity fell mainly due to the loss for the year.

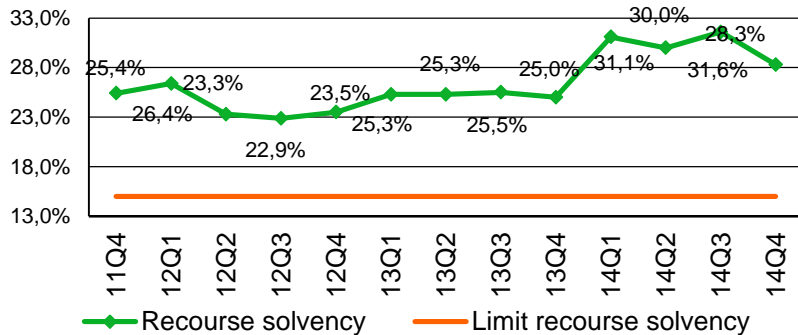
Recourse leverage ratio



Recourse interest coverage ratio



Recourse solvency ratio



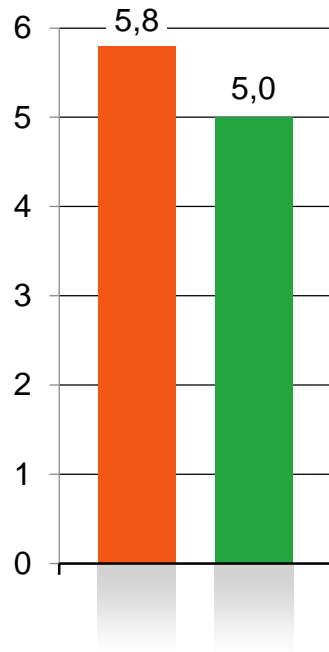
Dividend 2014

Since the net result for the year was negative there will be no dividend in respect of 2014.

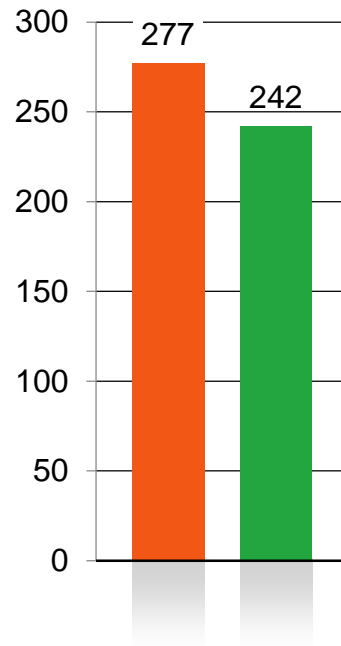


Sustainability

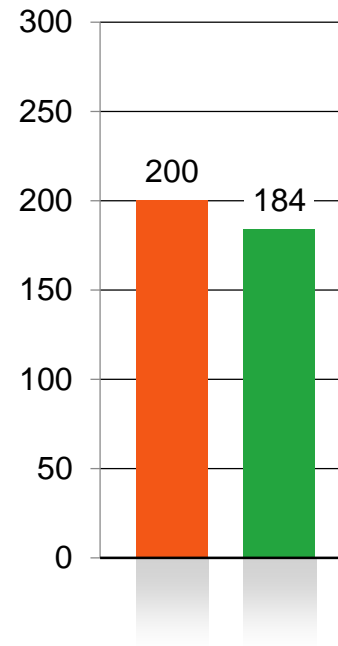
Safety (IF)



CO2 (kTon)

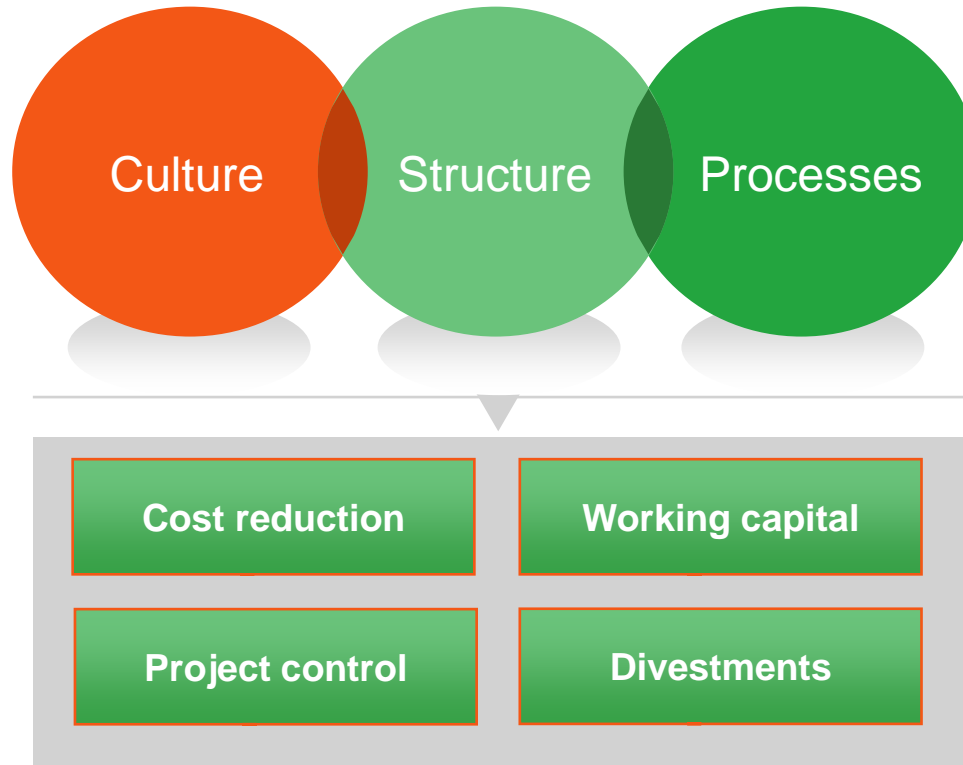


Waste (kTon)



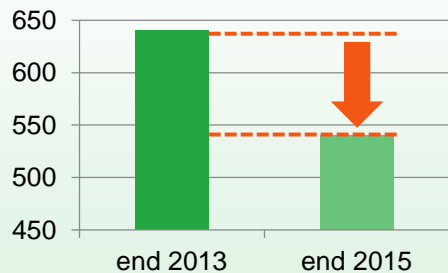
- IF (Incidents per millions hours worked) reduced from 5.8 to 5.0
- CO2 emissions, corrected for turnover, reduced with 15%
- Construction and office waste, corrected for turnover, reduced 11%

'Back in Shape' programme



Cost reduction

(in € million) Overhead



Simplification



FTE reduction



Project control

Stage gate



Peer review

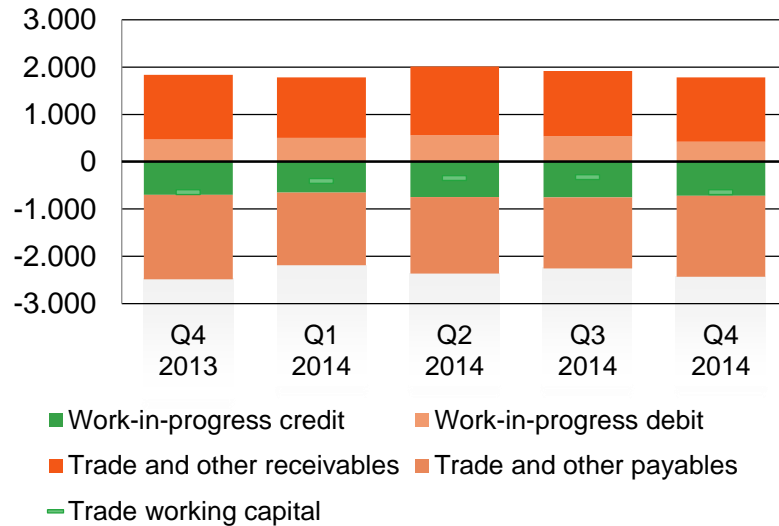


Operational audit

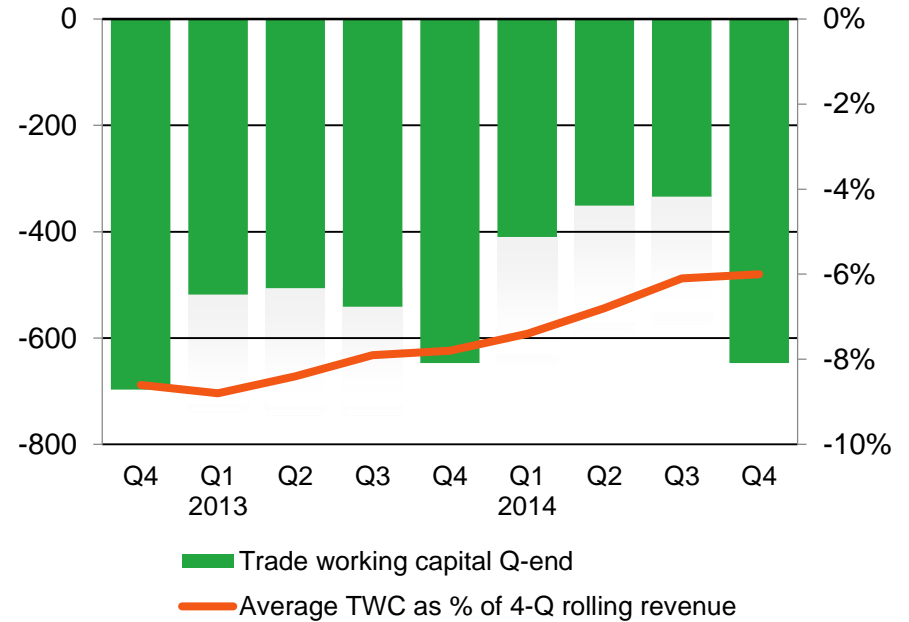


Trade working capital

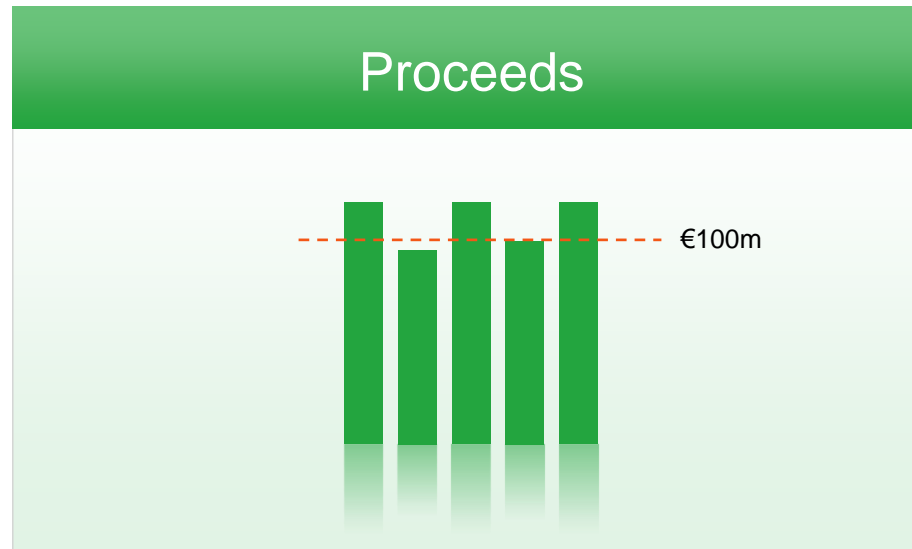
Trade working capital
(in € million)



Trade working capital
(in € million and TWC as %)



Divestments



Back in shape timing, costs and benefits

<i>(in € million)</i>	Actual H2 2014	H1 2015	H2 2015	Beyond 2015
Cost reduction				
P&L restructuring cost	€53m	~ €30m		
Cash costs	€9m	~ €60m		~ €15m
Cost saving	€8m			> €100m
Project margins				Towards 2-4%
Working capital reduction				> €300m
Divestments	€170m	> €100m		> €100m

Order book

	FY14	FY13	Δ
Construction and M&E services	4,424	4,013	+10%
Civil engineering	5,129	5,090	+1%
Property	859	983	-13%
PPP	548	547	0%
Eliminations and other	-660	-633	
Total sectors	10,300	10,000	+3%

- Order book stable; quality improving
- Increase Construction and M&E services supported by stronger Pound Sterling
- Order book lower at Property due to divestments non-residential property

Outlook

BAM is on course to deliver cost savings of at least €100 million (annual run rate) and a reduction in trade working capital of at least €300 million by year-end 2015. There will be a Back in Shape restructuring charge of approximately €30 million in 2015. BAM expects the total Group adjusted result before tax for the year 2015 to be higher than the level of 2014, with a larger contribution coming from the operational sectors.



Annexes

Property Netherlands

Property investments

PPP investments

Net debt analysis

Revenue sector/country

Group structure as from 1 January 2015

Stage gate tendering

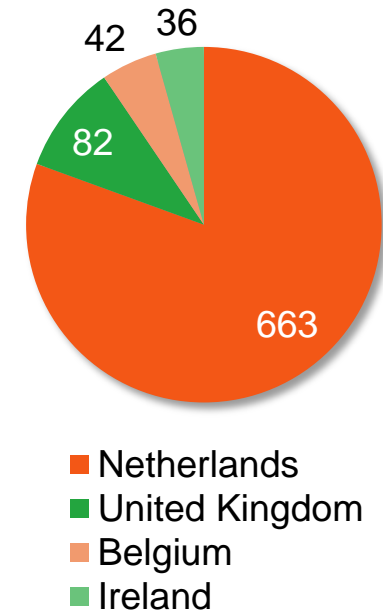
Property Netherlands

	2014	2013
Number of home sold from own development:		
Q1	444	265
Q2	492	266
Q3	488	379
Q4	453	455
Total	1,877	1,365
Stock of unsold and unlet premises :	1H14	FY13
- homes under construction (number)	132	288
- homes finished (number)	87	161
- commercial property (m2)	14,500	18,300

Property investments

<i>(in € million, unless stated otherwise)</i>	Q4 2014	Q4 2013
Land and building rights	420	484
Property development	403	544
Total investments (a)	823	1,028
Non-recourse loans	161	271
Recourse loans	57	71
Total loans (b)	218	342
Property associates/JV (c)	92	163
Net investments (a)–(b)+(c)	697	849

Total investments
(in € million)



Public private partnerships investments

<i>(in € million, unless stated otherwise)</i>	Q4 2014	Q4 2013
PPP assets (intangibles, receivables)	318	424
Non-recourse PPP loans	-206	-295
Recourse PPP loans (equity bridges)	-63	-76
PPP associates/JV/other	10	56
Investment equity ¹⁾	59	109
Committed equity ²⁾	147	126
Total invested & committed equity	206	235
NPV Total invested & committed equity (A)	144	225
NPV Future equity cash inflows (B)	222	319
Estimated unrealised value (B) – (A)	78	94

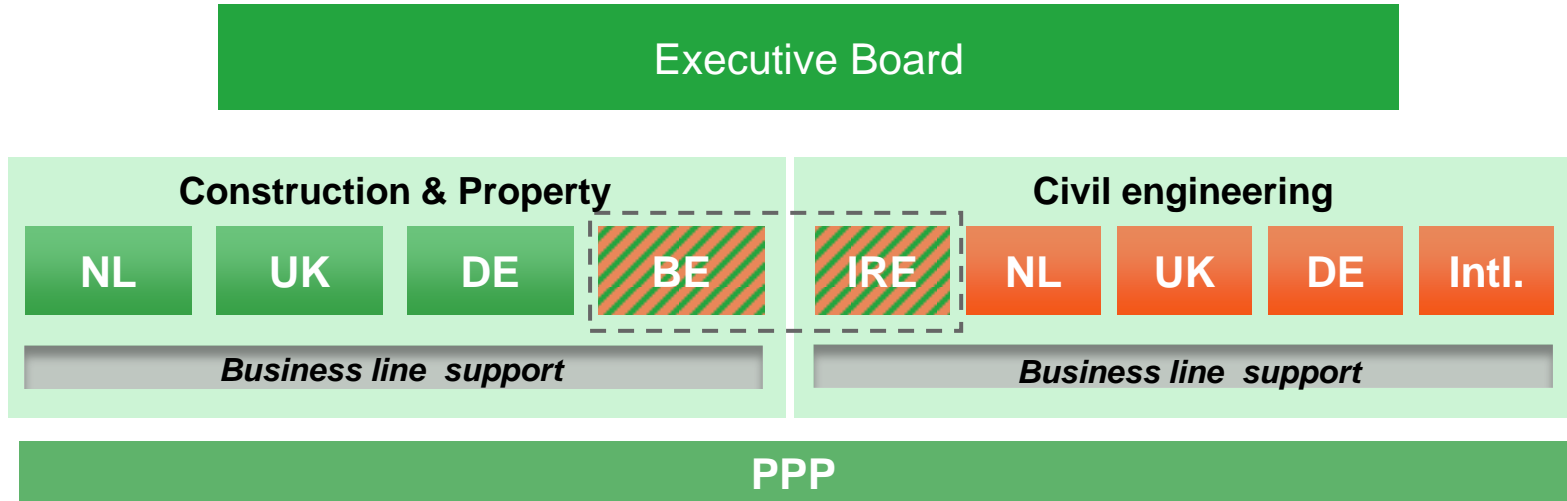
Net debt analysis

<i>(in € million, unless stated otherwise)</i>	FY14	FY13
Non recourse PPP loans	206	295
Non recourse project financing	170	276
Other project financing	135	157
Total 'project related'	511	727
Subordinated loan	124	124
Financial lease liabilities	22	43
Bank overdrafts and other loans	7	37
Total interest-bearing debts	664	931
Less: cash	624	548
Net debt position	40	383
Recourse net debt position	-336	-187

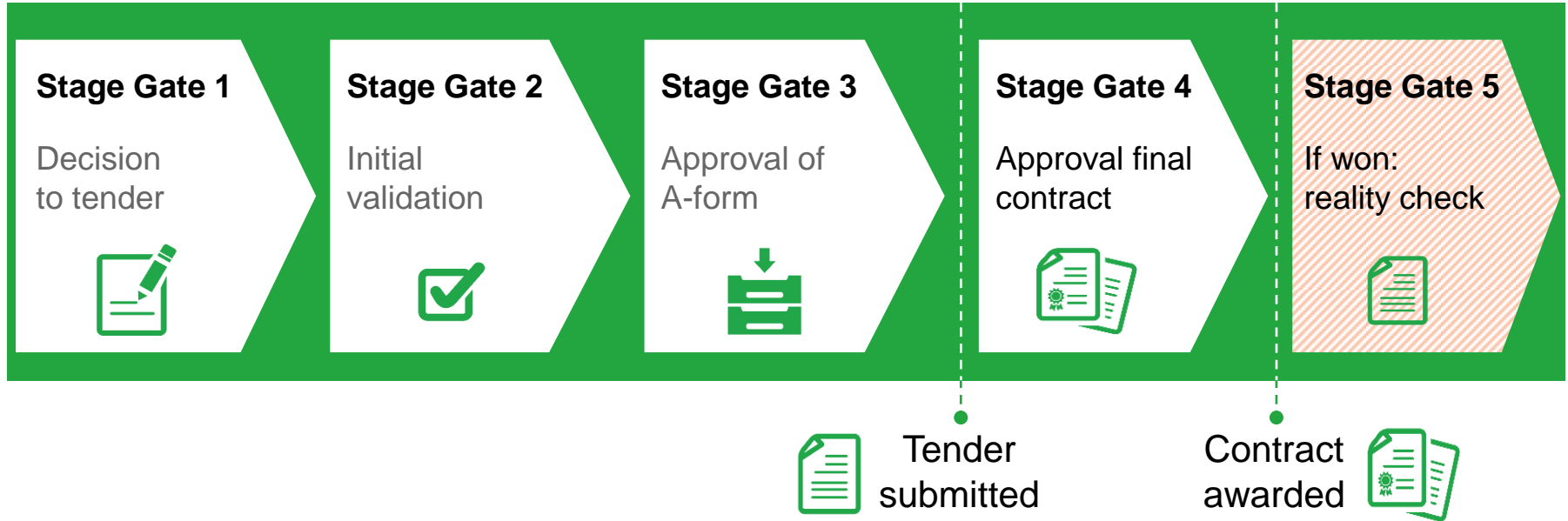
Revenue sector/country

	Construction and M&E Services	Civil engineering	Property development	PPP	Total
Netherlands	15%	17%	4%	2%	38%
United Kingdom	14%	13%	1%	0%	28%
Belgium/L'bourg	3%	8%	1%	0%	12%
Germany/Swiss	7%	5%	-	0%	12%
Ireland	-	5%	0%	1%	6%
International	-	4%	-	-	4%
Total	39%	52%	6%	3%	100%

Group structure as from 1 January 2015



Stage gate tendering



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