Capital markets event 2017

Amsterdam, 6 April 2017
# Today’s programme

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Our mission and vision underpin the strategy …

Building the present, creating the future

**Mission**

Why are we in business?

We 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 life cycle for our customers and clients, and generating maximum value for our stakeholders.

**Vision**

Where do we want to be in 2020?

By 2020 we are 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 life cycle in European home markets and in selected growing economies.
Performance measures

Profit
ROCE > 10%

Planet
Net Positive Impact

People
Safety IF < 3.5
Strategy execution
Profit

Return on capital employed

Trade working capital efficiency

Adjusted result before tax

Property

Capital employed
Return on capital employed
Target 2020

TWC Q end
TWC efficiency
Target 2016

Adjusted result margin
Target 2020

Property
Target 2020

2014
2015
2016
0
500
1.000
1.500
2.000
-5%
-4%
-3%
-2%
-1%
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%
10%
15%
20%

Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
-200 -400 -600 -800 -1.000

Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
0 200 400 600 800 1.000

2014 2015 2016
0,0% 2,0% 4,0%

2014 2015 2016
0 200 400 600 800 1.000
Strategy execution
People & Planet

Safety (IF)

CO₂ (kilotonnes)

Waste (kilotonnes)
Strategy 2016-2020

‘Building the present, creating the future’

- Profit
- Planet
- People

Focus project portfolio
Shape business portfolio
Create future portfolio

Differentiating **capabilities**

BAM’s unique **culture**
Strategy 2016-2020

‘Building the present, creating the future’

Profit

Planet

People

Doing things better

Focus project portfolio

Doing better things

Shape business portfolio

Doing new things

Create future portfolio

Differentiating capabilities

BAM’s unique culture

Leading in Performance, Innovation, Sustainability

We make it before we make it

Performance, Learning, Ownership and Collaboration

Royal BAM Group nv

Capital markets event | 6 April 2017
Unlock potential

Scale

Expertise
Our people

Rob Zuidema – Group HR Director
Strategy 2016-2020

‘Building the present, creating the future’

Focus project portfolio  
Shape business portfolio  
Create future portfolio

Differentiating capabilities

BAM’s unique culture

Performance, Learning, Ownership and Collaboration
Creating the multiplier effect ... my own experience

Strategic agenda embraced by leadership who lead by example

Common language and goals

Tools, systems and uniform processes

Safety
One company
A/B testing
International growth
Common language and goals

- **Predictable performance**
  “I deliver what I promise”

- **Scalable learning**
  “I ask, listen, and support, so that we learn collectively”

- **Pro-active ownership**
  “I take initiative to prevent rather than fix”

- **Open collaboration**
  “I share, so we all gain”
Royal BAM Group nv

Tools, systems and uniform processes

15 Roadshows
> 1,500 colleagues reached

85 project managers participated

Monthly meeting cadence since 2015

Safety first!

Roadshows
PM Seminar
MB Meetings
World Safety Day

Strategy newsflash introduced in July
Online dialogue with 106 project managers
Strategy presentation to top 200
Focus

Strategy Newsflash
Project Olympus
Spring Event
Working capital
Strategy

‘Building the present, creating the future’

- Focus project portfolio
- Shape business portfolio
- Create future portfolio

Differentiating capabilities

BAM’s unique culture

Action

20,000

Results

- Profit
- Planet
- People

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Public private partnerships

Chris Williams – Finance Director BAM PPP
Strategy 2016-2020

‘Building the present, creating the future’

Focus project portfolio

Shape business portfolio

Create future portfolio

Differentiating capabilities

BAM’s unique culture
Public private partnerships (1)

Characteristics
- Long term partnerships
- Private finance
- Risk transfer
- Output oriented
- Concentrated supply
- Global demand
Public private partnerships (2)

Benefits

- Solution to short term capital constraints
- Public sector pays for availability
- Stimulates innovation through “whole life cost approach”
- Value for Money
Overview BAM PPP

- RoE in 2016 > 12%
- Recurring revenue Operations & Maintenance in excess of €100 million per year for BAM
- Directors’ valuation portfolio €238 million including €73 million unrealised value
BAM PPP role in BAM’s strategy

- Differentiated & specialist activity
- Large multidisciplinary projects
- Entire project lifecycle
- Digitalised construction and asset management
- Cross OpCo collaboration and scalable learning
- Home market strength and conduit to new markets
- One BAM values

Creating value for BAM over project lifecycle

01. Short term construction
02. Long term operations / maintenance
03. Long term equity investment
Unique differentiating capability PGGM JV (1)

Returns model

- Equity stake
- JV-Equity bridge
- Equity bridge repaid
- PGGM 80%
- BAM PPP 20%
- Construction (~3y)
- Operations & Asset Management (~25y)

- Returns on BAM PPP 20% equity stake
  - BAM PPP returns accumulate over the lifecycle of the project
  - IRR often increases over time due to refinancing and financial and operational optimisation

PGGM returns

Time

BAM PPP returns

BAM PPP return profile
Unique differentiating capability PGGM JV (2)

Benefits

• Exclusive access to equity to support the PPP bid pipeline
• Cost efficient structure

Success

• Initial commitment €240 million
• Current commitment €775 million

Project cash flows
(€ million)

Cumulative Forecast
Cumulative Actuals

Unique differentiating capability PGGM JV (3)
Refinancing – creating value

- Cash flow improvements
- BAM PPP’s 20% investment
- BAM PPP - Project management fees
- BAM PPP - Financial advisory fees
BAM PPP prospects

10 Active Bids
28 Imminent Bids

Strong pipeline of investment opportunities

Europe needs €1.5 - €2 trillion of infrastructure investments by 2020*

* Source: Freshfields Bruckhaus Deringer LLP
Our capabilities in PPP

Bid Win Ratio
(since BAM PPP inception in 2005)

41%

Partnerships
Performance
People

Sea lock, IJmuiden, the Netherlands
Stage gate tendering

Erik Bax – COO
Strategy 2016-2020

‘Building the present, creating the future’

Focus project portfolio

Doing things better

Shape business portfolio

Create future portfolio

Differentiating capabilities

BAM’s unique culture
Focus project portfolio ... drives margin improvement

- Focus on projects where we can use scale or expertise to win
- Improving order book quality
  - Average margin in 2-4% range
  - More predictable outcome
Implementation of data driven tendering

Sales funnel
- CRM systems

Tendering
- Stage gate database
- Project database
- Tender selection

Execution
- Feedback
Stage gate tendering

Stage gate 1: Categorisation
Stage gate 2: Decision to tender
Stage gate 3: Validation to Tender
Stage gate 4: Decision to bid
Stage gate 5: Approval final contract
If won: Reality check
## Categorisation determines governance

<table>
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<tr>
<th>Risk Exposure</th>
<th>Category</th>
<th>Stage gates</th>
<th>Governance &amp; Control</th>
<th>Number of Tenders</th>
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<td>A</td>
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Categorisation criteria

Stage gate 1: Decision to tender
Stage gate 2: Validation to Tender
Stage gate 3: Decision to bid
Stage gate 4: Approval final contract
Stage gate 5: If won: Reality check
Categorisation

- Contract value
- Contract type
- Our experience
- Logistics
- Organisational complexity
- Ground conditions
- Permits
- Client track record & relationship
Stage gate 1

- Categorisation
- Decision to tender

Stage gate 2
- Validation to Tender

Stage gate 3
- Decision to bid

Stage gate 4
- Approval final contract

Stage gate 5
- If won: Reality check
Decision to tender

- Health, Environment and Safety
- Client track record & relationship
- Strategy to win
- Track record project team
- Type of bid: price only or price & quality
- Anticipated contract terms
- Funding and expected cash flow
- Joint venture & supply chain partners
- Decide if SG2 is required
Stage gate 2

Stage gate 1
- Categorisation
- Decision to tender

Stage gate 2
- Validation to Tender

Stage gate 3
- Decision to bid

Stage gate 4
- Approval final contract

Stage gate 5
- If won: Reality check
Validation to Tender

- Ground conditions
- Permits
- Contract terms
- Pre qualified competition
- Bonding requirements
- Experience tender team
- Lessons learnt from other projects
- Decide for peer review
- Decide for tender assessment
Stage gate 3

Categorisation | Decision to tender | Validation to Tender | Decision to bid | Approval final contract | If won: Reality check
Decision to bid

- Project margin
- Cash flow
- Risk & opportunity profile
- Experience project team
- Supply chain
- Time table
- Quality tender
- Project planning
- Insurance & bank guarantees
Stage gate 4

Stage gate 1: Categorisation
Stage gate 2: Decision to tender
Stage gate 3: Validation to Tender
Stage gate 4: Approval final contract
Stage gate 5: If won: Reality check
Approval final contract

- Only if changes to set of conditions agreed in stage gate 3
Stage gate 5

Stage gate 1: Categorisation
Stage gate 2: Decision to tender
Stage gate 3: Validation to Tender
Stage gate 4: Decision to bid
Stage gate 5: Approval final contract

If won: Reality check
Quality assurance options

Stage gate 1: Categorisation
Stage gate 2: Decision to tender
Stage gate 3: Validation to Tender
Stage gate 4: Decision to bid
Stage gate 5: If won: Reality check

- Peer review
- Tender assessment
- Operational audit
Peer review

Characteristics

- Knowledge sharing
- Critical friend

Participants

- Tender team
- Tender desk
- BAM 'wide' experts

Execution

- 1-2 day meetings
- Reporting to tender manager
Tender assessment

Characteristics
- Independent check
- Focus on high risk areas

Participants
- Tender team
- Tender desk
- BAM ‘wide’ experts

Execution
- Deep dive (~1 - 3 days)
- Report to the Executive Board
## Operational audit

### Characteristics
- Independent check
- Execution tender plan
- Size & quality team
- Control high risk areas

### Participants
- Project team
- Operational auditor
- BAM ‘wide’ experts

### Execution
- Selected A & B projects
- Deep dive (~1 - 3 days)
- Report to Executive Board

**Rail station Driebergen-Zeist, the Netherlands**
Quality order book is improving

- Better project selection
- Improving cash flow
- Higher tender efficiency
- Pricing identified risks
- Understanding design, technical solutions and execution methods
- Contractual awareness
- Average margin on new order intake in 2016 within 2-4% range
Strategy 2016-2020

‘Building the present, creating the future’

Focus project portfolio
Shape business portfolio

Create future portfolio

Differentiating capabilities

BAM’s unique culture

Doing new things
Create future portfolio

Digital construction process

Digital built environment
Digital construction process

Add digital

Start digital
The story of the BAM Startup
How the construction industry works today
Industry is reluctant to innovate and slow to improve

- The annual productivity growth only increased **1%** over the past 20 years
- Large projects are typically **80%** over budget
- And take **20%** longer to finish
- R&D spending in construction industry **<1%**

BAM Startup at the edge of BAM
BAM’s digital transformation: an integrated multi-stakeholder approach
Digital co-makers: partnering to grow
We are creating a digital platform
We make it digital before we make it physical!
Think Big, Act Small and Scale-up Fast

Roadmap and investment
- Start with 1 kitchen in April
- Scale up to 50 kitchens
- Renovate entire house

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Think Big, Act Small and Scale-up Fast

Step 1
Kitchen renovation

Step 2
Entire house

Step 3
Block of houses

Step 4
Neighbourhoods
Creating value

- Shareholders
- Clients
- Supply chain
- Employees
- Society

Profit
Planet
People

ROCE
BAM Startup: Let’s create the future together
From unimaginable unpredictable to imaginable predictable
Strategy in action

George Mazloumian – MD BAM International
Strategy 2016-2020

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Doing things better

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Differentiating capabilities
BAM’s unique culture

Leading in Performance, Innovation, Sustainability

We make it before we make it

Performance, Learning, Ownership and Collaboration
BAM International has a long-standing track record of worldwide construction

... and uses that experience to pursue a diversification from near-shore expert to on-shore innovative specialist
Near-shore marine infrastructure has been pivotal for BAM International, strongly driven by resources ...

- APM Container Terminal, Moín, Phase 2A - Costa Rica, APM Terminals
- Quay wall Limbe Shipyards, Cameroon, Cameroon Shipyards and Industrial Engineering Ltd
- Ichthys LNG module, Darwin, Australia, JKC Joint Venture (JGC/KBR/Chiyoda)
- Jebel Ali Terminal 4 Phase 1, United Arab Emirates, DP World
- Ichthys LNG jetty, Darwin, Australia, JKC Joint Venture (JGC/KBR/Chiyoda)
BAM International diversification strategy
From near-shore expert to on-shore innovative specialist

Focus project portfolio
Strengthened business development
Rigid tender selection
Enhanced operational oversight

Shape business portfolio
Diversification through BAM Group collaboration

Create future portfolio
Innovative (digital) client solutions

Differentiating capabilities

BAM’s unique culture

Doing better things
Focusing the portfolio by using differentiating capabilities

- **Sales funnel**
  - CRM systems
  - +35%
  - Client focus

- **Tendering**
  - Stage gate database
  - -8%
  - Differentiation
    - Partnering & BIM

- **Execution**
  - Project database
  - Strict control

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Shaping the project portfolio by open collaboration and leveraging on BAM’s capabilities

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<th>Capatalise on capabilities</th>
<th>First successes</th>
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- Metro Tunnel tender (AUS)
- Hospital project and tenders in and outside Europe (UK, IRE, DK, global)
- Stadium project and tenders, (e.g. UAE)
- The Antarctic Survey (BAS) Project
- Freetown Water Supply (Sierra Leone)
- Museum of the future project developed with BAM-wide innovative solutions
Creating the future portfolio by delivering cutting edge digital solutions to our clients
We make it before we make it

Museum of the Future Movie
We make it before we make it
The future is bright!

BAM provides innovative digital solutions to its global clients by open collaboration and leveraging on its capabilities.
Wrap up

Rob van Wingerden – CEO