

Annual Report

Van Oord N.V.

2019





It's the **ingenious people**
that make **Van Oord**

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* Sections marked with an * are part of the directors' report as defined in the Dutch Civil Code.

Key figures

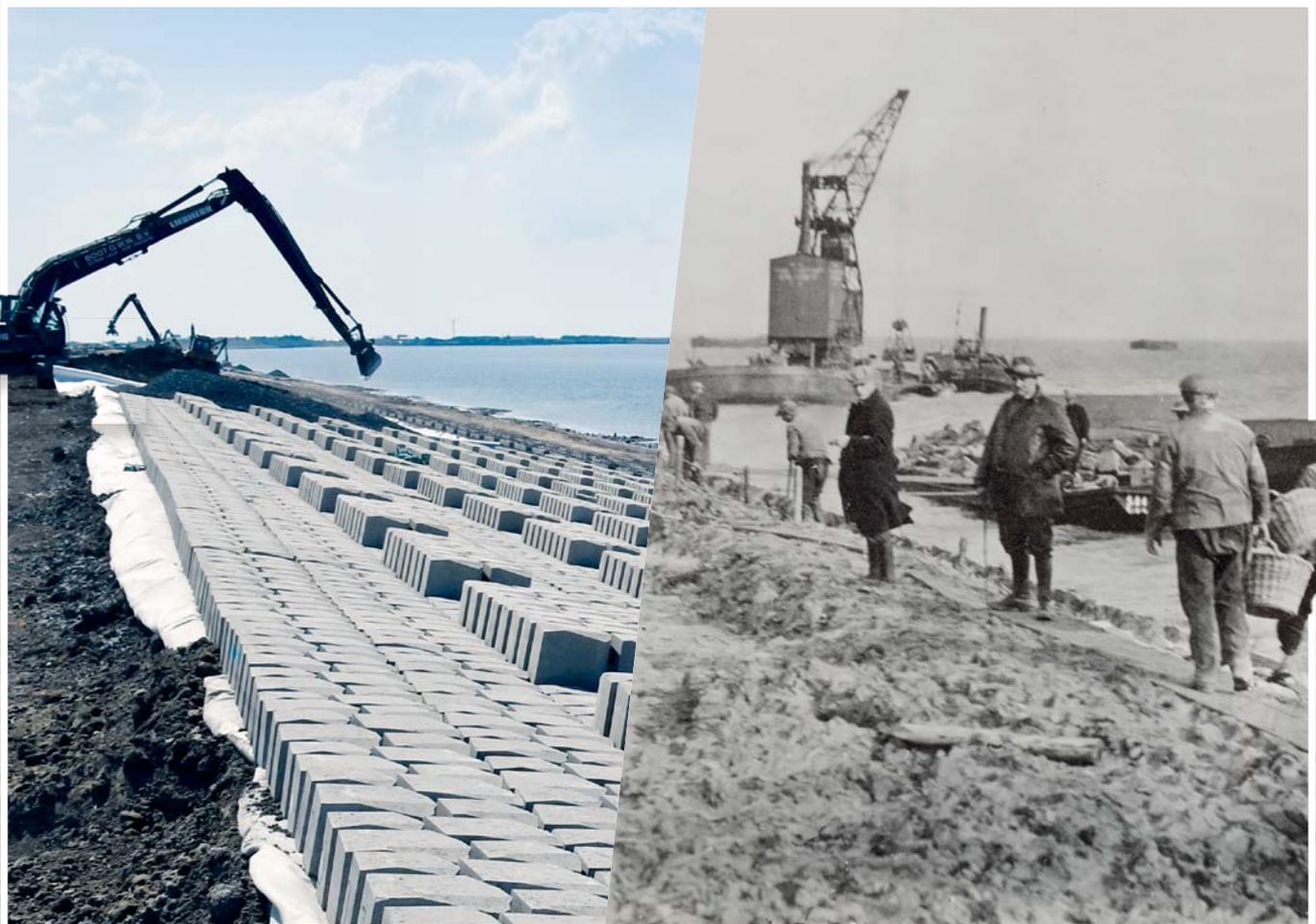
(all amounts in million Euros)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------|---------|---------|---------|---------|
| Net revenue | 1,644 | 1,876 | 1,530 | 1,713 | 2,579 |
| EBITDA ** | 254 | 306 | 290 | 333 | 406 |
| Depreciation and amortisation | 166 | 161 | 157 | 187 | 167 |
| EBIT ** | 88 | 145 | 133 | 147 | 239 |
| Net profit | 46 | 92 | 78 | 90 | 169 |
| Total equity and liabilities | 2,414 | 2,530 | 2,530 | 2,647 | 2,799 |
| Equity | 1,008 | 999 | 943 | 905 | 902 |
| Long-term loans | 415 | 207 | 412 | 466 | 474 |
| Cash | 108 | 287 | 316 | 280 | 326 |
| Net debt | 307 | 78 | 43 | 79 | 68 |
| Order book ** | 3,610 | 3,676 | 3,395 | 3,271 | 2,349 |
| Cash flow from operating activities | 30 | 128 | 178 | 308 | 496 |
| Cash flow from investment activities | -222 | -120 | -103 | -232 | -191 |
| Cash flow from financing activities | 10 | -34 | -39 | -114 | -119 |
| Net cash flow | -181 | -26 | 36 | -38 | 186 |
| Dividend | 21 | 40 | 34 | 39 | 79 |
| Return on equity ** | 4.6% | 9.5% | 8.5% | 10.0% | 20.1% |
| Return on capital employed ** | 5.5% | 9.3% | 8.3% | 9.4% | 16.3% |
| EBITDA/net revenue | 15.5% | 16.3% | 19.0% | 19.4% | 15.8% |
| Net profit/net revenue | 2.8% | 4.9% | 5.1% | 5.3% | 6.6% |
| Equity/total assets (solvency) ** | 41.8% | 39.5% | 37.3% | 34.2% | 32.2% |
| No. of employees in full-time equivalents at 31 December | 5,217 | 4,954 | 4,454 | 4,816 | 4,912 |
| Ratio male/female % * | 85/15 | 86/14 | 87/13 | 85/15 | 86/14 |
| Number of nationalities employed by Van Oord | 71 | 74 | 68 | 68 | 73 |
| Number of participants in training courses | 5,447 | 3,353 | 3,501 | 3,997 | 4,512 |
| Absence due to illness (in % of Dutch payroll) * | 4.2 | 4.0 | 3.5 | 3.8 | 3.3 |
| Accident frequency in TRIR * | 0.65 | 0.67 | 0.73 | 1.04 | 1.25 |
| Carbon footprint (tonnes) * | 639,753 | 576,516 | 676,661 | 704,216 | 874,220 |
| Fleet energy-efficiency improvement over 2010 (cumulative) | 8.2% | 7.4% | 6.0% | 5.6% | 5.2% |

* see list of terms

** see list of financial terms

The Afsluitdijk has protected large parts of the Netherlands against the water since 1932.
After more than 85 years, Van Oord is again involved in this iconic structure.



Van Oord

Founder's mentality

We are a Dutch family-owned company with 150 years of experience as an international marine contractor. We value open communication with our clients and stakeholders. Our company culture is one of entrepreneurship and engaged employees. We think and act with responsibility and focus on the long term.

Mission

As a global marine contractor, we focus on dredging, land infrastructure in the Netherlands, offshore wind and oil & gas infrastructure. We work closely and safely with our clients and stakeholders to create innovative and sustainable solutions.

Values

we (**create
care
work together
succeed**)

Purpose

Our purpose is to create a better world for future generations by delivering Marine ingenuity.

What we do

4 Market drivers



Climate change and rising sea level



Maritime transport



Urbanisation and infrastructure



Growing demand for energy and the energy transition

2019

44 countries



207 projects

Revenue per business unit*



Dredging

690

2018: 852



Netherlands

173

2018: 115



Offshore Wind

571

2018: 706



Offshore

210

2018: 203

Main equipment

68 vessels**



* million Euros

** including vessels under construction

7 UN Sustainable Development Goals

reflect Van Oord's main business drivers and impact areas.

7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



14 LIFE BELOW WATER



17 PARTNERSHIPS FOR THE GOALS



Locations

Europe

Azerbaijan – Baku
 Belgium – Sint-Niklaas
 Cyprus – Nicosia
 Denmark – Copenhagen
 Finland – Kokkola
 France – Villepinte
 Germany – Hamburg
 Gibraltar
 Ireland – Dublin
 Italy – Rome
 Kazakhstan – Aktau
 Lithuania – Klaipeda
 Netherlands – Bolsward
 Netherlands – Gorinchem
 Netherlands – Rotterdam
 Norway – Oslo
 Poland – Warsaw
 Portugal – Lisbon
 Romania – Constanta
 Russia – St. Petersburg
 Spain – Madrid
 Turkey – Istanbul
 United Kingdom – Small Dole
 United Kingdom – Stokesley

America

Brazil – Rio de Janeiro
 Canada – Calgary
 Colombia – Bogota
 Curaçao – Willemstad
 Mexico – Mexico City
 Panama – Panama
 United States – Houston

Africa

Angola – Talatona-Luanda
 Mozambique – Maputo
 Nigeria – Ikeja-Lagos

Middle East & West Asia

Bahrain – Manama
 India – Mumbai
 Qatar – Doha
 United Arab Emirates – Abu Dhabi
 United Arab Emirates – Dubai

Asia & Australia

Australia – Brisbane
 China – Shanghai
 Hong-Kong
 Indonesia – Batam
 Indonesia – Jakarta
 Japan – Tokyo
 Korea – Busan
 Malaysia – Kuala Lumpur
 Philippines – Manila
 Singapore
 Taiwan – Keelung City
 Thailand – Bangkok
 Vietnam – Hanoi

People

5,217
employees (in FTEs)
 2018: 4,954



71
nationalities
 2018: 74



Male



Female

85
 2018: 86

15
 2018: 14

Safety



TRIR
0.65
 2018: 0.67

Training courses

Number of participants



5,447
 2018: 3,353

Ownership

Shareholders
 Van Oord N.V.



MerweOord B.V.

78.5%

ConsOord B.V.

10.75%

Ulran S.A.

10.75%

Revenue*



1,644
 2018: 1,876

Order book*



3,610
 2018: 3,676

* million Euros



Anticipating and responding to **challenges** and **new opportunities**

This annual report was produced before the corona crisis occurred. As such the outlook in this document will be affected by this crisis. We have not taken into account the consequences of this crisis as they are unknown.

2019 was a challenging year for the company. We are experiencing in dredging tough market conditions, volatility and protectionism in many countries.

Governance

Since 2018, the company operates in 4 business units: Dredging, Netherlands, Offshore Wind and Offshore. The next step, effective as per 1 January 2020, was to update the governance model, with the 4 Managing Directors of the business units becoming members of the Executive Committee. This gives the business units more effective representation in the top governance body, resulting in faster and more broadly supported decision-making.

Revenue and profits

Revenue and profits declined in 2019, and market conditions and performance in the 4 business units varied widely. In particular, our business unit Dredging faces a drop in revenue and profits.

In 2019, Van Oord recorded EUR 1,644 million in revenue (2018: EUR 1,876 million) with a net profit of EUR 46 million (2018: EUR 92 million). Our order book is stable (2019: EUR 3,610 million compared to 2018: EUR 3,676 million). We were awarded projects worth a total of EUR 1,578 million in 2019.

Dredging

The difficult market conditions in the Dredging business unit did not improve in 2019. Tender volume was substantially lower than 2018. Profits were also below 2018 levels. Capacity utilisation for our trailing suction hopper dredgers and cutter suction dredgers was similar to last year but still too low for a healthy return on investment. Governments are increasingly awarding projects to local contractors.

We conducted a strategic analysis of our dredging activities in the autumn and we have initiated appropriate actions to restore profitability and realise growth. We will execute as of 2020 a dredging fleet renewal programme for the mid-range segment of our fleet of trailing suction hopper dredgers. This will make our fleet more competitive.

The Dubai Harbour land reclamation project was one of the highlights of 2019. It allows Dubai to reach its goal of welcoming 20 million visitors annually. Van Oord was also awarded the Dos Bocas project in Mexico. The project involves reclaiming 12 million cubic metres of sand to create 600 hectares of new land. Client PEMEX intends to build a major refinery on the new site that will boost Mexico's fuel self-sufficiency.

Netherlands

The Netherlands business unit recorded an increase in revenue thanks to various projects awarded earlier, including the Afsluitdijk reinforcement project and the A16 Rotterdam motorway project. Tender volume was low in 2019. Projects were postponed due to problems with per- and polyfluoroalkyl substances (PFAS) and the government's 'Integrated Approach to Nitrogen' (PAS) policy.

The ViA15 infrastructure project was awarded in late 2019 to the Van Oord, Dura Vermeer, BESIX and HOCHTIEF consortium. With an order book of almost a billion Euros, we are entering a busy period. The financial results were also satisfactory.

Van Oord welcomes the dialogue that is taking place with the executive agency for infrastructure, Rijkswaterstaat, about new contract conditions and a more balanced risk allocation between client and contractor. The Netherlands is now on the eve of a major programme to upgrade and expand its infrastructure. The country must prepare itself for the rise in sea level. A healthy construction sector is crucial to achieving these objectives.

A lot of work has already been carried out on the Afsluitdijk project, the most iconic marine engineering project in the Netherlands at present. Stricter flood safety standards in the face of sea level rise and higher discharge rates have resulted in a new design for the Afsluitdijk. The design ensures that the barrier will be fit for purpose for the next 100 years.

Offshore Wind

Offshore wind is a key contributor enabling the energy transition around the world. Business unit Offshore Wind recorded a high volume of tenders. In the Netherlands, a new climate agreement was introduced in 2019 setting ambitious targets to reduce carbon dioxide emissions.

The award volume was modest in 2019, but ongoing tenders are expected to yield a considerably higher volume of awards in 2020. Revenue was down on 2018. Profits, on the other hand, were significantly higher than the disappointing figures of 2018.

The Deutsche Bucht and Norther offshore wind farms, both major Balance of Plant contracts, were brought to a successful conclusion in 2019. The Norther offshore wind farm was completed in a record time of 9 months. Van Oord's upgraded offshore installation vessel Aeolus had an excellent year, as did cable-laying vessel Nexus. Offshore Wind was also awarded its first project in Taiwan, where it will be installing cables for 2 wind farms on behalf of client Ørsted.

Offshore

The Offshore business unit's revenue in 2019 was consistent with the previous year and profits are once again satisfactory. The situation in the oil and gas market is unchanged; it has been in a global recession since 2014. The tender volume rose in 2019, but prices have not yet recovered.

After 5 years of work on the tender, the Van Oord-TechnipFMC consortium won the EPCI contract for the Mozambique LNG project in 2019. The project represents an important step in our Offshore strategy. Van Oord is responsible for the shallow water operations, including dredging and installing more than 100 kilometres of pipeline. A task that will be carried out by pipelay barge Stingray and dredging equipment. Project execution will start in 2021. The resulting new energy infrastructure will allow Mozambique to transport large quantities of natural gas to shore, where it will be liquefied for export. Gas plays an important role in the transition to a less carbon-intensive form of energy.

Van Oord's 3 fallpipe vessels were very active on projects in the North Sea and the Mediterranean, including the installation of scour protection for wind farms. The new fallpipe vessel Bravenes is performing well. It is packed with innovations; for example, it uses a tremie pipe to position larger rocks with great accuracy. The strategy of the business unit Offshore was updated in 2019, confirming our focus on Subsea Rock Installation (SRI) and Offshore Pipeline Installation (OPI). We expect to achieve growth in both markets.

Investments

As part of our dredging fleet renewal programme, we have ordered a third trailing suction hopper dredger. The vessel is similar to the 2 ordered in 2018: each one has a hopper capacity of approximately 10,500 cubic metres and is equipped with an LNG fuel system. Orders have also been placed for 2 energy efficient water injection vessels. Trailing suction hopper dredger Vox Amalia will be commissioned in 2020 after successful sea trials in 2019. With a total of 4 new trailing suction hopper dredgers, Van Oord will soon have a smaller but highly competitive hopper fleet. Older vessels will be recycled or sold. To support our cable laying activities,

we acquired the Deep Dig-it, a trencher that can bury cables up to 5 metres below the seabed. The trencher will make its debut in 2020 on the Hollandse Kust Zuid project for client TenneT.

Organisation

Our workforce increased to 5,217 in 2019 (2018: 4,954). Given the company's growth in 2018 and the award of various complex integrated projects, the focus in 2019 was on building a stronger organisation by recruiting experienced new employees and recent graduates.

Our work is becoming more knowledge-driven. We are increasingly assuming responsibility for project engineering and supervising sub-contractors and suppliers. We are continuously adapting our organisation to the demands of our markets. That is why it is so important for our people to be agile.

By introducing an Executive Committee and having the 4 business units represented, we have made significant changes to the way we manage the company. The new top-tier structure brings the 4 markets, each uniquely dynamic, sharply into focus.

Paul Verheul stepped down as Chief Operations Officer in late 2019. He will take up his duties as Executive Director of MerweOord, the Van Oord family's holding company on 1 February 2020. We thank Paul for all that he has done for our company. He will be nominated to the Supervisory Board of Van Oord in April 2020, representing MerweOord.

Compliance

Van Oord chooses to carry out projects on a global basis. We believe that a robust compliance programme supports achieving our goal: to use our Marine ingenuity to contribute to a better world for future generations. Working in developed and less developed countries requires a thorough compliance policy. We want to be recognised as a marine contractor for whom compliance and creating societal benefits is part of our business. Van Oord adheres to international laws and regulations and the OECD standards. This means that we focus on social engagement of (local) stakeholders, maintain strict criteria when selecting partners and take appropriate action with respect to the environment, safety and compliance. Our employees are constantly being made aware of our values, compliance standard and receive training in dilemma sessions.

At the end of 2019 Van Oord was questioned by journalists about the Marginal da Corimba project. Although Van Oord was not involved in wrongdoing, it encouraged us to review

and further enhance our compliance policies. Van Oord has the aim to act in a compliant manner and to continuously improve its compliance programme. More on this matter in Chapter 4, under Compliance.

Safety and sustainability

Van Oord's health and safety indicators rose in the first few months of 2019, and in response, the company organised a worldwide Safety Alert in May. All offices and projects were asked to participate actively in this initiative by engaging in discussions and submitting suggestions for improving safety. The figures in the second half of the year showed a significant improvement. We are pleased that our overall figures for 2019 are, once again, better than those of the previous year.

In 2019, we introduced the Sustainable Earth Actions (S.E.A.) programme. Its purpose is to maximise the impact and visibility of our sustainability efforts. A director was also appointed to head the international Climate Adaptation Programme, in cooperation with the Center on Global (climate) Adaptation (GCA) supported by the United Nations.

Outlook

Our company's long-term prospects are solid. We support a renewable energy system with our work in offshore wind, which is making a major contribution to reducing carbon dioxide emissions. We work on climate adaptation by reinforcing coasts and low-lying areas worldwide. For this decade, gas will play an important role as a transition fuel in the energy mix. We help to build the necessary gas infrastructure. Our activities in the Netherlands support the creation of state-of-the-art infrastructure fit for the 21st century.

In the short term the outlook of our company is affected due to the corona crisis. At this stage we are unable to assess the consequences of this crisis for our business drivers, our markets and our projects.

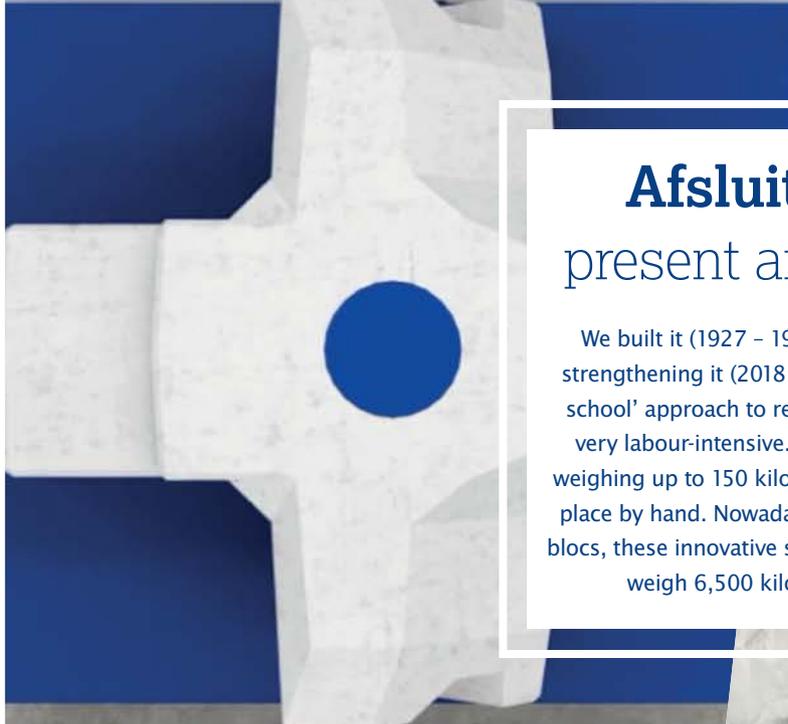
Rotterdam, 18 March 2020

On behalf of the Executive Committee,

Pieter van Oord, CEO



Executive Committee visiting Afsluitdijk reinforcement project. From left: Pieter van Oord, Ronald Schinagl, Jolanda Poots-Bijl, Maurits den Broeder, Niels de Bruijn, Govert van Oord and Arnoud Kuis.



Afsluitdijk present and past

We built it (1927 - 1932) and we are strengthening it (2018 - 2022). The 'old school' approach to reinforcement was very labour-intensive. Imagine stones weighing up to 150 kilogrammes put into place by hand. Nowadays we use Level-blocs, these innovative symmetrical blocks weigh 6,500 kilogrammes.



Focus required in dynamic maritime industry

The Supervisory Board provides independent oversight of the Executive Committee's performance and the company's general course of affairs, taking into account the interests of all the company's stakeholders.

The Supervisory Board challenges and advises the Executive Committee. We are for example involved in complex project tenders and fleet renewals or upgrades. Our focus is on compliance, risk management and long-term value creation. In all our meetings we also discuss Van Oord's safety and sustainability performance.

In 2019 we paid extra attention to the difficult circumstances in the dredging and oil & gas market and to adapting the company's organisation and strategy to these ongoing developments. Other relevant topics were the company's governance structure, the 'Reinventing Dredging 2030' strategy, the revised strategy of the Offshore business unit and the opportunities within the Offshore wind market.

Internal organisation

Given the structure of the company based on 4 business units, it has been decided to modify the senior executive structure by directly involving the business units in executive governance. An Executive Committee has been established effective 1 January 2020. The Supervisory Board has been closely involved in this change. The establishment of an Executive Committee has created a company-wide leadership team, a new governance model that will promote the Van Oord vision and that offers new opportunities for leadership development and succession. The Executive Committee consists of a Chief Executive Officer, a Chief Financial Officer, a Chief Commercial Officer and the Managing Directors of the 4 business units. By entrusting day-to-day management to a 7-person team, the company will be able to respond effectively and act on developments, particularly in the 4 business units. The complexity of projects and the dynamic nature of the maritime industry require this.

Supervisory Board performance

The Supervisory Board had 6 regular meetings with the Executive Board in 2019. Five meetings were held at the head office and one at a project site. In June 2019 the members of the Supervisory Board visited the flexible fallpipe vessel Nordnes in Norway, allowing its members to meet with the fleet personnel and project team. Chairperson Mr Hoek also met with the CEO on a regular basis to discuss ongoing matters, and he attended a meeting of the Works Council.

Independence and conflicts of interest

In 2019, Messrs Jac.G. van Oord, Van der Ven and Kretzers, represented MerweOord B.V. Mr Laurent Josi represented Ulran S.A. Messrs Damen and Hoek were appointed in accordance with the Works Council's enhanced right of recommendation. The Supervisory Board is committed to

maintaining its independence and avoiding any possible conflict of interest. If any potential conflict of interest does arise, the Supervisory Board member concerned absents himself from the meetings and decision-making.

Audit Committee

The Audit Committee has 3 members: Messrs Van der Ven, Laurent Josi and Hoek. They review the company's finance and risk management. The Audit Committee meets 4 times a year in the presence of the CEO and CFO. Recurring topics of discussion are the quarterly and annual statements, the audit plan, the auditor's report, compliance and risk management. On relevant occasions, other financial and risk management officers are invited to attend meetings. The external auditor attended all 4 meetings in 2019.

In addition to recurring topics, the Audit Committee also addresses specific issues at its meetings. In 2019, these included the progress of the MI-7 finance transformation programme and tax positions. Risk management on portfolio level and the increasing cybersecurity risk were also discussed.

Compliance

Compliance is a regular topic on the agenda of every meeting. Operating around the globe, Van Oord has to comply with a variety of local and international laws and regulations. A robust compliance programme is vital to Van Oord, because it provides protection for our clients and other stakeholders, as well as Van Oord and its employees. The Marginal da Corimba project in Angola was extensively discussed and reviewed. Questions raised by journalists made us decide to closely monitor the progress of the project, its social impact and to support the Executive Committee in defining lessons learned with regard to compliance issues.

The Supervisory Board closely monitors progress in the Compliance Enhance Programme (CEP), because it is important that Van Oord continuously adapts to comply with changing legal requirements and societal standards. The Supervisory Board supports the continuation of CEP to raise awareness among employees about potential compliance issues.

Human Resources Committee

The Human Resources Committee monitors salary structures, remuneration and succession in the Executive Committee and Supervisory Board. It also monitors relevant topics such as talent and leadership development, performance management and education. In 2019 the Human Resources Committee had 3 members: Messrs Jac.G van Oord, Kretzers and Hoek.

Remuneration

The Supervisory Board determines the remuneration and terms of employment of the statutory directors of Van Oord N.V. The statutory directors determine the remuneration and other terms and conditions of employment of the other Executive Committee members after consultation with the Supervisory Board.

Review of major projects

Van Oord is in a high-risk business. As a result, a delegation of the Supervisory Board reviews major project tenders exceeding EUR 50 million. Such consultations occurred 16 times in 2019.

Composition of Supervisory Board

The composition of the Supervisory Board will change in 2020. Mr Van der Ven stepped down from his position as Executive Director of MerweOord B.V. His seat has been taken by former Van Oord Chief Operations Officer Mr Paul Verheul. Mr Verheul will be nominated to the Supervisory Board of Van Oord in April 2020. Mr Van der Ven will be nominated for reappointment for another 4 years as Supervisory Board member.

After serving almost 3 terms, Mr Jac.G. van Oord will be stepping down from the Supervisory Board as of April 2020. After serving 3 terms, Mr Damen will also be stepping down from the Supervisory Board as of April 2020.

The vacant seat will be taken by Mr Valkier. As CEO of shipping company Anthony Veder, he will bring relevant expertise to the table. He will be nominated to the Supervisory Board of Van Oord in April 2020.

The term of 3 Supervisory Board members will end in April 2020. Mr Laurent Josi, Mr Hoek and Mr Van der Ven will be nominated for reappointment for another 4 years.

Approval of annual financial statements

The annual financial statements have been audited by Ernst & Young Accountants LLP and the independent auditor's report is to be found in the section 'Other information' in this annual report. The Supervisory Board discussed the auditor's findings, co-signed the annual financial statements, and approved the Executive Committee's report on 2019. We propose that the General Meeting of shareholders adopt the 2019 annual financial statements and that a dividend of EUR 21 million be paid out. Ernst & Young Accountants LLP have also issued an independent assurance report on a number of quantitative measures in relation to sustainability. That report is attached to this annual report.



Cutter suction dredger Athena at the land reclamation project in Dos Bocas, Mexico.

Team effort

The volatility in the maritime industry, trade conflicts and political developments all have an impact on the company's performance and outlook. To ensure that the company remains profitable and stays ahead of the competition, the Supervisory Board will support management in keeping a close eye on market trends and analysing their consequences for the organisation. We set high standards for ourselves in terms of compliance, sustainability and safety. In the end, it is all about the quality of our people and their dedication to the company. As the Supervisory Board, we would like to thank them for their hard work and contribution.

Rotterdam, 12 March 2020

On behalf of the Supervisory Board,

Niek Hoek, Chair

Resignation of members

After almost 12 years as a member of our Supervisory Board, Mr Jac.G. van Oord will be stepping down in April 2020. We are very grateful to Mr Jac.G. van Oord for everything that he has done for our organisation, not only as a Supervisory Board member, but also during his time as Chairman of the Executive Board of Van Oord (2003 – 2008). In a time of mergers and acquisitions between dredging companies, he was a driving force behind the merger between Van Oord ACZ and BHD in 2003. His involvement, tremendous knowledge of the industry and dedication have always been of great value.

Our gratitude also goes to Mr Damen, who will step down as a member of the Supervisory Board after 12 years. His knowledge and commercial experience in the maritime industry have been invaluable.

Both men started their career in the 70s and have been active in the Dutch maritime industry for around 50 years. We would like to express our wholehearted appreciation for the dedication and contribution of both Supervisory Board members.

Niek Hoek

In 2015 Messrs. Jac.G. van Oord and K. Damen visited the KNPC Reclamation project in Kuwait.



1

The world of Van Oord

Dredging
Netherlands
Offshore Wind
Offshore



*Dredging works by the cutter suction dredger
Ural River at the Dubai Harbour project.*



Dredging

The Dredging business unit intensified its focus in 2019 against the backdrop of an increasingly challenging market. Despite shrinking market volumes, Van Oord won tenders for projects in the UK, Mexico, Russia, Dubai and Romania. Projects around the world were started and successfully completed, and the fleet renewal plan was approved.

Dredging is the traditional cornerstone of Van Oord's business but market trends in 2019 gave serious cause for concern. Tender volumes and award volumes were substantially lower than 2018. This was due in part to shrinking overall market volumes, and in part to the cancellation or postponement of tenders. This was especially the case for port construction projects, which traditionally represent around 60% of our global portfolio. The reduced level of dredging activity means lower vessel utilisation and skews the balance between overhead and revenue and, ultimately, the bottom-line result.

To respond to these developments, the Dredging Management Team took urgent action to develop a new plan for the business unit in the second half of 2019. Together with external experts, they took a critical look at the business model, the markets the unit serves, and the products that Van Oord can offer. They also reviewed the skills that employees and leaders need to make the transition to a new future for dredging. The result is the 'Reinventing Dredging 2030' strategy, which will be implemented from 2020 onwards.

Contracts awarded

The contract for the first-ever sandscaping coastal flood scheme in the UK was awarded by client North Norfolk District Council. Van Oord (working in collaboration with Royal Haskoning) completed the Bacton to Walcott Coastal Management Sandscaping scheme to the client's satisfaction within a 10-month timeline. To protect this stretch of coastline from erosion, the project team deposited 1.8 million cubic metres of sand over a length of 6 kilometres, much of it protecting a strategically important gas terminal. Van Oord subsidiary Mackley was responsible for connecting the pipelines to the new outfall on the existing beach.

Van Oord won the contract for land reclamation associated with the PEMEX oil refinery in Dos Bocas Mexico. The project involves reclamation of 12 million cubic metres of sand to create 600 hectares of new land. Alongside the dredging work, the contract includes dynamic compaction and dry earth movement works, which were carried out with the support of our subsidiary Wicks. When complete, the Dos Bocas refinery will make Mexico more self-sufficient in terms of refined fuel products and enhance the country's independence.

Other contracts awarded were for dredging and land reclamation in the Tartar Strait off Russia and the Marsha Al Arab capital dredging project in Dubai. In December Van Oord was awarded a contract to reinforce the coast at the Romanian seaside resort of Eforie. Existing coastal defences will be redeveloped to make way for more nature-friendly alternatives.

Projects in progress and completed

Van Oord continued working on the prestigious Dubai Harbour project. It is part of Dubai's strategy to attract 20 million visitors a year by 2020, many of them arriving at the new cruise terminal. Van Oord is responsible for dredging the 12-kilometre-long navigation channel, reclaiming land and executing vibro compaction. Van Oord is main contractor on this project, which not only involves dredging but also constructing quay walls and revetments and soil improvement.

The Fehrmanbelt fixed link between Denmark and Germany will be the world's longest immersed road and rail tunnel. The consortium, in which Van Oord participates, is responsible for dredging a tunnel trench in the seabed over a distance of 16 kilometres and reusing the dredged material to create a recreational nature reserve. We are also building a new working harbour for the tunnel contractors.

In Poland work started on the project to deepen the 62-kilometre-long channel from Świnoujście to Szczecin. In this first year of the project, the work primarily involved engineering and the removal of unexploded ordinance.

The Senegalese coastal town of Saly is one of the most popular tourist attractions in West Africa. In a project funded by the World Bank, Van Oord is building groynes and detached breakwaters to protect the land and replenishing beaches to provide more space for tourists. Van Oord is also contributing to educational projects and sourcing rock from local quarries.

Work was completed on projects in Costa Rica, UK, Brazil and Lithuania. Subsidiary Dravosa was involved in a number of coastal defence projects in Spain and debuted the recently acquired trailing suction hopper dredger Costa Atlantica.

Fleet renewal plan

By 2022, we will have a competitive dredging fleet with 4 new vessels to boost our market position going forward. Some of our other vessels will be laid up or divested. The fleet renewal plan will result in a smaller dredging fleet but one that is more efficient and competitive.

Trailing suction hopper dredger Vox Amalia completed its trials in 2019 and will be fully operational in 2020. The Vox Ariane and Vox Apolonia will be ready in 2021. In 2019 Van Oord ordered a third similar trailing suction hopper dredger. Equipped with LNG systems, these 3 new vessels will make the fleet more economical and energy efficient.

Van Oord also commissioned the building of 2 water injection dredging vessels to increase our flexibility and capacity for essential maintenance dredging in ports and navigation channels. Both vessels will be operational in 2021.

Outlook

We face several challenges in our business unit Dredging. Van Oord recognises the need for a substantial change in the business that has always been the company's foundation. Cyclical and structural factors are changing the markets in which Van Oord operates. The cyclical changes include oil price volatility and geopolitical instabilities reduce investments and structural changes include increased competition. On the other hand we see opportunities. Many projects in the business unit Dredging relate to adaptation to rising sea levels. Our expertise is of value for coastal protection and flood protection solutions in low-lying regions like the Netherlands, UK and Indonesia.

'Reinventing Dredging 2030' will have a significant impact on our business model and on employees everywhere. The focus will be on adding value with new products, services and insights rather than chasing tenders based solely on price. Different skills and mindsets will be needed to boost our commercial excellence and to ensure early engagement with clients. Employees will have to step out of their comfort zones to make this change.

The investments in a modern and energy-efficient fleet demonstrate Van Oord's confidence in a different future for dredging. The new strategy will reduce overheads on the one hand and create new opportunities for investing in the organisation on the other. We will focus our efforts on future-proofing the business: addressing new challenges, introducing different ways of working and developing new markets for the long-term.



Revenue*

690

2018: 852

Dredging as signature talent

Van Oord designs and constructs large and complex dredging projects worldwide, often as a main contractor. Our dredging capabilities include land reclamation, coastal protection and expanding ports and waterways.



Order book*

1,460

2018: 1,492



2019 highlights

- Execution of the Coastal reinforcement project in Saly, Senegal
- Award of the land reclamation project in Dos Bocas, Mexico
- Completion of the Dubai Harbour waterfront project in Dubai, UAE
- Start of the Climate Adaptation Programme

110
projects

countries
36



Trends

- Low cyclical momentum in dredging, with slow growth expected towards 2020
- Economic growth and trade growth not strong enough to push market and large projects
- With geopolitical tensions, and increased protectionism and regionalism hampering future expectations
- Therefore overcapacity and margin pressure are expected to remain in the market

* million Euros

** including cold stacked equipment



Fleet capacity utilisation rate in weeks**



Trailing suction hopper dredgers

22

2018: 22



Cutter suction dredgers

21

2018: 21

Dredging key figures

Dredging activities contribute to 4 UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



Creating a sustainable solution **for Saly's coastline**



Watch video on
vimeo.vanoord.com/saly

Facts & figures



300,000
tonnes of rock



40%
Senegalese project staff



4.5 km
of coastal protection



Colonel Diallo
APIX Director



Maarten Meeder
Van Oord Regional Manager

Let's talk

At first glance, the coastline improvement project in Saly looks like a regular marine contracting job: building breakwaters and replenishing sandy beaches. But what makes this project unique is the extent to which the local community is involved. Let's talk to APIX Colonel Mamadou Mamoudou Diallo and Van Oord Regional Manager Maarten Meeder about the multiple benefits of this project.

Colonel Diallo: The Senegalese coastal town of Saly used to be one of the most popular tourist attractions in Africa. Like many other places along the African west coast, Saly's coastline has been weakened by erosion. Saly is the beating heart of Senegalese tourism on the Petite Côte, with tourism as the main source of income for its 20,000 inhabitants. The beaches of Saly were eroding, leading to a decline in tourism and the corresponding revenue as beaches disappeared and hotels closed down. This reinforcement project was essential to improving the quality of life for the inhabitants and the local community.

The restored beaches will boost tourism, the main source of income for the local population. This is very important for us: the benefits of this project must have a positive effect on the local economy. The project is being funded by the World Bank, and we as APIX act as the client's representative on the project. Our main goal is to oversee all activities and monitor progress. The second phase of the project will start in 2020, when Saly's beaches will be restored. The expectation is that having larger beaches will boost the number of tourists visiting.

Maarten: Van Oord built groynes and detached breakwaters over a distance of 4.5 kilometres. These structures will stop the current and waves from battering the coastline and will protect the land against rising sea levels. We contracted a quarry nearby to deliver more than 300,000 tonnes of rock for these structures. The local economy benefited from this approach. In addition, we are deploying regional subcontractors and 40% of our project staff are Senegalese nationals.

Because the project team is also eager to contribute to a sustainable living environment for Saly's inhabitants, we embarked on a public information project about plastic litter. We started by placing rubbish bins at a large state school, and we talked to 800 schoolchildren about the risks that plastic litter poses to health and the environment. Afterwards, we rolled up our sleeves and collected plastic litter in the bins for recycling. The project team used the proceeds from the plastic we collected to buy notebooks, pencils and other school materials for the children.

As part of the Groene Boog consortium, Van Oord is taking care of the A16 motorway project in Rotterdam.



Netherlands

In the year that the Dutch Climate Agreement came into force the business unit Netherlands continued to develop innovative solutions to tackle the threat of rising sea levels. The business unit won tenders and executed coastal replenishment, dyke protection and civil infrastructure projects. We also came up with sustainable solutions and made investments that contribute to reducing carbon dioxide emissions.

Boosting project execution

Business unit Netherlands is happy to report strong revenue growth and a well-filled order book. It was a busy year with 2 major projects – the Afsluitdijk reinforcement project and the A16 Rotterdam motorway project – going into execution. Given the need to rapidly scale up operations, getting the right people on board was top priority. The fact that the LNG-fuelled crane vessel Werkendam is now in service helped us to win tenders in which sustainability is key.

Most of the major national public works and water management projects in the Netherlands are awarded by Rijkswaterstaat, the operational agency of the Dutch Ministry of Infrastructure & Water Management. Business unit Netherlands also performs contracts on behalf of port authorities and provincial government bodies.

We experienced market uncertainty relating to PAS and PFAS, problems associated with per- and polyfluoroalkyl substances (PFAS) and the government's 'Integrated Approach to Nitrogen' (PAS) policy. It meant that, in the second half of the year, overall tender volume was low and there were delays to some project awards or starts. We took a tough decision in 2019, together with client Rijkswaterstaat and consortium partners BAM and Volker Wessels: to hand back the Hoevelaken motorway project when the balance of risk and reward in the contract form proved unacceptable. Exploring more future-proof contract forms in cooperation with Rijkswaterstaat is a joint industry effort. Van Oord is pleased to join these discussions about the market vision, with parties looking out for one another's interests and risks while enhancing client value.

Business unit Netherlands intensified its focus in 2019, boosting execution of complex projects and carefully selecting which tenders to bid on and which partners to work with.

Tenders and new projects

We won the beach replenishment contract for Julianadorp, Callantsoog and Den Helder. Project execution has started and will run through 2020. This is expected to be the inaugural project for the new trailing suction hopper dredger Vox Amalia.

In Zeeland we were awarded the Western Scheldt estuary coastal reinforcement contract. This project will involve reinforcing the foreshore at 11 locations and building marine structures to promote nature conservation.

ViA15

In December, the Design, Build, Finance and Maintain contract (DBFM) for the A12/A15 motorway project (ViA15) was awarded to the GelreGroen consortium. Together with Dura Vermeer, BESIX and HOCHTIEF, Van Oord will be responsible for project design, construction and maintenance. The work will take place between 2020 and 2024.

The ViA15 project will improve traffic safety and regional quality of life by extending the A15 motorway for a further 12 kilometres and widening stretches of the A12 and A15. Client Rijkswaterstaat assessed the plans not just on price but also on sustainability, risk management and traffic disruption criteria. Sustainability is one of the focal points of the project and plays a major role in the design and construction of the motorway and in its operation, reflected in the efficient use and reuse of materials and the construction methods themselves.

Afsluitdijk project in full swing

Execution of the Afsluitdijk reinforcement project went into full swing in April. For this carbon-neutral project, we are engaged in an ongoing process of innovation together with our consortium partners BAM and Rebel. One example is the 56% reduction in carbon dioxide emissions by using specially designed sustainable Level-blocs that require much less concrete to produce than comparable dyke reinforcement material. Up to 75,000 of these blocks (each weighing 6,500 kilos) will be installed on top of the existing basalt blocks.

In September the consortium inaugurated a production facility which can deliver at least 100 Level-blocs a day. Built on a 10-hectare site in Harlingen, the factory is based on circular construction principles. The blocks are transported by ship to the Afsluitdijk site and installed straight from the vessel to prevent traffic disruption.

A16: Digital twin technology

Execution of the new A16 motorway project in Rotterdam started in March. Together with our partners in the Groene Boog consortium, Van Oord is responsible for designing, building and pre-financing the project and for management and maintenance for a 20-year period.

The 11-kilometre-long motorway will link the busy A16 and A13 motorways in Rotterdam. Plans include an 11-metre-high flyover and a 2.2-kilometre-long tunnel under the river Rotte. This will be the first completely energy-neutral motorway that includes a tunnel. To minimise disruption to local communities, a service road has been created to bring in the equipment and materials needed, including 3.5 million cubic metres of sand. And a virtual representation of the construction process, known as 'digital twin', tests all the processes and spots any issues before they arise.

Other projects

The contract for beach replenishment on the islands of Texel and Ameland is part of a broader coastal maintenance project for the Wadden Islands. The project, which runs through 2020, involved the supply of 7 million cubic metres of sand to rebuild beaches, stimulate dune formation and provide storm protection to the islands.

Work continued on the 25-kilometre-long Houtribdijk project together with consortium partner Boskalis. It combines flood protection between lakes Markermeer and IJsselmeer by creating a 270-hectare nature reserve. In collaboration with consortium partner Denys, the Biesbosch National Park water storage and pumping project got underway on behalf of water company Evides. We successfully completed the dredging work for the Marker Wadden Channel project, and dyke improvement work at Den Oever.

Subsidiaries

Subsidiary Paans Van Oord played an important role in supporting our business with their own contracts and by providing equipment, including the world's first LNG-fuelled crane vessel Werkendam and the recently renovated Leendert Sr.

Van Oord Grondstoffen worked successfully on the Marker Wadden Channel project, moving topsoil into the Marker Wadden Islands to help nature thrive and transporting accessible sand for use on infrastructure projects. The continued growth of this company supports our strong position in the market.

Outlook

Despite market uncertainties, the order book for 2020 is healthy and new projects are on the horizon, including knowledge tenders for innovative approaches to beach replenishment and carbon reduction. Clients are looking for trusted partners that can deliver on complex projects and help them meet environmental, social and emissions targets.

Business unit Netherlands will continue to focus on operational excellence, product innovation and early contractor involvement with clients to deliver Marine ingenuity and sustainable solutions that contribute to Dutch society and make business sense for all stakeholders.



Revenue*

173

2018: 115

Future-proof Dutch infrastructure

Climate change is increasing the risk of flooding, both in coastal and delta regions. To guarantee that Dutch feet will stay dry and infrastructure stays future-proof, Van Oord regularly works on coastal defence, dyke reinforcement and infrastructure projects.



Order book*

980

2018: 875



2019 highlights

- Execution of the Afsluitdijk reinforcement project
- Award of the ViA15 motorway project
- Completion of the Havendijk Den Oever defence project
- Start of the A16 motorway Rotterdam project

27 projects

countries

1



Trends

- Future societal challenges on energy transition, climate change and congestion in the Netherlands
- Large-scale road, waterway and flood projects on the horizon
- Constant pipeline for inland infra and delta works in long term planning
- Increased focus on sustainable execution
- High risk on large government projects
- Change risk division and contracts expected: Rijkswaterstaat plan of action to work towards a vital infrastructure sector



Fleet capacity utilisation rate in weeks**



Trailing suction hopper dredgers

22

2018: 22



Cutter suction dredgers

21

2018: 21

* million Euros

** including cold stacked equipment

Netherlands key figures

Netherlands activities contribute to 4 UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



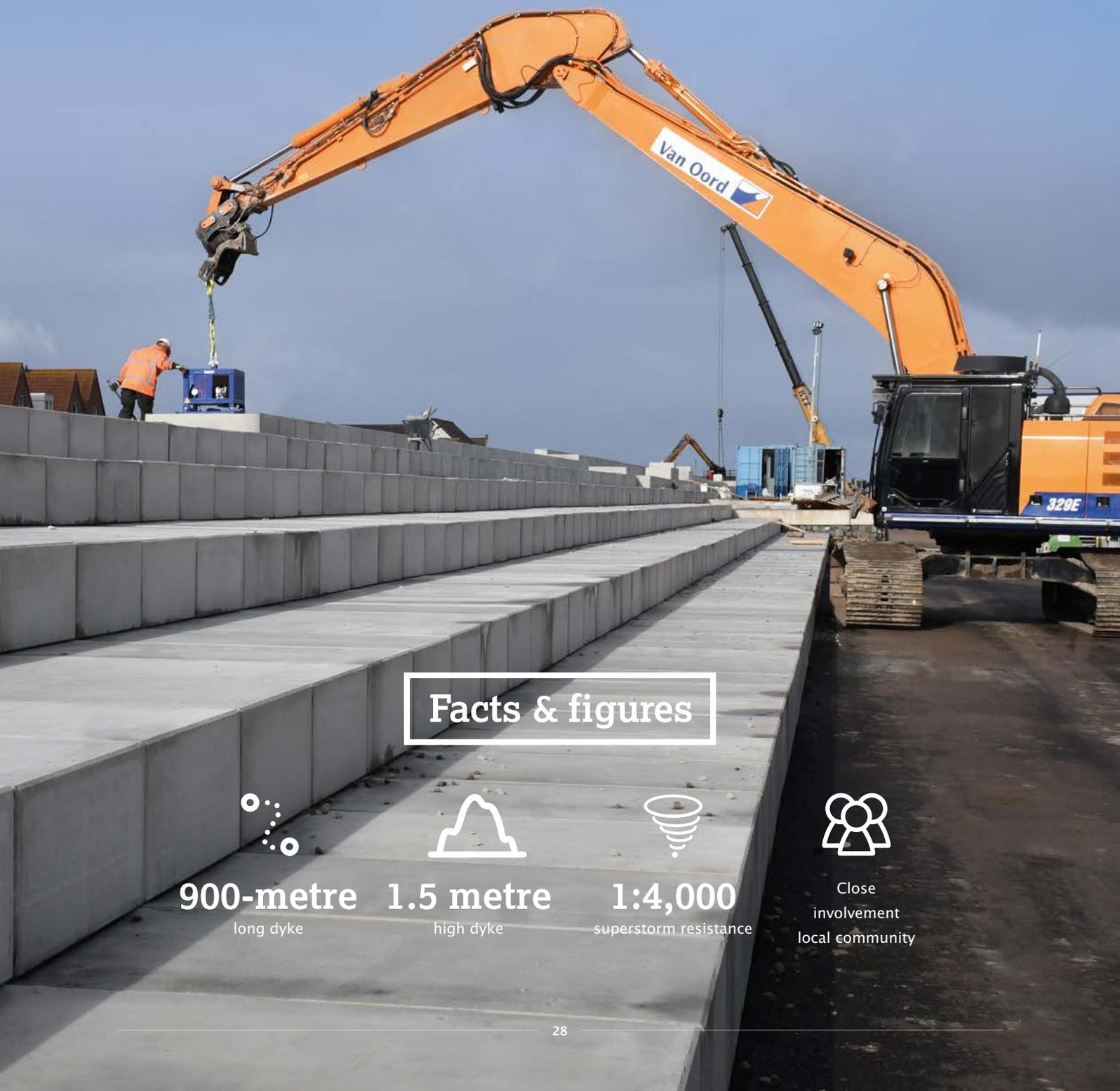
11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



The tribune dyke: A better place for future generations



Facts & figures



900-metre

long dyke



1.5 metre

high dyke



1:4,000

superstorm resistance



Close
involvement
local community



Marjoke Hoeve

Regional Water Board Project Manager



Wulfert Bontenbal

Van Oord Project Manager

Let's talk

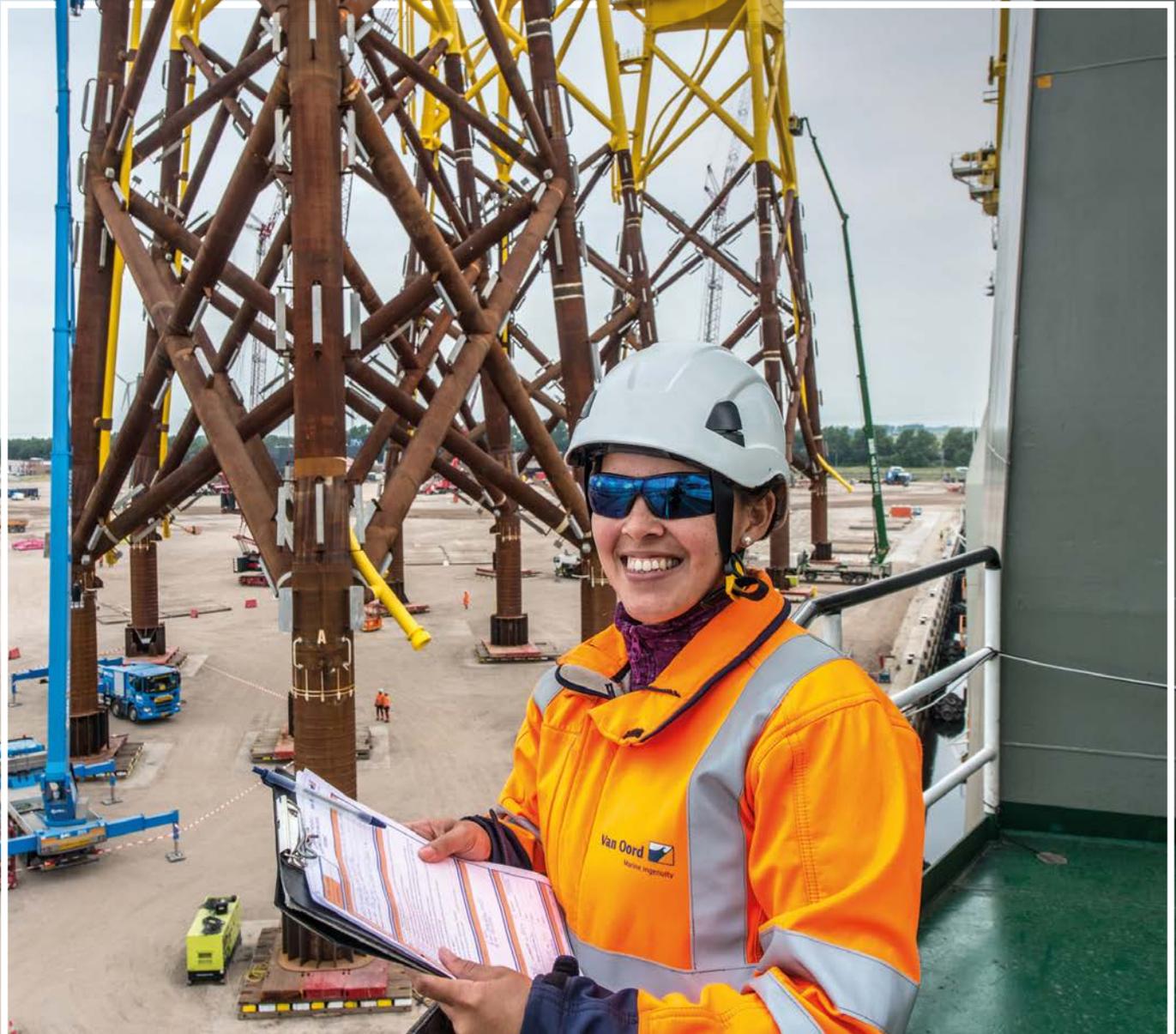
When residents and fishermen in the Dutch village Den Oever heard that their 900-metre-long dyke needed reinforcing, they were concerned they would lose their sea view and part of the fishing port. The needs of the community were paramount in the award of the contract. Let's talk to Regional Water Board Project Manager Marjoke Hoeve and Van Oord Project Manager Wulfert Bontenbal about innovative design, tailor-made solutions and working in partnership.

Marjoke: As part of the Dutch Flood Protection Programme, the dyke needed to meet the legal standard of 1:4,000. In other words it should be able to withstand a superstorm that occurs on average once in 4,000 years. Initially we thought the dyke would need to be raised by 3 metres and made much wider. That would indeed have blocked residents' view of the sea and could have reduced the size of the harbour. We knew that trust and transparency about contract execution were vital to keep local people on board.

The close working relationship with Van Oord was vital to achieving this result. Together we drew up 10 principles to express our way of working, such as respecting each other's responsibilities and risks, and working pragmatically to solve problems together. For instance, there was a sluice gate in the ground left over from previous dyke reinforcements. Strictly speaking that was our problem, but Van Oord always helped us manage the risks. Alerting us quickly to the issue, making a realistic cost estimate and coming up with work-around solutions helped keep the project on schedule.

Wulfert: The needs of the community were extremely important on this complex project. The Water Board made it clear from the start that they wanted to work in partnership. We came up with an innovative solution involving wave-resistant tiered cladding. We only raised the dyke by 1.5 metres and kept as much of the harbour intact as possible. Work started in 2017 and was completed in summer 2019 – 3 months earlier than planned, and almost within the original budget. With so many customised solutions, that's quite exceptional.

Another key principle was respecting each other's interests. For instance, we can execute the job and simply move on, but the Regional Water Board has a long-term relationship with the community. The locals now refer to it as the tribune dyke. Technically, it protects the town from the sea, but it's also a recreational area where people take a walk or sit and watch the boats come in. So we've helped create a better place for future generations.



Offshore Wind

Offshore wind is a key contributor to achieving climate change targets around the world. Having entered the offshore wind sector in 2002, Van Oord is a leading player in this market and has been involved in more than 40 projects. In 2019 we worked on and completed offshore wind farm projects that deliver renewable energy to over 2.5 million households. New contracts awarded for offshore wind farms will supply 1.5 million households with renewable energy in future.

Integrated approach

2019 was a busy year. Several Transport & Installation (T&I) contracts and 2 Balance of Plant (BOP) contracts. The BOP contracts involved design, procurement and installation of the foundations, inner array and export cables and the offshore high-voltage stations. Taking this integrated approach and using our own equipment enabled us to install complete wind farms well within the designated timeframe. On some projects, we had to overcome challenges, and that impacted profitability. These were related mainly to issues in the supply chain, for example at the East Anglia ONE project and the Norther offshore wind farm. From January 2020 we expanded our Quality Assurance and Control organisation to further improve quality management in the supply chain and take it to a next level.

Innovating for efficiency, the environment and safety

We were proud that our calculation and design models for the Slip Joint monopile connection technology received DNV GL certification. This new connection allows the monopile and transition piece to be split into 2 sections, enabling transport and installation of bigger foundations on existing vessels while reducing installation times and maintenance costs. It is one of the many innovations of the Borssele V innovation site and will be installed in 2020.

A new underwater noise mitigation system (NMS) was tested which we developed in cooperation with our partner AdBm Technologies, with support from independent research organisation TNO. NMS means less disturbance for marine mammals near construction sites as it reduces underwater noise from offshore pile-driving. Test results have so far been favourable.

Together with heavy lifting and transport specialist Mammoet and Verton, an Australian scale-up tech company, Van Oord is developing a new lifting method to install wind turbine blades. The aim is to shorten installation cycle times and make installation safer for operators. Verton was selected through the maritime and port accelerator platform PortXL, of which Van Oord is a founding partner and mentor.

Tenders and new projects

Van Oord won its first cable project in Taiwan when client Ørsted awarded the cable installation contract for the 900 MW Greater Changhua 1 & 2a offshore wind farms. Together they will supply sustainable energy to approximately 1 million households a year from 2022. The contract will involve transportation, installation and

burial of 111 inter array cables and 3 export cables using the dedicated cable-laying vessel Nexus and the Dig-It trencher.

In the Zuiderzeewind consortium with Siemens Gamesa, Van Oord was contracted to design, produce and install the foundations and cables and deliver the installation materials for 89 wind turbines, each with 4.3 MW capacity, at Windpark Fryslân.

For client Iberdrola's Saint Brieuc project in France, Van Oord signed a preparatory works agreement for the installation of 62 jacket foundations. The Final Investment Decision is expected in the first half of 2020.

Projects in execution

As Balance of Plant contractor and shareholder in the Blauwwind consortium, Van Oord is involved in Borssele III & IV, one of the largest offshore Dutch wind farms. In October Van Oord's offshore installation vessel Aeolus installed the first of 77 monopiles. The wind farm will have a total installed capacity of 731.5 MW, delivering sufficient power for approximately 825,000 Dutch households.

Using heavy-lift installation vessel Svanen, we started executing the Transport & Installation (T&I) contract for client Vattenfall to install 72 monopiles and transition pieces at Kriegers Flak, Denmark's largest offshore wind farm, with a production capacity of just over 600 MW. It is scheduled to be fully operational by the end of 2021.

Working in The Two Towers consortium with Investri Offshore and Green Giraffe offers a unique opportunity to test and demonstrate advanced technologies at Borssele Wind Farm Site V, which has been designated as an innovation site. Examples include innovative monopile slip joint technology and Thermal Sprayed Aluminium, a cost-effective alternative to conventional anti-corrosion systems.

Van Oord subsidiary MPI Offshore was contracted to repair and upgrade the blades on 29 of the 60 turbines in the Prinses Amalia offshore wind farm. The offshore installation vessel MPI Resolution is especially suited to repairing and upgrading blades on board while remaining within the boundaries of the wind farm. Mobile repair facilities have been installed on deck to ensure that the work can be done in any weather.

The Hollandse Kust Zuid project for client TenneT involves burying export cables for the 2 Hollandse Kust Zuid offshore wind farms up to 5 metres below the seabed of the shipping lane. To meet this requirement, we developed a new Deep Dig-It trencher which will go into operation in 2020.

This remote-controlled trench jetting and cutting system means that Van Oord can offer its clients in offshore wind construction a complete service package, including cable burial.

Projects completed

The Norther offshore wind farm delivers renewable energy to 400,000 Belgian households. Van Oord completed its work in a record time of 9 months using offshore installation vessel Aeolus. Thanks to previous modifications of the Aeolus, the project was executed successfully.

On behalf of our client Northland Power, we successfully completed the Balance of Plant contract at Deutsche Bucht for installing 31 turbines on monopiles. Installation of the first of 2 Mono Buckets, part of a pilot project at Deutsche Bucht, was suspended due to a technical issue, but this did not affect the main Deutsche Bucht Project.

As a main contractor for offshore wind farm East Anglia ONE on behalf of Scottish Power Renewables, Van Oord transported and installed the largest number of 3-legged wind turbine foundations ever installed offshore. Unlike monopile wind turbine foundations, much of the work on jacket foundations takes place underwater, in this case at depths of more than 40 metres, often in rough seas with minimal visibility. To handle installation in these conditions, we developed a pile-driving template to drive the anchoring piles for each of the 102 3-legged jacket foundations into the seabed with high precision.

German Chancellor Angela Merkel officially opened the 385 MW Arkona offshore wind farm in April 2019 after the T&I contract for 60 monopiles and transition pieces was completed on time and to the full satisfaction of client E.ON in 2018.

Outlook

Our order book is solid, there are tenders in the pipeline for projects in Europe, Asia and the US. The market outlook is good, offshore wind is a high-risk business characterised by technical and environmental challenges, price pressure, new competitors and complex supply chains. To stay ahead we respond with agility and innovation.

We focus on the development of our people, vessels, digitalisation and sustainability to deliver value to our clients across the world. Van Oord contributes to the energy transition as a global trusted partner with integral offshore energy solutions.



Revenue*

571

2018: 706

Leading in offshore wind projects

Climate change and the need to reduce carbon dioxide emissions are driving the rising demand for renewable energy sources. With proven experience and an almost 20-year track record, Van Oord is leading the way in the transition to renewable energy by constructing offshore wind projects.



Order book*

735

2018: 1,095



2019 highlights

- Execution started of the Borssele III & IV project
- Award of the Greater Changhua offshore wind farm in Taiwan
- Completion of the Belgian offshore wind farm Norther
- Innovations come together at Borssele V Innovation site

20
projects

countries
6



Trends

- Offshore wind is a competitive technology
- Climate targets and ambitions push market
- Fast growth in NW-Europe and appetite outside Europe is also accelerating
- Increased pressure on the market and margins due to movement to zero-subsidies, entrance of competitors and supply chain challenges



Fleet capacity utilisation rate in weeks**



Offshore wind equipment

32

2018: 20

* million Euros

** including cold stacked equipment

Offshore Wind key figures

Offshore Wind activities contribute to 5 UN Sustainable Development Goals

7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



Off to a flying start on Borssele III & IV



vimeo.com/vanoord/aeolus



Facts & figures



825,000

Dutch households



77

wind turbines



731.5 MW

offshore wind farm



20 km

off the coast



Roeland Borsboom
Blauwwind Project Director



Jan-Willem Elleswijk
Van Oord Project Director

Let's talk

Van Oord is at the forefront of work that contributes to global, European and Dutch goals to combat the consequences of climate change and reduce carbon emissions. One example is Borssele III & IV, a 731.5 MW offshore wind farm under construction in the Dutch North Sea, which will deliver enough energy to power some 825,000 households. Let's talk to Blauwwind Project Director Roeland Borsboom and Van Oord Project Director Jan-Willem Elleswijk about managing interfaces and how this project got off to a flying start.

Roeland: Blauwwind is responsible for the design, construction and operation of Borssele III & IV. Our role is to manage the technical and operational interfaces between Van Oord, MHI Vestas and TenneT. It's my job to ensure that this EUR 1.3 billion project is completed safely, on budget and on time.

The high-voltage infrastructure is being provided by the government, which is a first, not just in the Netherlands but in the world. The numerous interfaces between the contractors and national grid operator TenneT, which is designing and building the offshore transformer station, make good communication and alignment vital.

Van Oord certainly got off to a flying start. The first monopile was in the water 15 months from the notice to proceed and the bank's financial close. This is an early-stage milestone to be proud of.

I have regular contact with all the stakeholders. Jan-Willem and I pick up the phone if there's something urgent and meet bi-weekly for an overall update. We talk about planning, TenneT interface preparations, quality and, of course, safety. We discuss what's going well, what could be an issue, how it could impact our stakeholders and the project as a whole.

Jan-Willem: Van Oord is responsible for engineering, supply and construction of the foundations and connecting cables. Being part of the consortium gave us extra confidence the project would go ahead. So we took advantage of a commercial opportunity to order the steel and start production well in advance. As we are supplying the vessels for scour, foundation and cable installation, we are able to deploy the fleet flexibly too.

MHI Vestas is also on schedule to supply the world's most powerful wind turbines of 9.5 MW. It was only a few years ago that the biggest turbines were 4 MW. This development marks a huge step forward in this innovative industry.

It's important to be ahead of schedule so you can mitigate unforeseen delays. Like finding 2 heritage cannons during the UXO survey, which are now being restored for display. There's a good spirit of cooperation and entrepreneurship. It's in everyone's interest to keep the project on schedule.



Offshore

Van Oord is a niche specialist in 2 offshore services. Offshore pipeline installation (OPI) provides integrated solutions with a focus on installation and stabilisation for offshore oil and gas infrastructure. Subsea rock installation (SRI) is a seabed intervention technique using a fleet of 3 flexible fallpipe vessels to place rock on the seabed to stabilise and protect pipelines, wind farm monopiles, cables and other offshore installations.

In the past 2 decades, Van Oord has devoted itself to developing and building offshore wind farms, thereby leveraging its offshore expertise. Van Oord is at the forefront of work that contributes to global, European and Dutch goals to combat the consequences of climate change and reduce carbon emissions. Although Van Oord has shifted towards wind energy, oil and gas is still relevant to its business. The move away from oil and gas might be relevant in the western world, but many parts of the globe cannot afford to do so yet. The contribution of oil and gas to the socioeconomic growth of developing countries cannot be ignored. In these countries, oil and particularly gas are a welcome substitute for more polluting fuels such as wood and coal.

The world's reliance on fossil fuels is still huge, but that is unlikely to change overnight. To meet the growing demand for energy, the world still needs oil and gas. That is why Van Oord will continue to install, stabilise and protect oil and gas infrastructure. We do this while leading the way in the energy transition to renewable energy by constructing offshore wind projects.

2019 was a year of repositioning for the Offshore business unit. Overall revenue was higher and the financial results were solid. Vessel capacity utilisation in SRI was high thanks largely to offshore wind farm projects in the North Sea. The OPI industry has not recovered yet, but in June 2019 Van Oord was awarded a major Liquid Natural Gas (LNG) pipeline installation contract in Mozambique.

In the first few months of the year, management devoted itself to delivering a new data-driven strategy that will generate fresh insights into the needs of clients and identify new markets in different geographies. The mission is to maintain Van Oord's current position as market leader in SRI and find new opportunities for OPI by offering integrated solutions for complex shallow-water pipeline projects.

Mozambique LNG project awarded

In 2019 Van Oord was proud to be awarded the EPCI contract for the Mozambique LNG project. Natural gas is a critical factor in the transition to less carbon-intensive sources of energy and in making energy accessible to developing countries. With natural gas reserves of 2.8 trillion cubic metres, Mozambique plays an important role in the emerging African LNG sector.

With consortium partner TechnipFMC, Van Oord started work on the tender for this prestigious project in 2014. The oil crisis was one of the factors delaying the project award. In 2017 the client approved the development plan and the consortium submitted the final proposal in 2018.

Further preparations are needed before execution starts in 2021. The LNG facility will be operational in 2023. The total value of the contract for the consortium TechnipFMC and Van Oord is over USD 1 billion. The client is Total E&P Moçambique Área 1, Lda, a wholly-owned subsidiary of Total E&P.

The Van Oord-TechnipFMC consortium will construct the subsea infrastructure to transport natural gas from gas fields located 40 kilometres off the coast to 2 new plants on mainland Mozambique. There it will be converted into LNG. The consortium is responsible for installation, engineering, construction and procurement.

Van Oord is responsible for activities in depths down to 30 metres. Pipe-laying vessel Stingray will install pipelines and cables in the pre-dredged installation trench. The 17-kilometre-long trench will then be backfilled. The environmental requirements at the construction site are strict and the project team is devoting considerable attention to managing and mitigating any adverse impacts and promoting environmental and social benefits. These include coral reef rehabilitation, and education and training for local people.

Projects executed

In the first half of 2019 the Offshore business unit, in close cooperation with the Dredging business unit, constructed a landfall for 2 new oil and gas pipelines at the Oso field in Nigeria. Stornes executed various projects under a framework agreement for Equinor, the Norwegian state oil company. Subsea rock installation is also a method used for scour protection at offshore wind farms. On behalf of the Van Oord Offshore Wind business unit, we worked on the Norther, Borssele I & II and East Anglia ONE wind farm projects in 2019.

Bravenes milestone

All 3 fallpipe vessels were busy in 2019. Bravenes even reached the milestone of 1 million tonnes of rock installed in the first 18 months since it came into operation.

The ability to install rock in 3 different ways makes the Bravenes an innovative vessel in its class. It is versatile and can be deployed on both SRI projects in deep water and projects in shallower water. With its unique tremie pipe, the Bravenes can install heavy rocks with great precision at close proximity to offshore platforms and offshore wind farms. In 2019 the Bravenes was deployed for seabed stabilisation works on the Nord Stream 2 project. The vessel also contributed to completion of the Norther wind farm project in a record time of 9 months.

Outlook

Consistent and disciplined implementation of the new Offshore strategy will be priority. Synergy and complementarity between activities company-wide will be key as we position for growth. Thanks to Van Oord's position in the dredging market, Offshore can make a huge difference on pipeline projects that involve dredging and backfilling pipeline trenches. The focus for OPI will be on increasing tender hit rates and project results and exploiting new opportunities to offer clients integrated solutions.

Similarly, the prospects for growth in the offshore wind farm industry bring new opportunities for SRI. We will expand our geographic presence and intensify efforts to automate processes to become even more efficient. Overall the aim is to improve operational excellence and make the commercial organisation more proactive in getting to know our clients better. Data tooling and market intelligence platforms will be important to deciding which projects to bid for and which partners to choose, in line with Van Oord's strategy to become a more knowledge-driven organisation.





Revenue*
210
2018: 203

Specialist in offshore infrastructure

The growth of the world economy and population is driving the global demand for energy. Our offshore oil and gas activities provide integrated solutions with a focus on the installation, stabilisation, and protection of offshore oil and gas infrastructure.



Order book*
435
2018: 227



2019 highlights

- Award of the LNG pipeline installation contract in Mozambique
- New Offshore strategy delivered

50
projects

countries
13



Trends

- Offshore contracting sector is slowly recovering on healthier demand and price levels
- Increased investments and sanctioning of offshore projects, will flow to late cyclical contractor market
- However, oil price and energy demand not recovering as strong as expected
- Awaiting right momentum and price level to go forward with projects



Fleet capacity utilisation rate in weeks**



Flexible fallpipe vessels
39
2018: 36

* million Euros

** including cold stacked equipment

Offshore key figures

Offshore activities contribute to 2 UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Future-proofing Nigeria's oil and gas infrastructure



<https://magazine.vanoord.com>



Facts & figures



Remote project
location



Training opportunities
for the local population



24" gas and
20" oil pipeline



Steve Nnorom
NigerStar 7 Project Manager



Bart Kloet
Van Oord Project Manager

Let's talk

Nigeria is rich in mineral resources, including oil, gas, coal, tin, iron and zinc. Proceeds from the sale of oil and gas form the backbone of its national economy. A good oil and gas infrastructure is therefore crucial to the country. Let's talk to NigerStar 7 Project Manager for the landfall/Dredging Scope Steve Nnorom and Van Oord Project Manager Bart Kloet about constructing a landfall for the oil and gas pipelines.

Steve: The Oso field is located off the coast of Nigeria, in the Bight of Bonny. The field is approximately 12 miles from shore and 30 miles southwest of the onshore Qua Iboe Terminal (QIT). NigerStar 7 was contracted for the engineering, construction, transportation, installation and pre-commissioning of 20 kilometres of a 24"-inch oil pipeline between the Idoho Platform and the Qua Iboe Terminal onshore. It was also responsible for the installation of approximately 9-kilometre-long section of a 20"-inch OSO-QIT gas pipeline from QIT to Offshore laydown point. We contracted Van Oord to construct the landfall and perform shore pull of the 2 pipelines to a pre-determined tie-in point onshore.

Both pipelines were pulled from a pipelay vessel into the trench. Van Oord used a 600-tonne winch to pull the pipelines onshore. An excavator then covered the pipelines in the cofferdam with a layer of sand while the natural backfill method was used offshore. Safe transport of all this equipment to and from the project had to be prepared in detail, because the project site was located approximately 170 kilometres from the Cameroon border and about 120 kilometres from Port Harcourt. This extremely remote project site was a logistical challenge that Van Oord managed well.

Bart: Combining its dredging and offshore specialists and capabilities Van Oord is able to offer an integrated package for all services required to construct a landfall. To prepare the nearshore area for the installation of the pipelines we first built a 183-metre-long cofferdam. The Athena, our largest cutter suction dredger, expertly dredged a 5-kilometre-long trench. The Mass Flow Excavation technique was used in the surf zone to connect the trench with the cofferdam excavation.

Van Oord offered dozens of unskilled local people the opportunity to attend an external vocational training course. After that, they could play a role on the project site in a variety of positions. At the start of the project, we also took stock of all the products and services required and then surveyed local residents and businesses to ensure that the community gains maximum benefit from our presence in the area.

2

Strategy and value creation

Market developments and relevant trends
Corporate strategy
The Right People, Sustainability, Vox Data
Business model and value creation
Stakeholders and materiality matrix
Outlook



Van Oord's kite-surfing team made a 800-kilometre-long journey along the Brazilian coastline from Fortaleza to São Luís.

Market developments and relevant trends

Van Oord's 4 business units operate in various markets, each with its own dynamic. In 2019 our international dredging activities were affected by shrinking volumes and ongoing price pressure. While dredging still represents around 40% of Van Oord's total business, it is clear that the achievements of the past are no guarantee for the future. Our Offshore business unit saw a slight recovery. There were very positive developments in our coastal protection, dyke reinforcement and infrastructure business in the Netherlands, and we maintained our leading position in the offshore wind sector.

The synergies between our business units present opportunities to ride out cyclical movements. For instance, offshore projects often require dredging activities and the offshore wind sector creates seabed rock installation opportunities for our offshore business.

Challenging operating environment

Cyclical and structural factors are changing the markets in which Van Oord operates. The cyclical changes include oil price volatility and geopolitical instabilities that continue to reduce the appetite for investment in the oil and gas sector. Structural changes include increased competition from China and the Middle East. The fact that competitors in smaller countries are often supported by local protectionist measures and local content requirements mean that the playing field is far from level.

There are many geopolitical and regulatory changes that also influence Van Oord's business. Impending trade barriers could adversely affect trade flows and port expansion. The impact of Brexit remains to be seen, but the risk of conflicts suddenly erupting around the world was clearly evident in the early weeks of 2020. In 2020 we also expect a great deal of uncertainty due to the global outbreak of the coronavirus (COVID-19).

PAS and PFAS (2 regulatory changes on nitrogen deposition and industrial chemicals) will likely impact infrastructure and dredging projects in the Netherlands. Due to the intensifying focus on climate change and the introduction of national legislation to enforce emissions targets, environmental and social factors are increasingly important to how we and our clients do business.

The combination of cyclical and structural developments is driving Van Oord to adapt. We are investing in our people, our knowledge base, and in social and environmental aspects

PAS and PFAS

Starting in spring 2019, infrastructure and dredging activities in the Netherlands were influenced by 2 regulatory changes relating to PAS and PFAS.

In May 2019, the Council of State in the Netherlands ruled that activities that increase nitrogen deposition are permissible only if they meet the requirements set out in the Nitrogen Action Programme (known as PAS in Dutch). This has caused delays in issuing new construction permits or led to the withdrawal of existing permits.

In July 2019 a new temporary standard was announced relating to the presence of poly- and perfluoroalkyl substances (PFAS) in, among other things, soil, dredging material and surface water. The new temporary standard brought many soil and dredging projects to a standstill. For example beach replenishments and sand supply to the A16 motorway project. The sector's joint mitigation efforts resulted in some relaxation of the standard in early December. The full impact of PAS and PFAS issues on clients and projects in the Netherlands remains to be seen.

across all our businesses to ensure that we remain relevant, add value and help our clients outperform in their markets.

Energy transition as a business driver

As governments and companies around the world strive to meet ambitious carbon reduction targets, we can use our capabilities to make a difference in supporting climate change mitigation and adaptation through Marine ingenuity. According to the energy supply forecast issued by DNV GL (an independent certification service company), the share of renewables is set to increase significantly at the expense of fossil sources, while absolute and relative shares of natural gas are expected to stabilise after a relatively small increase. We see gas as a key transition fuel, particularly in developing countries, which cannot yet afford to make the transition to renewable energy.

Offshore contributed to the energy transition on 2 fronts in 2019. To begin with, it won the contract for the world's first Liquid Natural Gas (LNG) facility in Mozambique, a project that will also have an important social dimension in terms of local jobs and training. Second, Offshore's SRI activities also provided valuable support for wind turbine foundations. Its OPI activities, on the other hand, were impacted by continuing lower capital expenditure by the oil and gas industry.

The market for offshore wind is still growing. The current supply of renewable energy is not sufficient to meet world demand, and in Europe alone supply could reach 450 GW by 2050. While the outlook is good, offshore wind remains a high-risk business characterised by technical and environmental challenges, price pressure, new competitors and complex supply chains. Offshore wind projects in European waters has triggered interest from all around the world, including utilities and offshore oil and gas players. While the price of producing wind energy is falling and competition is increasing, complex wind projects remain a high-risk venture. For instance, in some markets as much as 40% of the supply chain must come from local contractors which creates challenges in itself.

Many of the projects undertaken by the Dredging and Netherlands business units involve adaptation to rising sea levels. Both business units contribute to extensive coastal protection and flood protection solutions in low-lying regions like the Netherlands, the Maldives and Indonesia.

Digitalisation

The pace of digitalisation shows no signs of slowing and big data, artificial intelligence and robotisation are transforming the world and many industries. In a competitive and challenging operating environment, digitalisation empowers new business models and is increasingly becoming a licence to operate as clients look for smarter and safer marine solutions.

In accordance with its Vox Data strategy, Van Oord is focussing on leadership development, strategy building and quickly launching relevant new digital pilot projects for the entire organisation.

We aim to arm our leaders with the relevant digital visions and capabilities to lead the company into the new age. Business units are building digital strategies to create new revenues streams, design ways to deliver exceptional client value and to make operations smarter and more efficient. By initiating more and more pilot projects, we want to develop new digital solutions at high pace and with high impact.

Van Oord's soil improvement division Wicks installing vertical drains at the A16 motorway project in Rotterdam, the Netherlands.



Corporate strategy

Van Oord has a purpose: to create a better world for future generations by delivering Marine ingenuity. To achieve this purpose, we have clearly defined business and corporate strategies.

Each business unit has its own operational strategy based on operational excellence, product innovation and early involvement to improve commercial effectiveness. These strategies tie into Van Oord's corporate strategy, which focuses on growing from an asset-enabled to a more knowledge-driven organisation. In turn, our corporate strategy is supported by 3 strategic themes: the Right People, Sustainability, and Vox Data.

From asset-enabled to knowledge-driven organisation

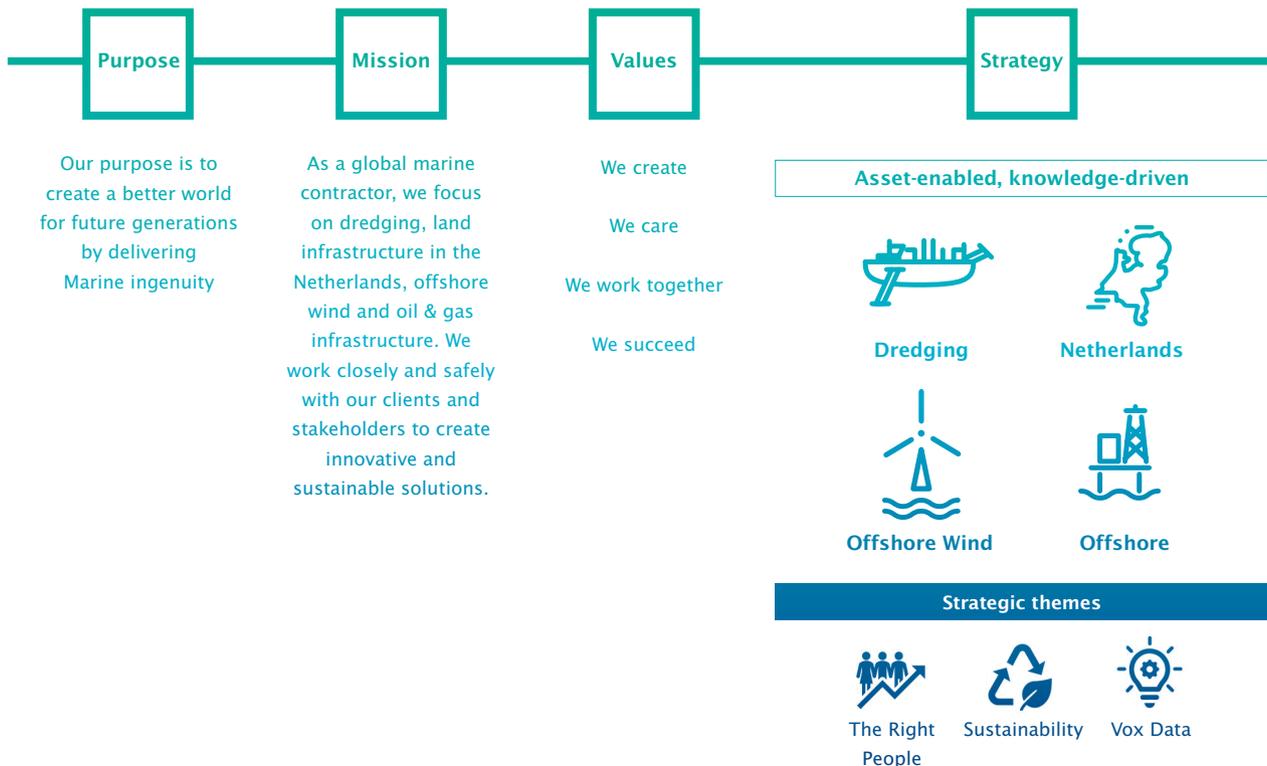
While Van Oord has always stood out for its high-quality vessels and equipment, having the best fleet is no longer the prime differentiator. As clients' needs change in response to a demanding and dynamic market, they want more than the best fleet; they want peace of mind. After all,

the costs of an offshore wind farm, a new harbour, flood protection system or gas refinery can run into millions, if not billions. For major projects with significant impacts on the physical and social environment, on local and national economies and on communities, price is not the sole consideration.

Clients are increasingly looking to us for support in contract preparation, design & engineering, stakeholder management and equity participation. They want innovative and sustainable solutions proposed, developed and implemented by reliable partners.

By transforming to a knowledge-driven organisation, Van Oord is augmenting its long-standing experience and knowledge with data-driven insights and staff with more diverse skills. We aim to be a proactive partner that answers questions our clients may not even know they have. A marine contractor that builds relationships and brings bright new ideas to the table with a fresh take on Marine ingenuity, and that invests selectively in its fleet to provide sustainable solutions to evolving needs.

Corporate strategy



Working in partnership

The 3 strategic themes – The Right People, Sustainability and Vox Data – underpin our growth from an asset-enabled to a more knowledge-driven organisation. Put simply, Van Oord cannot do business without getting and keeping the right people. Using data and information about what drives them, we can help them develop. Where digitalisation augments knowledge and experience, it provides an optimal basis for Marine ingenuity. And that ingenuity drives the sustainability agenda in turn. Both help us to attract and retain talents with the right mindset. The people who work for Van Oord are not only motivated by technical challenges, competitive salaries and development opportunities. They also want to work in a company that has a purpose, one that is making a sustainable impact on the world as well as a profit.

New top management structure

Van Oord changed its top management structure with effect from 1 January 2020. The new executive body, known as the Executive Committee, now includes the managing directors of the 4 business units alongside the CEO, CFO and CCO. By ensuring better representation of the business units in its top governance body, Van Oord is creating a company-wide leadership team. The aim is to pursue the Van Oord strategy and vision as a team and respond more effectively to the complex and dynamic nature of the maritime industry.



The Right People

In Van Oord's dynamic and competitive operating environment, it is vital that employees at all levels can adapt to rapidly changing circumstances. The Right People strategy supports the corporate strategy of an asset-enabled to a more knowledge-driven organisation.

The objective of this strategic theme is to ensure that the people at Van Oord - from recent recruits to experienced seniors - are the right people at the right time and place. Equipped with the required expertise, skill sets and behaviours to meet clients' demands.

Recruitment and onboarding

As a project organisation Van Oord needs the capacity to scale up and down as contracts are awarded or completed and tenders are won or lost. In 2019 the Personnel & Organisation department (P&O) supported the company in scaling up its operations, for instance on the Afsluitdijk reinforcement project and A16 Rotterdam motorway project in the Netherlands. At year-end 2019 70 vacancies were open, compared to 200 at year-end 2018.

Temporary external staff are another solution for short-term resourcing issues. In 2019 FlexOord was introduced as a one-stop shop for a more efficient external hiring process. The implementation of FlexOord was close to completion in December and will be finalised in 2020.

One objective of the Right People strategy is to attract a more diverse and international workforce. We are intensifying these efforts through our offices in the UK and Germany and by continuing to offer highly regarded technical traineeships. 30% of the new hires in 2019 have an international profile.

In 2019 improvements were made to the employee journey. For new employees, the onboarding package was updated with an app, a buddy for the first 3 months and an upgraded introduction day. We want to ensure that our new hires feel at home.

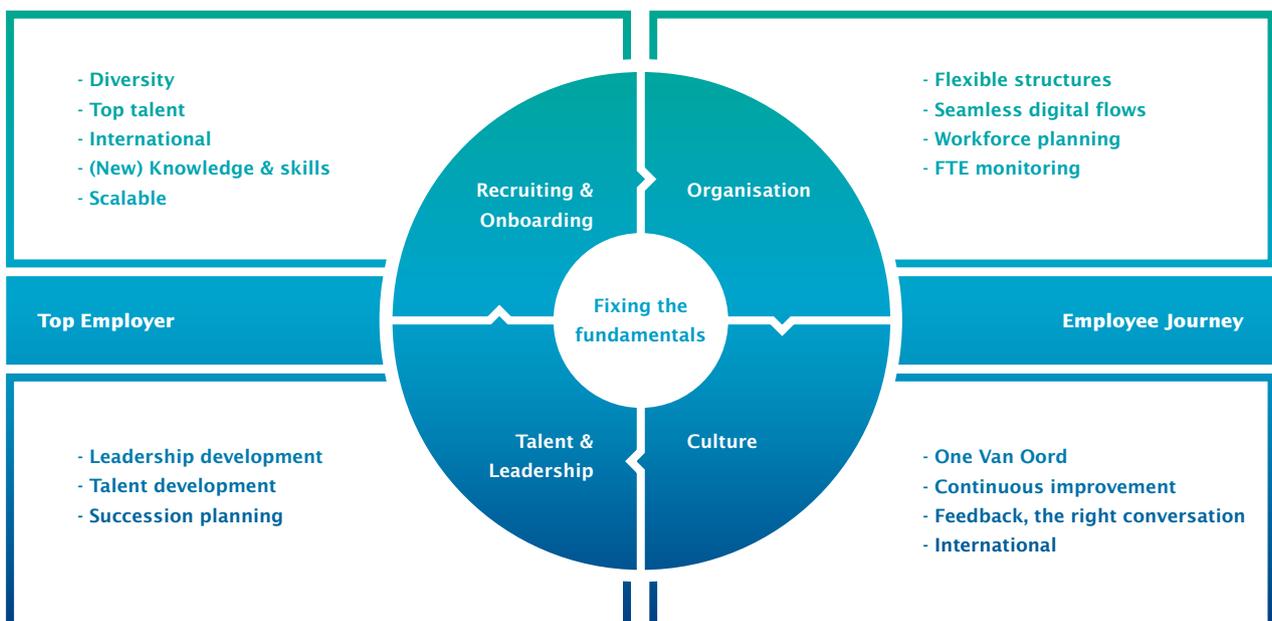
Attractive employer

Van Oord has an attractive employee value proposition: its purpose of creating a better world for future generations, good terms of employment, and prestigious and challenging projects across the globe. Work-life balance, vitality and talent development are important elements of this proposition and received attention in 2019.

A 3:2 work/leave cycle was introduced in the Netherlands for projects involving continuous production where the work is comparable to that carried out under the 6:4 work/leave cycle abroad. This schedule is now applied as the norm. Van Oord believes it now offers a well-balanced set of employment terms that highlight its attractiveness as an employer.

A StayFit fitness facility that employees can use free of charge opened at the head office in Rotterdam in February. The StayFit concept was first introduced in 2017 to improve vitality in the fleet. Van Oord also showcased itself as a potential employer of choice by participating in information and education events for school children, students and talented refugees in the Netherlands.

Leading principles The Right People



The Right Conversation

The successful development of our employees is an important company objective. We encourage managers to discuss personal development with their team and to provide feedback. A new approach has been developed to improve the annual evaluation session. To help improving the dialogue, the annual appraisal form was subjected to review and revision in 2019. The new appraisal form facilitates the 'right conversation' between leaders and their team members by fostering a different type of dialogue that encourages them to connect and allows employees to give leaders feedback. Together they will not only look back at performance but also discuss the employee's development aspirations and how to achieve them.

Leadership in times of transformation

The transition from an asset-enabled to a more knowledge-driven organisation requires a different approach from managers and leaders. They must look beyond the technical expertise needed to complete a project and introduce diverse skills and attitudes that will enable their teams to work with clients in an integrated approach. Leaders should be able to facilitate diversity so that we capture a variety of insights leading to the best and most sustainable solution. In 2019 P&O worked with international business

development school IMD to create a leadership development programme focusing on good leadership in times of transformation. The first group of senior managers will start the programme in April 2020. It will increase awareness of the many changes in the outside world – including digital transformation – and enables them in becoming better leaders.

Fixing the fundamentals

The P&O organisation is undergoing its own transition. In 2019 we intensified cooperation with Van Oord's management teams to support the new business unit structure and professionalise the change process in the company. The project plan for a new organisational structure for P&O was presented late 2019. The aim is to bring core processes and procedures into a shared service centre that, among other things, will reduce duplication and improve response times. P&O will work with Vox Data and external experts to deliver this efficiency drive and add value for internal clients.



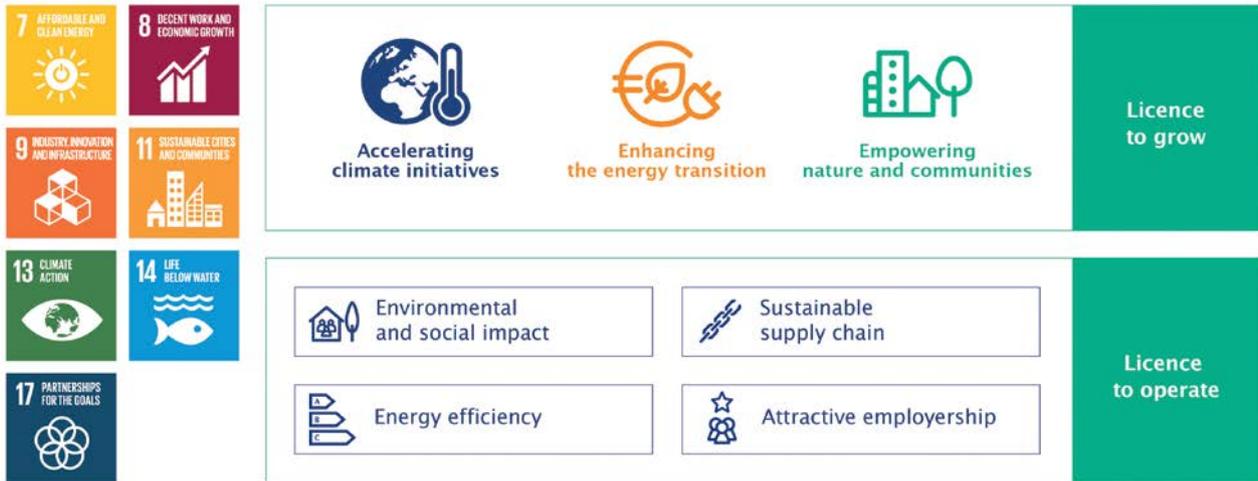
Almost 100 Van Oord employees participated in the Rotterdam Harbour Run 2019.



Sustainability

By delivering Marine ingenuity, Van Oord is building the basic infrastructure of society and creating a better world for future generations. We are prepared to take responsibility and we care about creating a sustainable world. The sustainability framework forms the basis for all our sustainability efforts, both as our licence to operate and as our licence to grow.

Sustainability is our core business



More than 150 years of stewardship with a proven track record of successful Marine ingenuity

Sustainability framework

Our sustainability framework highlights 4 priorities that hold the key to our sustainability performance: environmental and social impact, sustainable supply chain, energy efficiency and attractive employership. These priorities are our licence to operate. The framework also highlights 3 goals that enable us to expand our business and prosper in the future: to accelerate climate initiatives, to enhance the energy transition and to empower nature and communities. These goals are our licence to grow. It also includes 7 of the 17 UN Sustainable Development Goals (SDGs) on which our activities have the largest impact.

Proactive leadership for sustainability impact

In 2019 we launched the Sustainable Earth Actions (S.E.A.) programme to boost the impact of our sustainability efforts: with and for our clients, our supply chains and our employees. A dedicated sustainability director was appointed to promote sustainability performance more proactively and establish Van Oord as a thought leader. A dedicated director was appointed to lead our international Climate Adaptation programme in collaboration with the Global Center on (climate) Adaptation, which is supported by the United Nations.

A key objective is to embed the S.E.A. programme in all departments so that every employee develops the mindset to act as a sustainability leader. Sustainability is already a

key theme in procurement, shipping management and employer branding. The next step is to further incorporate sustainability into all tenders and projects, since we believe that 'Sustainability = Business'.

Van Oord published 2 white papers on licence to grow themes: 'Accelerating Climate Initiatives' came out in May 2019 and 'Enhancing the Energy Transition' was presented in November to Crown Prince Frederik of Denmark at WindEurope Offshore in Copenhagen. These thought-leadership pieces highlight the opportunities and the challenges that Van Oord faces in its efforts to contribute to a better world while incorporating sustainable innovations into its regular business operations.

Sustainability meets new business

Van Oord is committed to creating a better world for future generations by Marine ingenuity, and not just in words, but in innovative deeds.

Van Oord's activities include the design and construction of innovative coastal defences and dyke reinforcement, both of which contribute to climate adaptation. On the Houtribdijk project in the Netherlands, the dyke is being reinforced with asphalt, but also by creating wide, sandy banks that will encourage biodiversity. This is an example of applying nature-based solutions, also referred to as the Building with Nature principle. The project is a world premiere, being the first time this method has been used along a large inland lake.

Innovations at Borssele Wind Farm Site V

A new sustainable energy zone is under construction some 20 kilometres off the Dutch coast: Borssele Wind Farm Site V. The Two Towers consortium, consisting of Van Oord, Investri Offshore and Green Giraffe, has been awarded the concession and has therefore been given a unique opportunity to test and demonstrate advanced technologies.

Slip Joint: Application of the innovative Slip Joint technology to connect the monopile and transition piece. This technology has 2 major advantages: the slip joint itself is maintenance-free and installation cycle is several hours shorter, resulting in potential major cost savings.

ICCP optimisation: Undertaking scientific research to improve our understanding of the relationship between

Impressed Current Cathodic Protection (ICCP) performance, the forming of hazardous gases and water replenishment in the foundation.

TSA Coating: Development of an automated and controlled system to apply Thermal Sprayed Aluminium (TSA), a cost-effective alternative to conventional paint-based corrosion protection systems for foundations.

Oval cable entry hole: Adjusting the cable entry hole in a monopile from round to oval. This reduces the stress concentration in the monopile, meaning less steel is required.

Eco-friendly scour: Testing outplacement strategies for flat oysters on scour protection to determine which method works best for long-term establishment of oyster reefs on scour protection.



Slip joint



ICCP
optimisation



TSA coating



Overall cable
entry hole



Eco-friendly
scour

With its focus on renewable energy production, Van Oord makes a significant contribution to climate mitigation through its offshore wind business activities. Several innovations are being tested at wind farms to help restore marine biodiversity and reduce noise disruption caused by piledriving. One example is the Borssele V innovation site, where sustainability meets new business opportunities.

Investing in energy efficiency

By 2050, global shipping must have reduced its carbon dioxide emissions by an average of 50% compared with 2008. Van Oord has gone a step further by signing the Green Deal, in which the aim is to achieve a 70% reduction by 2050. That is why Van Oord and Shell are working together to reduce vessel emissions and have launched a project to develop biofuels for marine vessels. The expectation is that biofuel could reduce carbon emissions by more than 40% compared with conventional marine fuel. The first pilot took place during a dredging project at

Cuxhaven, Germany, on trailing suction hopper dredger HAM 316.

Another measure to reduce carbon emissions is to use LNG as alternative fuel. Crane vessel Werkendam – the first in the world to be powered by LNG – went into operation in the Port of Rotterdam in 2019. Thanks to its smart features, the vessel uses less fuel and emits less carbon dioxide than a conventional vessel without compromising operational production. By investing in 3 trailing suction hopper dredgers, under construction at Keppel in Singapore, we will gain more experience using LNG as an alternative fuel in this category of dredging equipment. The new hoppers will replace existing vessels and fit in with Van Oord's aim of making its fleet more economical and greener.



Battle of the Beach is a yearly competition on several Dutch coastal locations. Van Oord is the main sponsor of this event, to learn the elementary school students the importance of the fight against water.

500 children
competing against
the sea

On land, Van Oord installed 4,800 solar panels on the roof of its yard in Moerdijk. The panels deliver 1.4 GWh of electricity, enough to supply the yard and the company's 2 office buildings in the Netherlands. Employees can also participate in the solar power project to make their own homes more sustainable.

Helping clients achieve sustainability targets

Since 2015, the UN's 17 SDGs have helped businesses to focus and use a common language to talk about sustainability. Funding bodies increasingly require evidence of how projects will contribute to meeting the SDGs. Through our sustainability initiatives, we help achieve the UN SDGs most relevant to us as a business and help clients achieve their own sustainability targets too.

The Netherlands is a good example; there, tenders are increasingly assessed on their sustainability and social and environmental impacts. Sustainability performance is critical to the prestigious Afsluitdijk project. Compared to the alternative revetment, the innovative Level-blocs require 35% less concrete to produce. This amounts to a saving of approximately 200,000 cubic metres of concrete, representing a 40,000-tonne reduction in carbon dioxide or no less than 56%. The new discharge sluices and pumps will operate with very low energy consumption and are fish-friendly. All energy, including the power that drives the pumps, will be compensated by 2.7 hectares of solar panels near Den Oever, resulting in an energy-neutral dyke.

Van Oord applies an Environmental and Social Impact Assessment (ESIA) to medium-sized and large projects. One example is the Mozambique LNG project, where we will work with partners to create jobs, offer occupational training and provide local growth opportunities. We are also offering the client our expertise on coral reef rehabilitation, which will contribute to empowering the local marine ecosystem. We also perform True Value Analysis on certain projects, for example on the coastal reinforcement project in Saly, Senegal.

Building with Nature

July 2019 delivered the first results of The Rich North Sea, a unique pilot project at the Eneco Luchterduinen offshore wind farm. The purpose of the project is to investigate how to enhance natural underwater features by introducing oysters. While the initial tests indicated that the oyster case design was not suited to the prevailing conditions, an improved design has already been implemented. We are continuing to work with Wageningen Marine Research, Bureau Waardenburg and the Netherlands Institute for Sea Research on improving the blueprint for underwater nature restoration at all offshore wind farms. In January 2020 all the parties involved renewed their commitment to creating a healthy North Sea, including the use of offshore wind farms as nurseries for aquatic wildlife.

Looking ahead

The Sustainable Earth Actions (S.E.A.) programme is the ultimate way to express our vision and to showcase our sustainable initiatives and activities to our clients, business partners and employees. A white paper on 'Empowering nature and communities' will be published in 2020.

In 2020 we will boost our involvement with the Global Coastal Defence project, which is supported by the United Nations. Van Oord is committed to delivering an overview of climate-related risk hotspots for presentation at the UN Climate Summit in the Netherlands in October. We will also demonstrate our knowledge and expertise on climate adaptation by presenting several showcases.



Vox Data

The Vox Data programme is driving Van Oord's digital transformation. The objective is to integrate digital technology into all areas of the business, fundamentally changing how it operates and delivers value to our clients.

Van Oord's digital transformation strategy rests on 3 pillars: exceptional client value, increasing operational excellence and business growth. By using data and digital solutions, we can optimise client value and increase operational excellence. Business growth is about looking for enablers and new business models by integrating digital technology within our day-to-day business processes. The digital transformation strategy is supported by 2 enabling programmes, Digital movement and Data management.

Digital movement to stimulate client centricity

The Vox Data strategy is not just about changing the IT environment, it is about adapting to a changing environment. If Van Oord wants to remain successful for at least another 150 years, we need to embrace new ways of working and thinking. Understanding what technology can bring and how it can threaten our business is crucial, for all employees. They are encouraged to adopt 'outside-in' thinking and to get connected with new technology partners to create added value for clients and suppliers.

In September senior managers of the 4 business units and staff departments brainstormed about digital initiatives that could add value to clients. The focus is on client centricity. How can you truly understand your clients' digital requirements and keep pace with their digitalisation journeys?

VO:X Metiri unmanned survey vessel

Vox Data initiatives augment knowledge and experience with data-driven information and insights. This approach has generated several ideas from in-house departments for digital client solutions which have been piloted and/or scaled up, for example the VO:X Metiri.

The idea for the first unmanned survey vessel to be built by Van Oord originated in the Survey department. It was executed in collaboration with the Ship Management department and a high-end external supplier. The objective was to obtain more measuring data for the client at lower cost. Thanks to its small dimensions, VO:X Metiri can operate in places that a normal survey vessel cannot access.

Shore Support Centre

A team from Vox Data, Ship Management, IT and Engineering & Estimating (E&E) is developing the Shore Support Centre. The pilot project, which involved trailing suction hopper dredger Volvox Olympia and cutter suction dredger Artemis, reviewed which tasks performed on board could be done on shore. This will free up time and attention on board for nautical and production tasks and reduce the number of vessel visits needed. Shore Support Centre is part of the Vox Futura programme, aimed at developing autonomous dredging vessels by 2030.

Trip analysis

Vessel costs are often the largest costs on a project, so vessel planning is crucial to optimising the total project cost estimate. Trip analysis is a logistic simulation that enhances tracking and forecasting a vessel's progress. It will improve operational planning by offering more insight into the total estimated duration of a project.

Estimating Landscape

3 years ago, the Tendering and Estimating department teamed up with Operations and Finance to automate routine tendering and estimating processes for offshore wind and oil & gas related contracts. They created a digital system, known as Estimating Landscape, which logs how long operations take and the amount of material used. The database delivers validated and verified product and cost information that supports more accurate tendering. In 2019 several offshore wind tenders received a quality boost from Estimating Landscape. The programme will be refined further for offshore and dredging tenders in 2020.

PortXL

PortXL is the world's first maritime and port accelerator platform. As a founding partner, Van Oord provided 5 mentors for innovative programmes in 2019: a satellite radar data system to detect risks in ground subsidence; autonomous navigation techniques for greater situational awareness in ports; robotics design solutions for the small maintenance dredging market; and a gamification app to measure and improve safety awareness.

Digital transformation strategy



Van Oord also joined forces with heavy lifting and transport specialist Mammoet and Verthon, an Australian scale-up tech company developing a new lifting method to install wind turbine blades. The aim is to shorten installation cycle times and make installation safer for operators.

Vox Data encourages a 'Fail Fast' mentality. In other words, come up with ideas, test whether they deliver client value and operational excellence and, if not, stop the pilot, share lessons learned and move on. While PortXL is an ideal environment for this, all employees can contribute to digital transformation by challenging the status quo, experimenting, and getting comfortable with failure.

Data management and cybersecurity

Progress was made on data management in 2019. The purpose of data management is to organise processes in such a way that high-quality information can flow freely and securely internally, as well as externally to suppliers, key partners and customers. Data management deals with the fundamentals: establishing single sources of truth for data reliability, speaking a common language, knowing what data we have and who owns the data. In 2019 Vox Data and Finance teams continued work on the MI-7 finance transformation programme and the successful implementation of new performance management software. It helps by analysing data more quickly, making it faster and easier to anticipate and adapt to trends.

As part of the IT security roadmap, IT conducted risk analyses of business processes that are most dependent on reliable information. In a 24/7 company like Van Oord, cyberattacks can jeopardise business continuity. The rise of big data, data disruptions and increasing cybersecurity risks in combination with the high-value data that we produce every day are driving Van Oord to focus on security awareness and to improve its IT infrastructure and architecture. Campaigns and training help employees become more aware of the risks. Van Oord is also aligning with business partners in this context. In September we hosted a cybersecurity event for various companies in the marine and logistics sector to share knowledge and best practices.

Outlook

Vox Data will maintain focused on its Digital movement and Data management programmes and scale up promising pilots, supported by a dedicated team of employees. Data management improvements will be rolled out, for instance to help fix the fundamentals in the Right People strategy. Managing data literacy across the company will be a priority. In 2020 a large group of senior managers will attend a Digital Leadership course developed with IMD. With client centricity top of mind, we will help more clients and suppliers become aware of how digitalisation can add value to their business.



VO:X Metiri, Van Oord's first unmanned survey vessel, can operate in places that a normal survey vessel cannot access.



Following the Gemini project, the Deutsche Bucht project is another example of excellent cooperation between Northland Power and Van Oord. We both share the ambition to contribute to the further development of offshore wind as a reliable energy source.

**High
performance**
in the North Sea

Business model and value creation

Van Oord is a Dutch family-owned company with 150 years of experience as an international marine contractor. Our roots go back to 1868. The history of our company is entwined with landmark Dutch marine engineering works, including the Nieuwe Waterweg Canal, the Delta Works, and the Port of Rotterdam's Maasvlakte II expansion. Nowadays, Van Oord's people represent 71 different nationalities but they all share the same passion – for water, for technology, for providing innovative solutions to maritime challenges, and for achieving the best possible result.

Business model

In its projects, Van Oord creates value for clients at all stages of the value chain by engineering, constructing and maintaining marine infrastructure. Our activities are dredging, marine and infrastructure works in the Netherlands, constructing complex offshore wind projects, and installation and stabilisation work for the offshore oil and gas infrastructure.

We invest in our people, equipment and research and development. We cooperate with suppliers and subcontractors and contribute to the economic and social development of the regions in which our projects are executed.

Major input for Van Oord is its human capital, our people. As an employer, we create job opportunities and support professional and personal development in a safe working environment. To ensure that our organisation remains agile, we challenge our employees by raising awareness of continuous improvement.

Our projects have an impact on accelerating climate initiatives, enhancing the energy transition and empowering nature and communities. At the same time, we work on preventing and mitigating our negative impact. We strengthen our business model by following one strategy: from an asset-enabled to a more knowledge-driven organisation, focusing on 3 themes: the Right People, Sustainability and Vox Data.

Value creation model

Van Oord deploys valuable resources (input) to enable our business model. We highlighted the assets that are most valuable and provide the necessary input to perform our core activities.

The value we create for our stakeholders is the effect of our business model (output). With our business results and influence on our stakeholders, we have an impact on society.

To properly understand how we impact society, we have visualised the value we create for our stakeholders and our long-term impact on society, using the UN's Sustainable Development Goals.

Legenda Value creation model

- 7 AFFORDABLE AND CLEAN ENERGY

- 8 DECENT WORK AND ECONOMIC GROWTH

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- 11 SUSTAINABLE CITIES AND COMMUNITIES

- 13 CLIMATE ACTION

- 14 LIFE BELOW WATER

- 17 PARTNERSHIPS FOR THE GOALS


Value creation model

Input

People

It's ingenious people who make Van Oord what it is. We encourage and support personal development, continuous training and a focus on health and safety.

- 5,217 employees, 71 nationalities
- Trained and highly motivated employees

Knowledge

With 150 years of experience as an international marine contractor, our intellectual capital is deeply embedded in our company. We develop new marine solutions and innovations and have standard processes worldwide.

- Ingenuity hub for overall innovations
- Van Oord Management System (VOMS)
- Value Creation programme for continuous improvement

Social impact & relationships

As a family-owned company, we care about creating a sustainable world. Customer intimacy and partnering are key.

- Good reputation
- Long-term stakeholder relationships and strategic partnerships

Financial capital

Our shareholders and creditors provide us with a solid financial position. With regard to the company's continuity, we maintain an order book of projects that Van Oord has been awarded but has yet to carry out.

- EUR 1,008 million equity
- EUR 307 million net debt
- EUR 3,610 million order book

Organisational capital

We operate a versatile fleet to execute the projects around the world.

- Fleet of high-quality vessels and other equipment
- Branch offices and yards worldwide

Natural capital

Our business makes use of natural resources.

- Fuels
- Sand and rock
- Energy
- Steel

Business model

Why

Purpose

Creating a better world for future generations by delivering Marine ingenuity.

How

Mission

As a global marine contractor, we focus on dredging, land infrastructure in the Netherlands, offshore wind and oil & gas infrastructure. We work closely and safely with our clients and stakeholders to create innovative and sustainable solutions.

Values

we (create care work together succeed)

Activities



Dredging



Netherlands



Offshore Wind



Offshore

Tendering, Engineering Procurement

Construction

Maintenance

Corporate strategy

In order to achieve our mission effectively and efficiently, we are strengthening our business model by growing from an **asset-enabled company** to a more **knowledge-driven one**.

Three strategic themes will support this growth:



The Right People



Sustainability



Vox Data

Output

What

People

We offer a safe working environment for skilled people as well as professional and personal development. We want to be recognised as an attractive employer.

- 5,422 classroom training courses
- 7,680 e-learning training modules
- 0.65 Total Recordable Injury Rate (TRIR)

Knowledge

We offer Marine ingenuity and strive for continuous improvement to provide our clients with innovative and sustainable solutions.

- Partnering for new innovations

Social impact and relationships

We take responsibility. For each project, we consider the environmental and social impact. We try to maximise positive impact and avoid or mitigate negative impact.

- Environmental and Social Impact assessments
- OECD Guidelines for Multinational Enterprises
- Number of suppliers for which we have collected sustainability and QHSE data



Coastal protection



Space and accessibility by new land and transport infrastructure



Port facilities



Energy infrastructure

Financial capital

We create cash flow from operational, investment and financing activities.

- 5.5% return on capital employed
- EUR -181 million net cash flow
- EUR 21 million dividend

Organisational capital

We maintain a state-of-the-art fleet and invested in digitalisation projects and improvements to better meet the demands of our client.

Natural capital

We aim to reduce our energy consumption and greenhouse gas emissions. Energy-efficiency measures have been taken to reduce our carbon footprint. Supplier due diligence is investigated when using natural resources during execution of our work.

- 8.2% fleet efficiency improvement compared to 2010 (cumulative)
- ISO certifications for quality, environmental, energy, health and safety management
- Start dedicated Climate Adoption programme

Long-term impact



Value for the client

8 9 17



Economic development, employment opportunities and social development

8



Continuity of our company

8 9



Accelerating climate initiatives

Protection of populations and landscapes against the risks of flooding due to climate change.

13 17



Enhancing the energy transition

Providing solutions for offshore renewable energy generation, storage and transport leading to decarbonisation.

7 17



Empowering nature & community

Fostering biodiversity and local prosperity in the areas where we execute our projects.

11 14

Stakeholders and **materiality matrix**

Van Oord is eager to engage in open dialogue with its stakeholders. They give us valuable insights into our business and the environment in which we operate, and help us to take responsibility and act on our value of long-term continuity and stewardship.

Stakeholder interviews

Every 2 or 3 years, we ask our stakeholders directly about the key sustainability topics that they want us to address. By conducting stakeholder interviews, Van Oord can prioritise the themes that have the greatest impact on the economy, society and the environment. The most recent materiality survey was conducted in 2017. In 2018, we validated the latest elements of our sustainability programme by conducting 36 stakeholder interviews. In 2019, we continued to focus on the key topics identified by our stakeholders.

Clients, suppliers, business partners, NGOs and employees are stakeholder groups with whom we are in continuous contact. Interaction with these groups is embedded in our daily work.

Based on the topics ranked as most important across stakeholder groups (vertical axis), and as most impactful to our business (horizontal axis), 6 key themes emerged as being the most material.

The 3 main questions we asked our stakeholders were:

1. Overall, does Van Oord's sustainability programme meet your expectations?
2. What is the relevance and impact of selected sustainability topics?
3. On which of the 17 UN Sustainable Development Goals should Van Oord focus its efforts?

Expectations

Regarding the first question, we concluded that the priorities we have chosen within our sustainability programme do meet the expectations of the majority of our stakeholders. Both internal and external stakeholders state that we are innovative and aware of the sustainability issues that are most relevant for our business and society. To read more about our strategic theme Sustainability, see Chapter 2 of this report.

Stakeholders are positive about the degree of responsibility that we assume within projects and the attention that we give to the environment and local communities. Multiple stakeholders suggested that Van Oord could set itself apart from other contractors more by, for instance, early contractor involvement.

Van Oord could also distinguish itself by communicating concrete examples of its sustainability efforts, such as flagship projects and sustainable innovations, as well as the dilemmas involved in putting sustainability into practice. Van Oord's S.E.A. (Sustainable Earth Actions) programme was introduced to meet this expectation. In 2019 this resulted in an interactive online platform, several meetings and the publication of 2 whitepapers.

Materiality

The response to the second question is shown in the materiality matrix, which indicates the relevance of sustainability topics addressed in our sustainability programme. The vertical axis shows the relevance of the topics to our external stakeholders (shareholders, clients, financial institutions, suppliers and NGOs). The horizontal axis shows the impact of these topics on Van Oord in the view of our internal stakeholders (management, project managers and staff). The results are helping us to set the right priorities within our sustainability programme.

Materiality matrix



Environmental and social impact



Energy efficiency



Attractive employership



Sustainable supply chain



Licence to grow themes

Read more about these topics

in Chapter 3, under Non-financial performance.

in Chapter 3, under Non-financial performance.

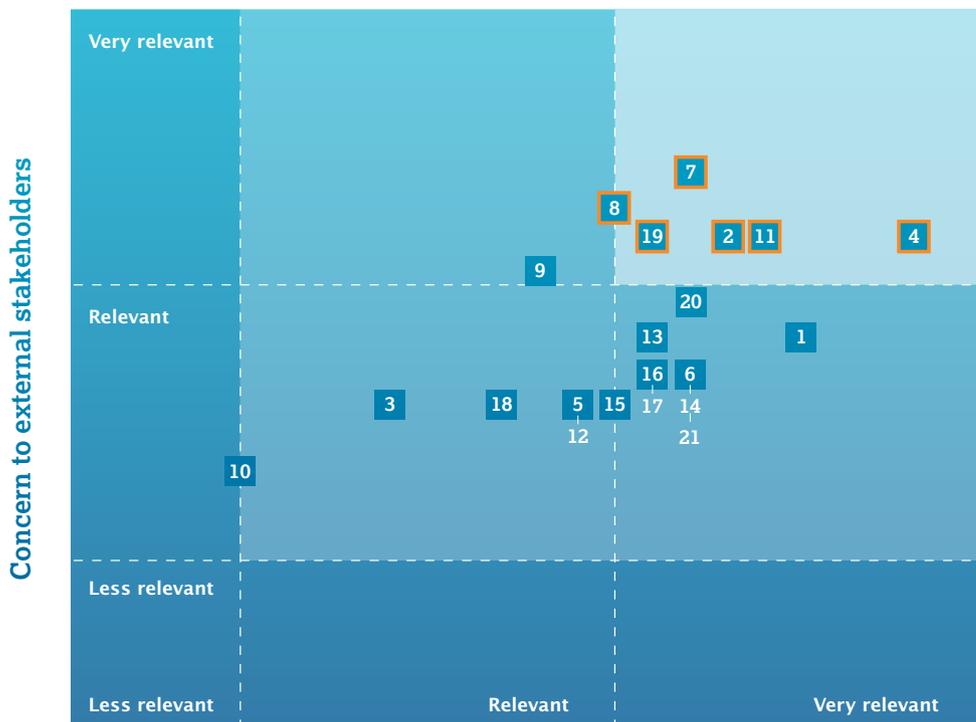
in Chapter 2, under The Right People, and in Chapter 3, under Non-financial performance.

in Chapter 3, under Non-financial performance.

in Chapter 2, under Sustainability, and in Chapter 3, under Non-financial performance.

Overview

- | | | | | |
|---|--|--|--|--|
| 1 Legal compliance | 7 Energy consumption | 10 Mobility (including car lease) | 15 Procurement conditions | 19 Enhancing the energy transition |
| 2 Pollution | 8 Alternative fuels | 11 Safety | 16 Suppliers | 20 Accelerating climate initiatives |
| 3 Water use | 9 Energy-efficient working methods (included in scope of ISO 50001) | 12 Health | 17 Labour conditions | 21 Empowering nature & communities |
| 4 Marine ecology | | 13 Diversity | 18 Resource efficiency (including circular economy) | |
| 5 Human rights | | 14 Learning & development | | |
| 6 Social impact (including community engagement) | | | | |



 Key themes emerged as being the most material.

UN Sustainable Development Goals

The third question addresses the United Nations (UN) Sustainable Development Goals (SDGs). These global goals are the core of the UN's 2030 Agenda for Sustainable Development, which promotes the quality of the living environment and the eradication of poverty, injustice and discrimination. Our stakeholders indicate that we should focus on 7 selected SDGs that reflect our main business drivers and impact areas. How Van Oord creates value and its long-term impact on society are visualised in the Value Creation model in Chapter 2 under Business model and value creation.

7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



14 LIFE BELOW WATER



17 PARTNERSHIPS FOR THE GOALS



Discussing dilemmas

In addition to formal stakeholder interviews, the Executive Committee is advised and held accountable by the Sustainability Advisory Board concerning matters that relate to our impact on society. The Sustainability Advisory Board is made up of external experts.

Sustainability is part of our standard policy and consists of 2 elements. The first is a sustainability programme combined with required knowledge of the relevant legislation; the second is an appraisal of the individual situation and local circumstances. The responsibility for implementing this policy lies with the Executive Committee, which is supported by the Sustainability Steering Committee. Certified management systems ensure sustainable business operations and help mitigate safety and environmental risks. Our operational procedures are documented in the Van Oord Management System (VOMS).

Every year, Lloyd's Register, an independent organisation providing verification services, verifies that our system complies with international quality, health, safety and environmental standards. We also quantify our policy achievements in the form of key performance indicators (KPIs). This non-financial performance is assessed by our auditor, which issues an assurance report based on its conclusions.

Sustainability Advisory Board members

J.P. Balkenende – Former Dutch Prime Minister, External Consultant for EY, Professor of Governance, Institutions and Internationalisation at Erasmus University Rotterdam, and Chairman of the Dutch Sustainable Growth Coalition

W. van Dieren – Member of the Club of Rome, initiator of Springtij Forum, member of the World Academy of Art and Science, and founding father of Friends of the Earth Netherlands

K. Maas – Professor of Accounting and Sustainability at the Open University, Academic Director of Impact Centre Erasmus (ICE), and member of the Advisory Board for De Groene Zaak

M. Demmers – Director of the Dutch Natuur & Milieu foundation

The Sustainability Advisory Board had 3 meetings in 2019. Sustainability dilemmas were one of the key agenda items for these meetings. Examples included:

- Reducing our carbon footprint: Should we invest in making our fleet more energy efficient and/or should we focus on other options, such as continuing to develop offshore wind and implementing blue carbon systems on our projects?
- Integrating sustainability into our business: Which sustainability topics are suitable for strategic programming, and which topics will allow Van Oord to make an impact with its operations?
- Should we show our impact in the form of Key Performance Indicators (KPIs) or is the project nature of our business more suitable for a storytelling approach?

Outlook

We expect that our 4 business units will once again face very different market circumstances in 2020.

For the business unit Dredging, market remains challenging. Our new Dredging strategy should allow us to take advantage of new opportunities in a sector which is Van Oord's traditional foundation.

Business unit Netherlands will continue to scale up as it executes major contracts in its order book. It will also continue to tender for selected projects where Van Oord can add value for clients. The effects of the PAS and PFAS issues on activities in the Netherlands remain uncertain, as does the impact of the new governmental contract forms.

Business unit Offshore Wind can look forward to a busy year with a high tender volume in European, Asian and US markets, which will position us for longer term growth.

Business unit Offshore should see longer term continued growth in the Subsea Rock Installation (SRI) market, and there is hope of a slow recovery in Offshore Pipeline Installation (OPI).

Strategy and governance will become more focused as the new Executive Committee instils a stronger sense of collective business responsibility for decision-making. Work will continue on the Strategic Intervention Programme, which was initiated to stimulate growth in revenue and activities and to optimise the return on capital employed.

Key element of all interventions in this programme, which includes the 'Reinventing Dredging 2030' strategy, is to improve the commercial approach and create more client focus. The strategic themes The Right People, Sustainability and Vox Data are foundations for further growth and client value creation.

Van Oord's impact on sustainability is set to intensify through the ongoing implementation of the S.E.A. programme and our commitments to the United Nations Global Center on (climate) Adaptation. Despite the tight labour market, Van Oord's purpose to create a better world for future generations by delivering Marine ingenuity makes us an attractive employer, which will help us scale up where necessary.

The planned leadership development and digitalisation programmes are designed to bring about a change in our mindset and create a more learning organisation with increased focus on value for clients. Staying responsive and resilient in rapidly changing circumstances will be a priority in 2020.

These are fast changing times, for business and society as a whole. Continuing geopolitical tensions bring economic uncertainties, and climate change impacts everyone's lives at home and at work. While 2020 looks set to be another challenging year, we face the future with undiminished entrepreneurial spirit and with confidence in our people and our Marine ingenuity.

3

Performance

- Financial performance
- Non-financial performance
- Our fleet
- Investments

Reclamation area at the Bacton to Walcott Sandscaping Scheme.

Financial performance

In 2019, Van Oord recorded EUR 1,644 million in revenue, 12% lower than 2018 (EUR 1,876 million). The lower figure can be attributed mainly to the fall in revenue generated by our dredging activities (2019: EUR 690 million, 2018: EUR 852 million), reflecting ongoing difficult market circumstances. The business unit Offshore Wind saw a fall in revenue (2019: EUR 571 million, 2018: EUR 706 million), but this was due to the smaller number and size of projects under execution. At the same time, business unit Netherlands increased its revenue (2019: EUR 173 million, 2018: EUR 115 million) thanks, among other things, to the Afsluitdijk reinforcement and A16 Rotterdam motorway projects. Our Offshore activities remained fairly stable (2019: EUR 210 million, 2018: EUR 203 million).

Van Oord realised a net profit of EUR 46 million compared to EUR 92 million in 2018 (including 2 one-off items). Net profit in 2018 was EUR 74 million excluding 2 one-off items, with the sale of our share in Gemini Offshore Wind Farm generating a net book profit of EUR 38 million. We also accounted for a net cost of EUR 20 million for refinancing our US Private Placement (EUR 27 million before tax). The lower net result in 2019 compared to 2018 mainly reflects the pressure on project results and margins. Lower revenue also had a negative effect on the recovery of our overhead.

Our fleet capacity utilisation rates were mixed. The capacity utilisation rate for our trailing suction hopper dredgers was 22 weeks (2018: 22 weeks) and for our cutter section dredgers 21 weeks (2018: 21 weeks). The rate for our offshore wind equipment increased to 32 weeks, compared to 20 weeks in 2018. Our flexible fallpipe vessels had a utilisation rate of 39 weeks (2018: 36 weeks).

Financial position and cash flow

In 2019 Van Oord maintained a strong financial position with an equity of EUR 1,008 million (2018: EUR 999 million) and a solvency rate of 41.8% (2018: 39.5%). Our net debt increased to EUR 307 million (2018: EUR 78 million). Despite this increase, we are still well within our credit facility terms and conditions.

The debt increase was driven mainly by movements in our working capital combined with a high level of investment in 2019 (EUR 222 million), related in part to investments that were rolled forward from 2018. Our operational cash flow for 2019 amounted to EUR 30 million, with a positive EBITDA largely being offset by increased working capital.

Order book

Our orderbook is stable (2019: EUR 3,610 million, 2018: 3,676 million). We had EUR 1,578 million of new awards (2018: 2,157 million) offset by EUR 1,644 million in revenue (2018: 1,876 million). The 2019 awards included various large projects such as the A12/A15 motorway (ViA15) in the Netherlands, land reclamation in Dos Bocas in Mexico, the Mozambique LNG project and the Greater Changhua offshore wind project in Taiwan.

Return on capital employed

Our return on capital employed in 2019 was 5.5% (2018: 9.3%). The decrease can be attributed to a lower EBIT, whereas the average level of capital employed remained stable.

Non-financial performance

4 themes prioritised in our corporate strategy hold the key to our sustainability performance. These priorities are our licence to operate and they help us to remain successful as a company. Clients, project partners, current and potential employees and all our other stakeholders want concrete proof of our actions and impact.

4 licence-to-operate themes

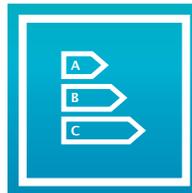
The 4 themes are: environmental and social impact, energy efficiency, sustainable supply chain and attractive employability. We quantify many of our policy achievements in the form of key performance indicators (KPIs). Van Oord measures and verifies its sustainability performance and publishes the results annually. We are guided in this by the Global Reporting Initiative (GRI) guidelines. In 2019, our auditor assessed selected KPIs and issued an assurance report (see the section 'Other information' in this report).

Environmental and Social Impact



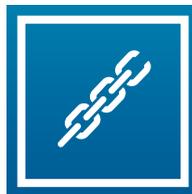
For each project, we consider the environmental and social impact during project planning and execution.

Energy efficiency



Energy-efficient systems and vessels, energy awareness among our employees, and experiments with alternative fuels are all helping us reduce our carbon footprint and energy consumption.

Sustainable supply chain



Van Oord feels responsible for its supply chain and aims to take the lead in such aspects as energy management and health & safety.

Attractive employability



For Van Oord, being an attractive employer means providing a safe working culture and retaining and attracting the best possible talent by being the employer of choice.

Environmental and Social Impact

As a contractor, Van Oord may undertake work that impacts the environment during the construction phase (process effects), and the engineering works themselves – once they have been constructed – can also impact the environment and society (project effects). Van Oord works with its stakeholders throughout all project phases (from planning to execution) to avoid or minimise potential adverse impacts and maximise potential positive effects for mutual benefit.

We try to avoid or mitigate adverse impacts in accordance with the OECD Guidelines for Multinational Enterprises.

Our commitment

Van Oord strives to conduct its projects in such a manner that they contribute to the societal challenges of climate change mitigation and adaptation, and to the protection of biodiversity and ecosystems. We do this by proactively defining, managing and monitoring environmental performance associated with these challenges.

Consistent with Van Oord's vision, mission and values, we are committed to:

- protecting the environment and operating in accordance with the sustainability principles stated in our Sustainability policy;
- operating an environmental and energy management system and maintaining ISO 14001 and 50001 certification;
- complying with environmental laws and regulations, including regulations governing energy use and the relevant codes of practice;
- where possible, contributing to the local environment by exploring opportunities to combine maritime infrastructure works with sustainable and ecological solutions;
- improving our energy performance, and reducing the carbon footprint of our organisation;
- working with our stakeholders to develop innovations that minimise the adverse and maximise the positive environmental effects of our construction work;
- making ongoing efforts to offer our clients environmentally responsible alternatives in the project design and preparation phase;
- optimising capital investments in choosing sustainable solutions that improve energy performance and reduce emissions to the environment;
- making efforts to predict, measure, manage and prevent or minimise negative impacts on the environment that could result from the work we carry out;

- making ongoing efforts to conserve natural resources without compromising a safe and comfortable work environment;
- taking measures to prevent or minimise land, air and water pollution and to avoid the degradation of water quality;
- investing in environmental awareness training for all our personnel and promoting the efficient use of energy.

Environmental and Social Impact Assessment

Clients often ask us to coordinate environment and planning management. We are pleased that contractors are being given the responsibility in this domain. It means that we can take more specific action with regard to supply chain accountability and do more to structure and professionalise environment and planning management. We analyse the relevant stakeholders and potential issues right from the tender phase. Before we start project execution, we consult all the relevant parties. Environment and planning management is largely a question of listening closely and furnishing accurate and complete information as well as understanding the (physical, ecological and social) systems we operate in.

For most of our dredging projects, we prepare an Environmental and Social Impact Assessment (ESIA), which is often required by national or international law or regulations. In most cases, the assessment consists of an explanation of environmental and social objectives and policy, a description of the existing local situation (the baseline conditions), a description of the project, an assessment of the potential impacts of the project, a summary of recommendations and an outline for an Environmental Management Plan (EMP). We frequently have an external specialist perform the ESIA and then ask a third-party independent expert to review it before submitting it for the client's approval.

As part of its execution process, Van Oord develops a Construction Environmental Management Plan (CEMP), in line with requirements or inputs provided by the ESIA, to manage the environmental aspect of a project. This ensures that the operations will be executed in accordance with the relevant environmental policy, including but not limited to corporate social responsibility principles, statutory requirements and appropriate codes of practice.

Van Oord's activities may involve aspects that have an impact on the local environment. The EMP lists these aspects and identifies objectives, targets and programmes mean to

manage and mitigate them. It also describes how these management and mitigation strategies are being implemented and monitored.

The CEMP and the resulting environmental management actions are part of the Van Oord Management System. The VOMS is an integrated system in which the main processes are described in corporate procedures.

Environmental engineering

Van Oord's Engineering & Estimating department has a team of dedicated environmental engineers that manage environmental and social affairs. They offer proper methodologies and solutions that optimise positive environmental and social impacts during project execution, in compliance with the relevant requirements.

Duty of Care Work Group

A team of Van Oord professionals specialising in project planning, environmental engineering, QHSE, procurement and ship management formed the Duty of Care Work Group. To synchronise all internal processes, they are setting up an integrated environmental and social due diligence process

company-wide. The new process will improve engagement with social and environmental issues at an earlier stage.

Impact on society

The 17 Sustainable Development Goals (SDGs) are the core of the United Nations' global 2030 Agenda for Sustainable Development. They promote the quality of the living environment and the eradication of poverty, injustice and discrimination. Van Oord supports these goals, which align perfectly with our own policy aims and priorities. Our activities have the largest impact on 7 of the SDGs. The value creation model visualises the input, output and impact Van Oord has on society. For more information, see Chapter 2 of this report.

International standards

Certified management systems ensure sustainable business operations and help mitigate safety and environmental risks. Our operational procedures are documented in the Van Oord Management System (VOMS). Every year, Lloyd's Register, an independent organisation providing verification services, verifies that our system complies with international quality, health, safety and environmental standards. See Chapter 4, under Safety for a list of all our certifications.

Portfolio of environmental solutions

Within the Engineering & Estimating department Van Oord has a team of dedicated environmental engineers that manage environmental and social affairs.

These engineers provide projects with proper methodologies and solutions to execute the works with optimal environmental and social impact in compliance with set requirements.



FaunaGuard



ReefGuard



PlumeGuard



Building with Nature



Coral Engine



Seagrass rehabilitation



Mangrove engineering



Coral relocation



Environmental monitoring, modelling and reporting



Noise management & mitigation



Turbidity management & mitigation

Results of **the Bahamas** Coral Engine

Coral reef ecosystems worldwide are experiencing degradation due to climate change and human pressures. Van Oord aims to establish a system for scaling up existing small-scale coral propagation techniques and using them to rehabilitate coral reefs. In 2017, a Coral Engine – a nursery filled with coral recruits and coral fragments – was installed in the coastal waters at the western tip of New Providence island in the Bahamas. Two years later, both the recruits and the fragments showed significant growth.



Start



Result



Next

Local parties were involved at an early stage. Working with the diving centre Stuart Cove's Dive Bahamas, the NGOs Bahamas Reef Environment Education Foundation, the Reef Rescue Network of the Perry Institute for Marine Science, and the governmental authority Royal Bahamas Defence Force, we installed nursery structures and filled with about 200 recruits of elkhorn coral reared in the ReefGuard. A total of 200 fragments of elkhorn coral were also added, collected from 10 different sites around the island. After installation, the local parties took ownership of the Coral Engine for long-term operation and maintenance. It provides them with a stock of coral for reef rehabilitation, as well as opportunities for research, education and income from tourism.

In the past 2 years, the local stakeholders carried out several maintenance exercises. The Bahamas Coral Engine has achieved the following in that time:

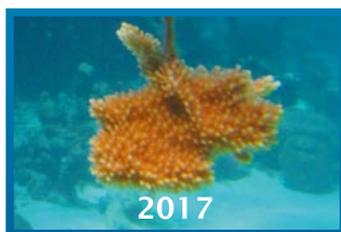
- 30% of the coral recruits survived and grew to several centimetres in size.
- All of the fragments survived and grew to double their size, and only 4% showed signs of minor damage.

This field experiment demonstrated that active reef rehabilitation using the ReefGuard and Coral Engine techniques and with the engagement of local stakeholders can be a viable part of marine and coastal infrastructure development. The experiments provided essential knowledge and practical experience needed for controlled coral propagation. Close collaboration between academic researchers, non-profit conservation organisations, local stakeholders and marine contractors is crucial to achieving significantly large quantities of propagated corals. Van Oord now aims to take the Coral Engine to the next stage: long-term reef rehabilitation on a large scale.

Recruits



Fragments



Energy efficiency

Our energy performance is measured by our carbon footprint and fleet energy efficiency improvement compared to 2010 (cumulative).

Carbon footprint

Energy consumption includes equipment owned by Van Oord, offices and yards, lease cars, private cars used for business travel and air travel. In 2019 our carbon footprint was 10% larger than in 2018. We can attribute the rise in 2019 to the increase in our equipment's capacity utilisation rate. In 2018, the flexible fallpipe vessel Bravenes and the two newly acquired MPI Offshore vessels became operational. Especially the rate for our offshore wind equipment increased considerably (32 weeks in 2019, compared to 20 weeks in 2018).

The 2019 corporate energy review conducted by the Van Oord QHSE department concluded that, with equipment deployment representing >90% of total energy consumption, this type of energy use is dominant and linked directly to project execution. Travel takes a distant second place, with air travel being dominant in this energy use category.



Fleet energy efficiency improvement

By 2020, we aim to have improved the energy efficiency of our fleet by a minimum of 10% compared to 2010. To reach this goal Van Oord is working on numerous ways to reduce fuel consumption and greenhouse gas emissions. Some of the actions will take multi-year periods to complete and the fleet investment programme plays an important role in achieving our aim. By modernising the fleet – for example by investing in LNG hoppers and highly efficient water injection dredgers – and replacing older vessels, Van Oord can improve significantly.

We are also experimenting with biofuels and other alternatives. An example is the

sustainable biofuel test Van Oord undertook in 2019 with Shell. Both parties aim to reduce emissions from vessels and launched a project to develop biofuels for marine applications. Biofuels made of waste streams reduce carbon emissions by up to 80% compared with conventional fossil marine fuels. The first pilot involved trailing suction hopper dredger HAM 316 and took place during a dredging project at Cuxhaven in Germany.

On projects, we study whether we can develop standardised, energy-neutral, sustainable site offices and improve energy efficiency by using solar panels.

Fleet energy efficiency improvement

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------|------|------|------|------|------|------|------|------|------|
| baseline | 1.8% | 1.8% | 3.3% | 4.2% | 5.2% | 5.6% | 6.0% | 7.4% | 8.2% |

Carbon footprint in kilotonnes of carbon dioxide

639,753

2018: 576,516

% related to equipment deployment

96.81

2018: 95.48

Sustainable supply chain

Our Supplier Code of Conduct describes the standards we require of our suppliers and their supply chains. These standards should be seen as 'best practice'. Depending on the size and nature of their business, we also expect our suppliers to have management systems in place that support compliance with applicable laws and regulations.

We assess all our key suppliers and will work with them to identify and attempt to reduce the most serious threats in the most relevant areas.

Since the introduction of our assessment system in 2016, we have collected sustainability and QHSE data from 158 suppliers up to the end of January 2020. These 158 suppliers provided sustainability and QHSE information, for example with respect to human rights, anti-corruption measures, and adherence to the OECD Guidelines for Multinational Enterprises. Of the 158, 115 have a risk profile that is higher than average in terms of business impact and complexity of product or service.



Number of suppliers for which we have collected sustainability and QHSE data

158

2018: 146
2017: 114
2016: 72

Attractive employership

Offering good terms of employment is important. We want all our employees to work happily, safely and in good health. Our personnel policy is designed to attract the best people and to encourage all our employees to get the best out of themselves. Specific focal points are vitality, work-life balance and talent development.



Safety

Total Recordable Injury Rate (TRIR)

0.65

2018: 0.67



Training courses



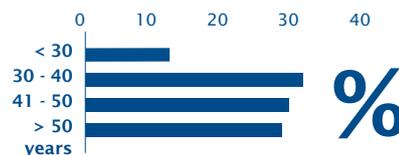
Our associations

Members of Young Van Oord

432

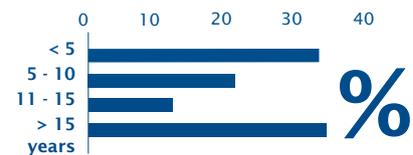
2018: 362

Average age



of 2,443 employees on the Dutch payroll 2019

Average number of years of service



of 2,443 employees on the Dutch payroll 2019

Our fleet

Our clients' visionary engineering projects can only be carried out by the best people working with the latest technology. That is why Van Oord operates an advanced and versatile fleet of dredging and offshore installation equipment. Our fleet consists of 68 pieces of main equipment and a large amount of special-purpose and auxiliary equipment.

With market demand declining, vessel overcapacity is widespread, driving up competition and putting pressure on utilisation rates. This has consequences for our existing fleet and for short-term investments and divestments. Looking further ahead, we have a multi-year investment plan in which sufficient options are built in to adjust.

New additions

We continue to invest in the fleet of the future.

The following vessels will be added to our fleet in the upcoming years:

- 4 medium-sized trailing suction hopper dredgers
- 2 hybrid water injection dredgers

Vessel recycling policy

Vessels that have become obsolete for technical, economic, or commercial reasons are carefully dismantled. Van Oord's Vessel Recycling Policy is aimed at developing and achieving sustainable vessel recycling solutions. Our goal is to safely recycle our vessels at the end of their useful life in an environmentally sound manner and in conformity with applicable laws, rules and regulations. We are committed to prioritising environmental conservation and protection when recycling our vessels.

Dismantling and recycling take place in accordance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, and the European Ship Recycling Regulation. Recycling our vessels also offers an opportunity to reuse significant parts. Van Oord aims to use only those ship recycling facilities that are ISO 14001 and OHSAS 18001 certified, that have adequately trained management and staff, and that have implemented the required health and safety procedures. These procedures include inspecting all vessels for hazardous materials, including a radiation survey, before delivery to the recycling facility.

In 2019 we decommissioned the following equipment:

- Side stone dumping vessel Jan Steen
- Suction dredger Triton

Main equipment

68

Our fleet of main equipment* consists of:

Trailing suction hopper dredgers



24

Self-propelled cutter suction dredgers



2

Cutter suction dredgers



8

Flexible fallpipe vessels



3

Shallow water pipelay barge



1

Sidestone dumping vessel



1

Water injection dredgers



13

Cable laying vessel



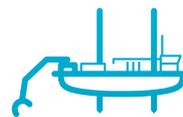
1

Offshore installation vessels



4

Backhoe and grab dredgers



5

Split hopper barges



6

Fleet capacity utilisation rate**

In weeks per year

Trailing suction hopper dredgers



2018: 22

Cutter suction dredgers



2018: 21

Offshore wind equipment



2018: 20

Flexible fallpipe vessels



2018: 36

* including vessels under construction

** including cold stacked equipment

Investments

Our investments go hand-in-hand with Van Oord's purpose of making a better world for future generations by delivering Marine ingenuity. Investments in the maritime sector require vision and courage at the best of times, and never more than in today's rapidly changing world. Ours is an entrepreneurial family business that dates from 1868. We have learned from experience that when faced with setbacks, you keep your nerve, seize opportunities and focus firmly on the future.

Investing in equipment

The dredging fleet renewal plan was approved in 2019. Van Oord will have a smaller but more competitive dredging fleet, with 4 new vessels to boost our market position by 2022. Some of the other vessels will be laid up or divested. The first of these new vessels, trailing suction hopper dredger Vox Amalia, successfully completed its nautical sea trials in 2019. The Vox Amalia is expected to be fully operational in March 2020. No decision has been made on the Vox Alexia, pending resolution of the receivership of the LaNaval Shipyard in Bilbao, Spain.

In 2019 we confirmed an option to order a third LNG-powered ZSH 7.0 hopper dredger from Keppel in Singapore. Delivery is expected in May 2022. The 2 similar vessels already under construction in Singapore, the Vox Ariane and the Vox Apolonia, will be ready in May and November 2021 respectively. Equipped with LNG systems, they will make the fleet more economical and energy efficient.

Van Oord also commissioned 2 hybrid water injection dredging (WIDs) vessels from Kooiman Zwijndrecht. With their shallow draft and unrestricted movement, these WIDs will increase our flexibility and capacity for carrying out essential maintenance dredging in ports and navigation channels. Delivery is expected early in 2021. The vessels will be named Maas and Mersey.

A new Deep Dig-It cable trencher was constructed at SMD in Newcastle, UK. Weighing 125 tonnes and measuring 17 x 10 x 9 metres, this massive piece of equipment is capable of burying cables at depths up to 5 metres below the seabed. It was installed on the offshore installation vessel MPI Adventure and first trials were executed. In 2020 it will start burying cables for the Hollandse Kust Zuid export cable project.

Investing in sustainable innovation

Less than 1% of world shipping is currently powered by gas, so Van Oord's decision to renew the fleet with LNG vessels is a bold one, especially in an increasingly competitive market. In the short term, LNG is less cost-efficient than diesel. But in the long term, it will make a significant contribution to reducing carbon emissions. Compared to diesel, LNG emits 80% less particulate matter and 70% less nitrous oxide and reduces carbon emissions by 25%. By switching to an LNG-powered fleet, Van Oord is helping to achieve a 50% reduction in marine shipping emissions by 2050, the target set by the International Maritime Organisation (IMO). We are also helping our clients to achieve their own climate reduction targets, as sustainability factors rank ever higher as criteria for contract awards. Other investments in sustainable innovation in 2019 were the biofuels pilot with Shell and the joint venture with Mammoet and Verthon to develop safer lifting mechanisms for wind turbine blades. Our Vox Data programme came up with several innovative projects, including Van Oord's first unmanned survey vessel.

Investing in people

Van Oord's strategic objective is to grow from an asset-enabled to a knowledge-driven organisation. No matter how advanced our fleet, it is our people and their knowledge and skills that make the difference and add long-term value for clients.

Plans were approved in 2019 to boost investment in leadership development. In 2020 Van Oord will intensify management training to keep pace with a rapidly changing digital world. By investing in people, we will continue to attract and retain the right people who can move with the times and respond to clients' changing needs.



This remote-controlled trench jetting and cutting system buried the export and infield cables for the Norther offshore wind farm. Van Oord constructed it in a record time of only 9 months.

Trencher

Dig-It dives into Belgian waters

4

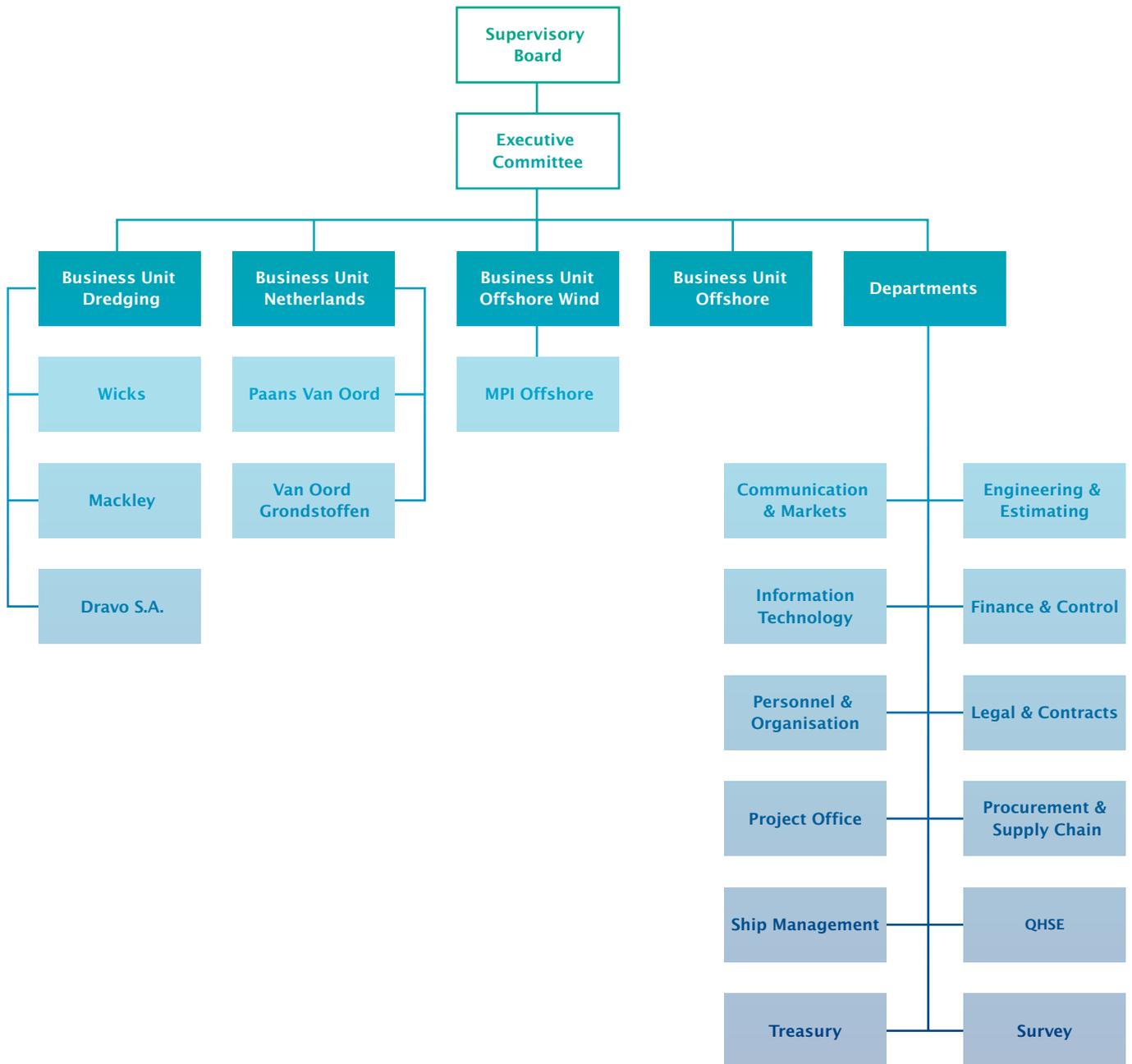
Governance

Organisation
Safety
Employee representation
Corporate governance
Risk management
Compliance



On a sunny November day, the Vox Amalia left the Caland Canal for the North Sea on its first sea trial. In 2020 it will start its first dredging project.

Organisation



Composition of the **Executive Committee**



Pieter van Oord (1961)

Chief Executive Officer since 2008

Additional activities: Chair of the Association of Dutch Suppliers in the Oil and Gas Industry and Offshore Renewable Industry (IRO), Supervisory Board member of STC-Group, Board member of MerweOord B.V., Supervisory Board member of Nationaal Park De Hoge Veluwe, Board member of Club Rotterdam and Chair of the Supervisory Board of Stadion Feijenoord.



Jolanda Poots-Bijl (1969)

Chief Financial Officer since 2016

Additional activities: Supervisory Board member of Pon Holdings, Supervisory Board member of AkzoNobel.



Niels de Bruijn (1963)

Chief Commercial Officer since 2020

(as of 2013 member of the Executive Board)

Additional activities: Board member of International Association of Dredging Companies (IADC), Board member of Netherlands Association of International Contractors (NABU), Supervisory Board member of Mutual Insurance Association (MUNIS), Supervisory Board member of Tembo.



Govert van Oord (1970)

*Managing Director Dredging since 2020
(as of 2020 member of the Executive Committee)*

Additional activities: Supervisory Board member of Acta Marine Holding B.V., Board member of the European Dredging Association (EUDA), Chair of the Foundation providing Pastoral Care to Workers in the Dredging Industry (SPWO).



Ronald Schinagl (1962)

*Managing Director Netherlands since 2016
(as of 2020 member of the Executive Committee)*

Additional activities: Chairman of the Havenvereniging Rotterdam, Vice Chairman of the Vereniging van Waterbouwers, Supervisory Board member Ecoshape.



Arnoud Kuis (1964)

*Managing Director Offshore Wind since 2016
(as of 2020 member of the Executive Committee)*



Maurits den Broeder (1973)

*Managing Director Offshore since 2018
(as of 2020 member of the Executive Committee)*

Composition of the **Supervisory Board**



Niek Hoek (1956)

Chair



Hans van der Ven (1953)

Member



Koos van Oord (1946)

Member (until April 2020)



Kommer Damen (1944)

Member (until April 2020)



Jean-Marie Laurent Josi (1964)

Member



Rob Kretzers (1956)

Member

N.W. Hoek

Nationality: Dutch

Background: Member of Board of Management (from 1997) and CEO of Delta Lloyd (2001-2015), Founder of Brandaris Capital

Supervisory memberships: Arcadis N.V. (Chair), Anthony Veder Rederijzaken B.V., BE Semiconductor Industries N.V.

J.M.M. van der Ven

Nationality: Dutch

Background: Executive Director of MerweOord B.V. until 1 January 2020.

Supervisory memberships: Acta Marine, Rhoon Pendrecht & Cortgene (Chair, until June 2019), Vostermans B.V., Witteveen+Bos (Chair)

Jac.G. van Oord

Nationality: Dutch

Background: Chairman of the Executive Board of Van Oord N.V. (2003-2008), Chairman of the Management Board of MerweOord B.V.

K. Damen

Nationality: Dutch

Background: Chairman of Damen Shipyards Group

J.M.J.A.P. Laurent Josi

Nationality: Belgian

Background: Chief Executive Officer of Cobepa N.V.

Supervisory memberships: International SOS, JF Hillebrand, Carmeuse and Bank Degroof

J.H.R. Kretzers

Nationality: Dutch

Background: Shell (1982-2016), Executive Consultant

Supervisory memberships: Van Leeuwen Buizen Groep B.V. (Chair)

Supervisory Board schedule of resignations

Below is the schedule of resignations for the next 3 years:

| | Year first appointed | End of current term |
|-------------------------|-----------------------------|----------------------------|
| K. Damen | 2008 | 2020** |
| Jac.G. van Oord | 2009 | 2021* |
| J.M.J.A.P. Laurent Josi | 2012 | 2020** |
| J.M.M. van der Ven | 2012 | 2020** |
| N.W. Hoek | 2016 | 2020** |
| R. Kretzers | 2018 | 2022 |

* Mr Jac.G. van Oord will be stepping down in April 2020.

** The terms of 4 Supervisory Boards members will end in April 2020. Mr Laurent Josi, Mr van der Ven and Mr Hoek will be nominated for reappointment for another 4 years. Mr K. Damen will be stepping down.

New members

As of April 2020 2 new members will be nominated to the Supervisory Board: Mr Verheul and Mr Valkier. See the Report of the Supervisory Board about changes in its composition in 2020.



Safety

Van Oord's values 'we care' and 'we work together' are fundamental to achieving our ultimate goal of eliminating all incidents and personal injuries. Everyone working at Van Oord is expected to take responsibility for safety and deal proactively with safety matters. We expect the same commitment from all parties working with or on behalf of Van Oord, including subcontractors, partners, clients and end suppliers.

Safety wake-up call

Thanks to our safety programme, the number of injuries had declined steadily over the past 10 years. In the first quarter of 2019, however, lost-time injuries showed a sharp increase. Van Oord took steps to address this worrying trend. In May 2019, it launched a Safety News Alert campaign company-wide. Safety was top of mind during team meetings on projects, yards, vessels and offices. Teams were given 6 open questions for discussion and a film featuring colleagues telling compelling stories. The campaign generated energetic discussions and served as a safety wake-up call. More than 150 teams shared their safety commitments and results of their discussions. All team agreements and related photos were shared on a special Safety News Alert website.

The Total Reportable Incident Rate (TRIR) involving personal injury levelled off and ended at 0.65 in December 2019.

Proactive safety leadership

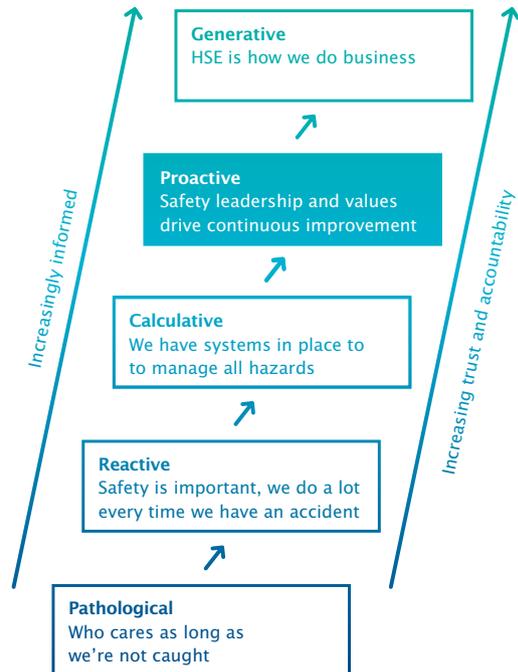
At Van Oord, safety is about more than knowing the rules and procedures. It is about proactive safety leadership. This message is the core of our safety programme Say YES to Safety. At the heart of the programme are 5 behaviour-based safety principles that express the proactive safety culture within our company. These principles are strong personal statements that encourage everyone to be aware of safety and take responsibility for it.

Safety leadership means that every individual working for or with Van Oord—on projects, on vessels, in the yards or in our offices—takes responsibility for their own safety and that of others, every single day.

Training and education

Van Oord has been using the Safety Culture Ladder since 2012 as a tool to increase safety awareness and improve our safety culture. The ladder indicates a company's level of maturity in respect of safety. Van Oord is committed to being proactive (level 4) and to ensuring that safety values and leadership drive continuous improvement. Since 2018, it has been possible to gain official certification in the Netherlands for a company's safety culture. Van Oord decided to certify the Netherlands, Offshore Wind and Offshore business units. In 2019 we were successfully audited by Lloyd's Register for level 4 of the Dutch Safety Culture Ladder.

Safety Culture ladder



Van Oord has a strong in-house academy that develops and runs safety courses and safety kick-off meetings for employees, clients and subcontractors. More than 2,000 employees took a safety training course in 2019. An e-learning General Safety Induction Training has been introduced and is mandatory for all Van Oord employees.

Alongside mandatory safety courses, we pay special attention to safety in our onboarding programmes for new employees. Safety and quality requirements are becoming ever more stringent. We set high standards and do what we can to live up to those standards. This includes training and educating external temporary staff and suppliers.

We organise supplier safety days on a regular basis. In 2019, Van Oord invited the executives and directors of subcontractors for the Borssele I & II offshore wind farm project to discuss safety awareness. Personal commitment is essential to safety. When all our partners work more safely, we all attain a higher level. Van Oord aims to be a role model for the sector in safety matters.

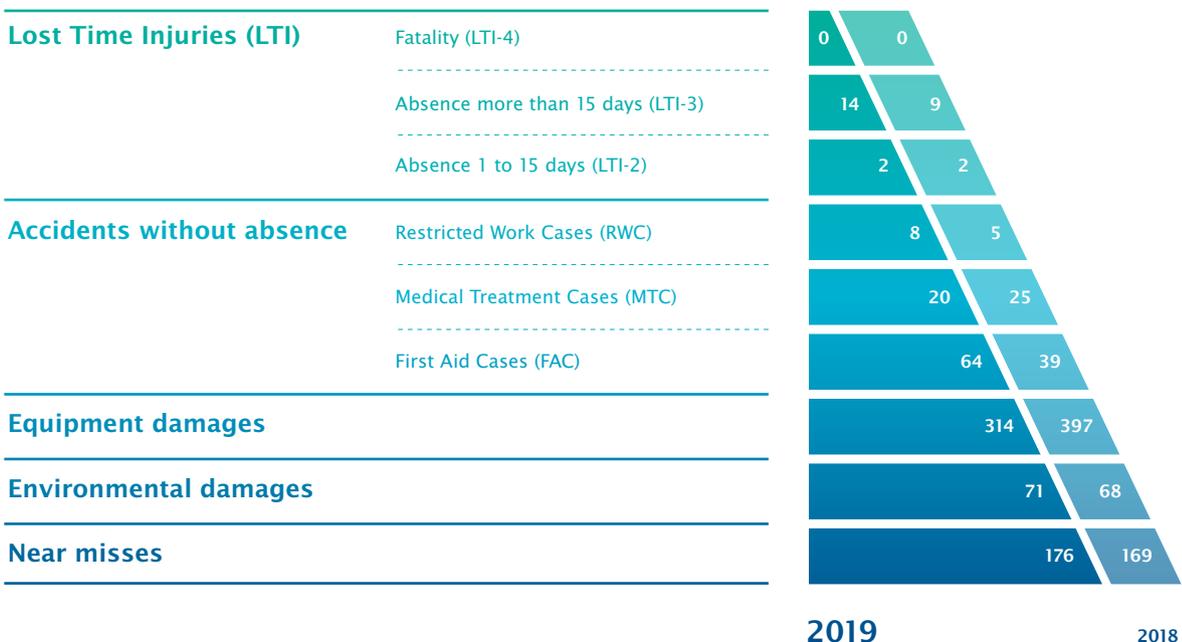
Digitalisation for sharing knowledge

This year the QHSE department worked to develop a safety app that makes it easier and faster for employees to check safety rules and report incidents. Better use of data on incidents and from project evaluations can improve sharing of lessons learned.

Looking ahead

Van Oord will continue to invest in safety and training. The QHSE department will explore the role of leading indicators of a proactive safety culture, such as levels of coaching and support available on a daily basis. The focus will be on continuous improvement to ensure further advances in safety performance and on embedding a proactive culture of safety. Initiatives planned include safety awareness training, improved company-wide communication on HSE, new tools, and involving QHSE in assessing risk aspects in supply chain management.

HSE statistics



Management System Certificates

Van Oord has been certified in accordance with:

- ISO 9001:2015 (quality management), multisite certificate*;
- ISO 14001:2015 (environmental management), multisite certificate*;
- ISO 45001:2018 (occupational health and safety management), multisite certificate*;
- ISO 50001 (energy management), multisite certificate*;
- Document of Compliance (DoC), multisite certificate*;
- Declaration of Maritime Labour Convention.

In addition to the above, a number of legal entities also have their own certificates for certain standards. In the Netherlands, we have the following additional certifications:

- CO₂ performance ladder, level 5;
- Safety Culture Ladder, level 4;
- VCA certificate (safety management system);
- BRL7000 certificate for soil remediation.

* For these standards Van Oord holds a multisite certificate, which means that all legal entities owned by Van Oord are covered by one corporate certification scheme.



Employees participating in the Safety News Alert at the Rotterdam head office.



Employee representation

In the Netherlands, a Works Council promotes and protects the interests of the employees in a company. The rights of the Works Council include the right to prior consultation on major decisions and measures, and the right of consent on certain changes regarding terms of employment. By law the members of the Works Council must be democratically elected and must meet with the employer at least twice a year.

Diversity and representation

The Works Council at Van Oord consists of 21 elected members (18 male and 3 female) from different parts of the organisation (Fleet, Shipping Management, Expat Desk, Engineering and Estimating, Project Office pool, Survey, project controllers, yards, area management, and QHSE). They are supported by an official secretary who ensures that the formal processes run smoothly. In 2019 2 employees aged under 32 attended the Works Council meetings as observers. This is part of the move to introduce a younger perspective. The 2 observers are allowed to ask questions and participate in discussions but have no voting rights.

Knowledge and communication

The Works Council held 7 regular meetings in 2019. 3 extra sessions were scheduled to provide more knowledge relating to complex pensions issues and terms of employment.

Every year the Works Council holds a 3-day training programme, with 1 day reserved for training with senior management members. Themes this year were vitality and long-term employability. The latter relates to the open culture of and straightforward communication within the Works Council and between council members and management. There must be sufficient opportunity for everyone to voice their views and be heard in a safe and respectful environment.

For instance, at the very first meeting of 2019 the young observers were asked for their opinion on the performance appraisal form. The response triggered a review and a new, more personalised, appraisal form was introduced in December.

Requests for advice or consent

In 2019 the Works Council's advice was requested on a range of issues: the consignment service, the new work/leave cycle in the Netherlands, the pension scheme for staff departments, changes to terms of employment, investments and changes to the fleet, and the restructuring of the top management body.

In-depth consultation

Meetings with the CEO and the Director of Personnel & Organisation (P&O) are held at least 6 times a year. Recurring items include general affairs, investments, safety, inflow and outflow of staff, quarterly figures, and the annual plan. Introducing the concept of a Trusted Person was also on the agenda this year.

Supervisory Board member Mr Kretzers attended the formal Works Council meeting in July. He joined an open and informal session on the concepts of the Right People and internationalisation. Topics covered were how Van Oord can remain an attractive employer, and how people can accept and anticipate changing circumstances, for instance lean and agile working methods and the different 'realities' of work-life balance for younger and older generations.

Broad perspectives

Delegates from the Van Oord Works Council attend the Central Works Council for the building and dredging sector (with representatives from BAM, Heijmans, Volker Wessels and Boskalis), and the Dutch Works Council for Multinational Enterprises (which includes such companies as Shell and KLM). Within Van Oord, members keep a close eye on developments, for example the proposed workforce planning system (known as GRIP), value creation and lean working methods, the Vox Data programme in general, and specific digitalisation projects at Finance & Control, Procurement & Supply Chain and P&O. They also meet with the company doctors to discuss issues relating to workload, work-life balance and vitality.

Looking ahead

2 different young observers will join in mid-2020. The Chair of the Works Council would like to establish more informal contacts between Supervisory Board members and small delegations from the Works Council. The idea is to develop the relationship and enhance trust by exploring potential issues at an early stage. A new focus for 2020 will be on improving communication to all employees on the achievements of the Works Council.

Offshore installation vessel MPI Resolution executing blade repair campaign at the Prinses Amaliawindpark in the Netherlands.



Corporate governance

In close consultation with the Supervisory Board the Executive Board has decided to improve the company's governance structure. As of 1 January 2020, an Executive Committee has been introduced.

New corporate governance structure

Given the structure of the company into business units, it was decided in 2019 to modify the senior executive structure by directly involving the business units in the executive governance. An Executive Committee has been established effective 1 January 2020. Company governance changed as of that date and the new Executive Committee, which includes the statutory directors of Van Oord N.V., will assume the role and powers of the Executive Board to the extent possible, allowing for the restrictions applicable under law or the company’s Articles of Association.

The Executive Committee consists of 7 members: 2 statutory directors (Chief Executive Officer and Chief Financial Officer) and 5 Executive Committee members (Chief Commercial Officer and the Managing Directors of the 4 business units).

Structure

The company has voluntarily applied a mitigated large companies regime. The company has a 2-tier board consisting of the Executive Committee and the Supervisory Board, which conducts oversight. Contrary to the large companies regime, it is the General Meeting of Shareholders, and not the Supervisory Board, that appoints the statutory directors of Van Oord N.V. In the event of a vacancy, the Supervisory Board proposes a candidate for appointment by the General Meeting of Shareholders. Executive Committee members, not being statutory directors, are appointed by the statutory directors of Van Oord N.V., upon approval by the Supervisory Board.

Executive Committee

The Executive Committee is responsible for the company’s corporate governance structure. The Executive Committee is responsible for managing the company as a whole. This means that the Executive Committee is responsible for achieving the company’s targets, for its strategy (including the relevant risk profile), for its financial results, and for its operations, including the social and other relevant aspects. In assuming its responsibilities, the Executive Committee focuses on the interests of the company and its associated operations and considers the interests of the company’s stakeholders. The Executive Committee is accountable to the Supervisory Board and the General Meeting of Shareholders. The Executive Committee provides the Supervisory Board and the General Meeting of Shareholders with all the information they require to perform oversight.



The Executive Committee is responsible for complying with all relevant legislation, for managing the risks associated with operational activities, and for the company’s finances. The Executive Committee reports on these matters and discusses internal risk management and monitoring systems with the Supervisory Board. Its members meet in principle at least once every month.

The Supervisory Board determines the remuneration and terms of employment of the individual statutory directors of Van Oord N.V. The statutory directors determine the remuneration and other terms and conditions of employment of the other Executive Committee members, after consultation with the Supervisory Board.

Supervisory Board

The Supervisory Board oversees the policies of the Executive Committee and the general course of events in the company and its associated operations. It also advises the Executive Committee. In assuming its duties, the Supervisory Board focuses on strategic, operational and other interests while also considering the interests of the company's stakeholders where relevant and appropriate. The Supervisory Board further considers relevant aspects of the company's operations. The Supervisory Board is responsible for the quality of its own activities.

Each of the members is qualified to express an opinion on the main outlines of overall policy, and each one also has the specialist expertise to fulfil the tasks appropriate to his or her role within the Supervisory Board's profile. The Supervisory Board's composition allows it to fulfil its tasks properly. The Supervisory Board strives to achieve diversity in its composition, for example with respect to gender and age. A member is only reappointed after careful consideration. The profile referred to above is taken into account even in the case of a reappointment.

The Chair of the Supervisory Board ensures that the board and its committees perform satisfactorily. He serves as the board's main point of contact for the Executive Committee and for shareholders regarding the performance of both the Executive Committee and the Supervisory Board Members. As Chair, he ensures that the General Meeting of Shareholders proceeds in an orderly and efficient manner.

The Supervisory Board has at least 5 members and meets at least 6 times a year. The Supervisory Board has a separate Audit Committee and a separate Human Resources Committee.

The General Meeting of Shareholders determines the remuneration of the Supervisory Board. A member's remuneration is not based on the company's financial results.

Conflicts of interest

If a conflict of interest arises involving a member of the Executive Committee and/or Supervisory Board, the procedure described in Book 2 of the Dutch Civil Code applies.

Limitation schemes

When candidates are nominated for appointment or reappointment to the Executive Committee or as a supervisory director, the number of board positions that they currently fill is a point of consideration (to avoid 'overboarding'). The relevant rules are adhered to in this regard.

Diversity in Executive Committee and Supervisory Board

The Executive Committee and the Supervisory Board endorse a balanced distribution of seats within the corporate bodies of the company. Diversity in the corporate bodies remains an important goal for the Executive Committee and the Supervisory Board.

General Meeting of Shareholders

The shareholders are involved in the company and participate fully in decision-making at the General Meeting of Shareholders. The General Meeting of Shareholders influences the Executive Committee and Supervisory Board's policy and plays a vital role in the company's system of checks and balances. Executive Committee decisions concerning a major change in the identity or nature of the company or its operations, and other important decisions (for example capital expenditure exceeding EUR 100 million), are subject to the approval of the shareholders.

Management teams

The company is structured into business units. The Dredging, Netherlands, Offshore Wind and Offshore business units are governed by management teams and supported by shared departments. The management teams are responsible for managing the business units on a strategic and operational level in line with approved strategies and budgets.

Management Committee

The Management Committee consists of the members of the Executive Committee and all department directors. It meets at least 5 times per year; meetings are chaired by the Chief Executive Officer. The primary purpose of these meetings is to allow the Executive Committee, management teams and departments to exchange views and information and to act as a sparring partner for the Executive Committee on all relevant strategic topics.

External auditor

The General Meeting of Shareholders is required to order the annual accounts to be audited each year. The appointment of the external auditor is listed as a separate item on the agenda for the annual meeting.

Works Council

The company's Works Council has 21 members and meets 6 times a year with the Chief Executive Officer and Director Personnel & Organisation (P&O).

Corporate Governance Code

Companies listed on the Dutch stock exchange are required to report on their compliance with the 2016 Corporate Governance Code. The principles set out in the code also provide standards of good internal governance for organisations other than listed companies. Although Van Oord is not listed, the company has indicated that, where relevant, it endorses these principles as much as possible.



Risk management

Van Oord is facing challenging market and local conditions and is increasingly involved in projects with a high degree of complexity. To a certain extent mitigation is beyond our control, for example when risks are associated with geopolitical circumstances. Overall, the nature of our risks is changing and the level is increasing. To face these developments we keep a strong focus on our risk management, which is under continuous evolution.

Enterprise risk management

Van Oord uses a five-step approach to risk management. This approach is based on the COSO Enterprise Risk Management 2017 framework.

To ensure a comprehensive overview of risk across the organisation and to effectively align risk with Van Oord’s strategy, risk assessments and mitigation plans are carried out at various levels in the organisation.

Risk appetite

Van Oord balances between acceptable risk and entrepreneurship and value creation on the other. Each of the risk categories has its own risk appetite.

| Category | Risk Appetite |
|-----------------------------|---------------|
| Strategic Risks | High |
| Operational & Project Risks | Moderate |
| Financial & Reporting Risks | Low |
| Legal & Compliance Risks | Low |

Stage gate approach to project risk management

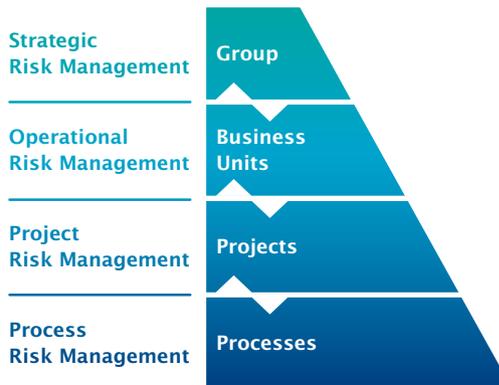
Van Oord systematically manages risks in the tender, preparation and execution phase of a project:

During the **tendering procedure** and the contracting phase of projects, much emphasis is placed on identifying, analysing and quantifying risks. Contracts are categorised based on their nature, size and risk profile. Above a certain level of risk, tender commitments require authorisation at Executive Committee level. Tenders exceeding EUR 50 million or tenders involving exceptional risk are reviewed by the Supervisory Board.

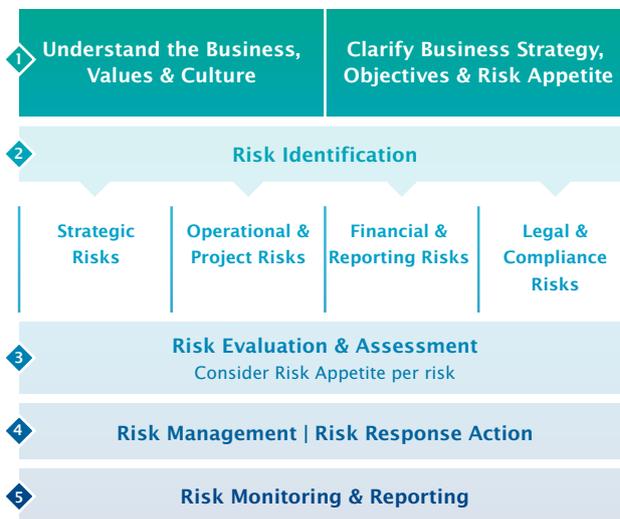
In the **preparation phase** of a project tender and depending on the risk category, we apply extensive risk analysis techniques. The results are used in the commercial terms and conditions for the tenders and in the execution thereafter.

When a **contract is awarded**, the risk analysis is updated during both the project preparation and execution phase, based upon which measures are taken to mitigate the risks identified.

Integrated approach towards Enterprise Risk Management



Our ERM Framework





Van Oord's approach to risk challenge / dialogue sessions

Strategic and Operational Risk Management

In 2019, the Van Oord Risk Management team challenged business unit management during their risk assessment process. By asking questions and challenging each other about the risks we are taking, we enhanced the dialogue. The outcome of these sessions was the basis for the 2020 Annual Plans, in which risks are linked to our strategic objectives.

Risk challenge / dialogue sessions are held to challenge employees, increase awareness, improve risk maturity, gain a better understanding of our risk appetite, develop a 'portfolio mindset' and enhance risk-aware decision making.

Project Risk Management

To effectively manage complex projects, Van Oord uses a rigorous risk management process. An effective risk management process enables the project team to monitor risks and identify when they need to put a mitigation plan in place to actively manage them. Key to this process is the ability to recognise and respond to early warning signs in order to move from a position of uncertainty to one of confidence and control.

Emerging project risks are related to:

- Geopolitical risks, such as the US sanctions law impacting the Nord Stream 2 pipeline project, and Brexit.
- Contractual risks. The DBFM contract for the Hoevelaken motorway project was terminated in line with our risk appetite. At one of our dredging projects in the Middle-East, the contractual conditions led to losses; we reviewed the conditions internally and learned from them.

- Procurement and supply chain risks. The Offshore Wind business unit faced setbacks because it had insufficient access to qualified and cost-effective vendors. We are continuing to improve our procurement and supply chain policies and processes, including subcontractor risk management.
- Sustainability risks, such as the PFAS / PAS regulations impacting Dutch infra projects. Intensive stakeholder dialogues, including sector-wide collaboration and innovations, help us to mitigate these threats and seize sustainability opportunities.
- Social expectations and global standards continue to evolve and sometimes result in dilemmas, e.g. the Marginal da Corimba project in Angola. We need to ensure a culture of commitment to the environmental, social and economic components of corporate social responsibility (CSR). Our CSR policies, practices, compliance programme, including environmental and social impact assessments (ESIA), help us to mitigate and manage these risks.

A project risk dashboard was implemented to help us to enhance project portfolio risk analysis and to understand risk events that impact not only the project but the entire organisation. The dashboard also helps us maintain a balanced project portfolio in relation to our risk appetite.

Process Risk Management

In 2019 Van Oord designed an Internal Control Framework as part of our integrated approach to risk management. We maintain and develop our internal control system with the ultimate aim of improving our business performance, complying with laws and regulations, our codes of conduct, and organisational policies and procedures.

Looking forward

Van Oord will continue to intensify the risk dialogue, further integrate risk management and our strategy, and develop a 'portfolio mindset'.

The project risk dashboard will enable us to perform project portfolio risk analysis and identify red flags and trends and enhance decision making in tender / project selection. Moreover, it will optimise knowledge management (e.g. through sharing lessons learned) and ensure uniformity and consistency.

As from 2020, we will perform internal control reviews and introduce internal control self-assessments based on our Internal Control Framework.

Key risk themes

15 key risk themes that could impact Van Oord's strategic objectives.

| | | | | | |
|---|--|---|--|---|---|
| ↑ | Market Developments | ↑ | Reputation | = | Health & Safety |
| | STRATEGIC Dealing with a VUCA world and outperforming the competition | | STRATEGIC Building on integrity and delivering Marine ingenuity at the highest level | | OPERATIONAL & PROJECT Demonstrating proactive safety behaviour |
| ↑ | Sustainability | = | Culture & Governance | = | Equipment Capacity |
| | STRATEGIC Enhancing the energy transition, empowering nature and communities, and accelerating climate initiatives | | STRATEGIC Harnessing the founder's mentality and empowering entrepreneurship | | OPERATIONAL & PROJECT Lowering total cost of ownership and optimising our fleet and fleet planning |
| ↑ | Commercial Excellence | = | Human Resources | ↑ | Operational Excellence |
| | STRATEGIC Improving customer intimacy and commercial sharpness | | OPERATIONAL & PROJECT Ensuring the right people in the right place at the right time | | OPERATIONAL & PROJECT Implementing lean management and One Way of Working and optimising cash flow management |
| ↑ | Strategic Partnering | ↑ | Information Technology | = | Finance & Taxation |
| | STRATEGIC Working together and improving relations to grow and succeed | | OPERATIONAL & PROJECT Enhancing information security and focusing on digital leadership and innovation | | REPORTING & FINANCIAL Creating transparency, insight and value |
| = | Innovation | ↑ | Project Risks | ↑ | Legal & Compliance |
| | STRATEGIC Modernising our fleet and focusing on digital transformation | | OPERATIONAL & PROJECT Maximising project performance and minimising project risks | | LEGAL & COMPLIANCE Complying with laws, regulations and codes of conduct |
| ↑ | Increased risk | = | Risk remained unchanged | ↓ | Decreased risk |

Van Oord will continue to focus on bolstering our lines of defence, i.e. defining the right culture, further aligning risk management with our strategy, reviewing and recalibrating our lines of defence model, and re-assessing our risk appetite (for example in relation to project portfolio risk analysis). Managing risks is part of our core business and we want to continue to excel in this area, in order to deliver optimal value to our clients.



Compliance

As a company operating around the globe, Van Oord must comply with Dutch laws and regulations as well as a variety of local and international laws and regulations. Legislation and regulations change constantly, so it is imperative for us to maintain a dynamic compliance system.

Code of Conduct

Van Oord's Code of Conduct sets out the core values, responsibilities and rules of behavior that every employee is required to adhere to. The values that we share and the way we behave allow us to stand out in the market and to show that we conduct business in a responsible and sustainable manner. The Code includes detailed guidelines for, amongst others, health, safety, security & environment, personal & business integrity, import & export compliance, sanctions, anti-bribery & corruption, financial compliance, competition law compliance, conflicts of interest, sustainability, IT security and data protection. Our suppliers are required to commit to our Supplier Code of Conduct. In conjunction with the Code of Conduct, there are dedicated policies relating to different areas of compliance.

Van Oord has a Compliance Director to monitor governance and management of compliance risks with a dedicated team overseeing and further developing the compliance programme. The team consist of 4 people including a recently appointed compliance specialist on sanctions and export. The compliance function regularly soundboards with external experts. The Compliance Director reports to the Executive Committee and to the Supervisory Board.

Where appropriate Van Oord interacts and cooperates with authorities including interactions as a result of articles in the media. Issues raised will be taken into account for further enhancements of our already robust compliance approach.

Compliance Enhancement Programme

Our Compliance Enhancement Programme (CEP) is based on our Code of Conduct and aims to continuously enhance our compliance measures in line with external guidelines and changing legislation in order to ensure the company's continuity. The CEP does this by continuous communication of our compliance policies, training people in these and monitoring adherence. In 2019 the CEP was further developed and expanded on, to make it mature and part of our day to day business. The first steps were taken to develop a comprehensive audit programme for our agents. This will be introduced as standard practice in 2020 onwards.

Agents and agent policy

Van Oord operates around the globe, including in a number of countries with an increased risk of fraud and corruption. The company uses local expertise from intermediaries and/or agents in many countries to secure and execute projects. Some countries even require us to employ an agent to provide local support. Intermediaries and/or agents perform a range

of services for which they are being paid a percentage of the contract value and/or a success fee. Van Oord has no direct oversight or control over the appropriation of these funds.

The use of agents contributes to the success of the company but it also poses an inherent heightened compliance risk. Van Oord has an agent policy in place with appropriate policies, procedures and controls to prevent and minimise compliance risks.

Before entering into new agreements with agents, the compliance function validates that all criteria are met in accordance with the compliance standards. During recent years, the agent agreements have been renegotiated to include a strict set of compliance guidelines and terms, specifically geared towards compliance risk management. This includes identifying and screening the agent, its representatives and beneficial owners, documenting the rationale of the business relationship, standard agent self-certifications, audit rights and in general more emphasis on compliance in line with UN and OECD Guidelines. Every year the due diligence is repeated or in any case upon contract renewal.

As a result of the Compliance Enhancement Program and related agent policy, Van Oord requires additional documentation and reporting (such as activity reports). Absolute and relative maximum remuneration limits are set and adhered to and the services provided are agreed contractually as further compliance safeguard. A methodology was developed with external experts to initiate the execution of our right to audit on our agents. Risk based, several agents will be audited by an accredited independent auditor in 2020 and onwards.

No further business will be conducted with intermediaries and/or agents without these guidelines and terms having been contractually agreed. Agents who breach our compliance obligations face termination of their contract.

Reporting of Concerns Policy

Van Oord is committed to maintaining a good working environment and an open culture where concerns about conduct can be discussed and addressed. At any time, employees can report concerns to their immediate manager, the Trusted Independent Persons, or the Compliance Officer, who are designated to fulfil this role within the company. Van Oord guarantees that anyone reporting concerns properly and in good faith will be protected against negative consequences. One concern regarding undesirable behaviour was received, investigated and dealt with.

Competition Policy

Competition law aims to ensure fair and active competition between enterprises and Van Oord fully endorses this objective. Van Oord and its companies operate in Europe and must therefore comply with EU rules as a corporate group. Since Van Oord is also active outside the EU, we supplement our Competition Policy on a country-by-country basis.

Sanction and Export Policy

Van Oord is committed to comply with all applicable trade control laws and regulations of the jurisdictions in which we operate. As a result, all shipments must be reviewed for compliance before they are shipped or released. All employees are expected to consult a member of the Procurement & Supply Chain department and, if necessary, the Legal & Contracts department if they encounter any non-compliant shipment of goods or technology. To achieve this, Van Oord provides dedicated resources to manage export control awareness and compliance where applicable throughout our business worldwide. In 2019 we updated our Sanctions and Export Policy and a Compliance specialist on Sanctions and Export joined Van Oord.

Supplier Code of Conduct

Our Code of Conduct identifies the values, responsibilities and rules of behaviour for all our employees, subsidiaries and joint ventures. Because we expect our suppliers to adhere to a similar set of principles, we have established a Supplier Code of Conduct which describes the standards we require of our suppliers and their supply chains. These standards should be seen as 'best practice'. Depending on the size and nature of their business, we also expect our suppliers to have management systems in place that support compliance with applicable laws and regulations and our Code of Conduct.

Anti-Bribery & Anti-Corruption Policy

Van Oord is committed to conducting business honestly, without using corrupt practices or bribery to gain an advantage. In so doing, Van Oord aims to ensure adherence to applicable anti-bribery and anti-corruption standards. Our Anti-Bribery and Anti-Corruption Policy defines what constitutes bribery and corruption and which rules apply. The policy applies to all Van Oord employees, as well as its representatives and business partners.

Anti-Fraud Policy

Van Oord developed an Anti-Fraud Policy in 2019. The Anti-Fraud policy was established to support the development of

controls that will aid in the detection and prevention of fraud, whether committed against or within Van Oord. It is Van Oord's intent to promote consistent organisational behaviour by issuing guidelines, organising dilemma meetings and allocating responsibility for the development of controls and the conduct of investigations. The policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors and/or any other parties that have a business relationship with Van Oord.

Dilemma meetings

In the highly demanding and complex climate in which we operate, our staff can face dilemmas where there is no clear right answer. In 2018, Van Oord held dilemma meetings in all home markets including the Netherlands. In 2019 3 dilemma meetings were held, in the United Kingdom (Stokesley and Small Dole) and in Germany. Participants included senior local management, members of the Executive Committee, the Compliance Officer and an external professional. During these sessions, they discussed several dilemmas related to our policies and real-life situations. The goal of these meetings is to raise awareness about compliance issues and inform participants of our procedures and how they can get help and guidance if they encounter these situations. Dilemma meetings are standard practice in Van Oord's Compliance Enhancement Programme.

Compliance risks

Events of non-compliance may result in regulatory investigations, litigations and/or sanctions. Although extensive efforts are made to act in compliance with all relevant (local and international) legislation and regulations, notwithstanding all risk mitigating measures, a complete elimination of compliance risk cannot be guaranteed. Any violation of any relevant legislation, including anti-bribery and corruption legislation or anti-money laundering legislation could be material on our operational performance and cash flow in an individual accounting period.

Compliance enhancement next steps

During 2020 and onwards, the Van Oord compliance team will further implement and develop the CEP including, amongst others, following activities:

- Implementation of the ISO 19600 and 36001 norms for Compliance and Anti-Bribery and Anti-Corruption.
- Continuation of dilemma meetings on location, with emphasis on our responsibility for, and our relation with business partners and on Corporate Social Responsibility.
- Introduction of policies that aim to encourage the prevention and mitigation of adverse environmental and social risks associated with relevant projects.

Obligations pursuant to claims, procedures and investigations

Van Oord is or may in future be involved in claims, procedures and investigations, including regulatory and other governmental, with possible financial and/or other consequences in the context of its business operations. Based on available information, Van Oord expects that at year-end 2019 sufficient provisions have been made for possible negative financial developments.

Events of non-compliance may result in regulatory investigations, litigations and/or sanctions. Although extensive efforts are made to act in compliance with all relevant (local and international) legislation and regulations, notwithstanding all risk mitigating measures, a complete elimination of compliance risk cannot be guaranteed. Any violation of any relevant legislation, including anti-bribery and corruption legislation or anti-money laundering legislation could be material on our operational performance and cash flow in an individual accounting period.

Questions raised concerning Marginal da Corimba project, Angola

Van Oord is committed to use its expertise to create a better world for future generations by delivering Marine ingenuity. This better world is not limited to the developed countries. Van Oord also aims to create an improved environment in those parts of the world, that are in the process of developing themselves.

Working in less developed countries requires a robust compliance approach. The issues that a company may face can be difficult and delicate. Van Oord is well aware of this and aims to have robust, appropriate, and adequate compliance tools to work in a compliant manner.

Van Oord has the heartfelt aim to act in a compliant manner and to continuously improve. It goes without saying that we will use the lessons learned in the Marginal da Corimba project as an incentive to review our current policies and to see where we can further enhance them to make them even sturdier than they are at present.

With regard to the above-mentioned case, Van Oord emphasises that in relation to the Marginal da Corimba project in Angola it acted in compliance with the standards in force and, in line with agreements made with the governments of the Netherlands and Angola on the basis of information available.

- In 2016 Van Oord, as part of a consortium, was awarded a contract by the Angolan government for the Marginal da Corimba project off the coast of Luanda in Angola. The scope for Van Oord was design and construction of new land to extend the city by

around 400 hectares. At the end of 2019 Van Oord was informed about forced evictions of local residents without compensation in 2013. Despite the fact that Van Oord had no involvement in this case - the evictions took place in June 2013 and our agreement was awarded in 2016 - we are committed to using our influence to bring this about. Van Oord is fully committed to international law and regulations, including the OECD guidelines. Van Oord condemns the practice of forced evictions without compensation and states that the people who were forced to leave their homes at that time should receive compensation.

- The consortium, of which Van Oord was a partner, entered into financial agreements with the Angolan government concerning advance payments, as is customary for these large infrastructure projects. These advance payments were made in 3 tranches to Van Oord and the consortium partner. Van Oord paid part of one of these advance payments to the consortium partner in a foreign currency to a foreign bank so that it could pay suppliers from outside Angola in a foreign currency. This payment was approved by the Angolan government.

In May 2019 the new Angolan government cancelled all the contracts for the Luanda project that were signed in 2016, including the contract of Van Oord and the consortium partner at that time. The same presidential decree also indicated that the government would like to continue this project with Van Oord. Van Oord and the Angolan government are discussing the progress of the Marginal da Corimba project.

5

Financial statements



Consolidated balance sheet (before appropriation of profit)

(x EUR 1,000)

The numbers next to the items refer to the corresponding numbers in the notes.

| | | 31 December 2019 | 31 December 2018 |
|---|-----|------------------|------------------|
| Fixed assets | | | |
| Intangible fixed assets | 1. | 35,696 | 47,256 |
| Tangible fixed assets | 2. | 1,720,103 | 1,682,116 |
| Financial fixed assets | 3. | 52,468 | 22,625 |
| | | 1,808,267 | 1,751,997 |
| Current assets | | | |
| Stock | | 34,428 | 39,671 |
| Receivables | 4. | 463,129 | 451,825 |
| Cash at bank and in hand | 5. | 108,172 | 286,716 |
| | | 605,729 | 778,212 |
| Total assets | | 2,413,996 | 2,530,209 |
| Shareholders' equity | | | |
| Shareholders' equity | 6. | 1,007,916 | 998,967 |
| Provisions | 7. | 278,639 | 285,152 |
| Long-term liabilities | 8. | 414,742 | 207,319 |
| Current liabilities | | | |
| Work in progress | 9. | 114,981 | 81,934 |
| Other liabilities | 10. | 597,718 | 956,837 |
| | | 712,699 | 1,038,771 |
| Total shareholders' equity and liabilities | | 2,413,996 | 2,530,209 |

Consolidated profit and loss account

(x EUR 1,000)

The numbers next to the items refer to the corresponding numbers in the notes.

| | | 2019 | 2018 |
|--|-----|-------------------|-------------------|
| Net revenue | 11. | 1,643,767 | 1,876,162 |
| Costs | 12. | -1,226,496 | -1,423,321 |
| Depreciation of tangible fixed assets | 2. | -153,810 | -150,234 |
| Amortisation of intangible fixed assets | 1. | -11,560 | -11,002 |
| Total cost of work | | <u>-1,391,866</u> | <u>-1,584,557</u> |
| Gross profit | | 251,901 | 291,605 |
| General and administrative expenses | 13. | <u>-163,698</u> | <u>-149,547</u> |
| Operating profit | | 88,203 | 142,058 |
| Net interest expense | 14. | <u>-24,799</u> | <u>-44,618</u> |
| Profit before taxation | | 63,404 | 97,440 |
| Income taxes | 15. | -17,624 | -8,367 |
| Share in result of participating interests | 3. | <u>101</u> | <u>3,024</u> |
| Net profit | | 45,881 | 92,097 |

Consolidated cash flow statement

(x EUR 1,000)

| | 2019 | 2018 |
|--|-----------------|-----------------|
| Cash at bank and in hand at 1 January | 286,716 | 315,753 |
| Cash flow from operating activities | 30,178 | 127,689 |
| Cash flow from/(used in) investing activities | -221,539 | -120,115 |
| Cash flow from/(used in) financing activities | 10,164 | -34,042 |
| Net cash flow | -181,197 | -26,468 |
| Exchange and translation gains and losses | 2,653 | -2,569 |
| Increase/(decrease) cash at bank and in hand | -178,544 | -29,037 |
| Cash at bank and in hand at 31 December | 108,172 | 286,716 |
| Operating profit | 88,203 | 142,058 |
| Adjusted for: | | |
| Depreciation of tangible fixed assets | 153,810 | 150,234 |
| Amortisation of intangible fixed assets | 11,560 | 11,002 |
| Result on sale of participating interests | - | -33,157 |
| Changes in working capital | | |
| - Decrease/(increase) stock | 5,243 | -606 |
| - Decrease/(increase) receivables | -85,446 | -1,319 |
| - Increase/(decrease) work in progress | 33,047 | -225,170 |
| - Increase/(decrease) other liabilities | -102,186 | 122,765 |
| | -149,342 | -104,330 |
| Changes in provisions | -6,513 | 4,756 |
| Cash flow from business operations | 97,718 | 170,563 |
| Interest paid | -61,005 | -24,408 |
| Income tax paid | -6,535 | -18,466 |
| Cash flow from operating activities | 30,178 | 127,689 |
| Acquisition/business combination | - | -86,000 |
| Additions to tangible fixed assets | -192,865 | -122,500 |
| Divestments of tangible fixed assets | 1,068 | 6,304 |
| Investments in financial fixed assets | -29,742 | -9,216 |
| Receipts from financial fixed assets | - | 91,297 |
| Cash flow from/(used in) investing activities | -221,539 | -120,115 |
| Dividend paid | -39,585 | -34,042 |
| Prepayment/repayment of loans | -358,490 | - |
| Proceeds from loans | 408,239 | - |
| Cash flow from/(used in) financing activities | 10,164 | -34,042 |

Accounting policies

General

Van Oord N.V. (Chamber of Commerce number 24355843) has its registered office in Rotterdam, Schaardijk 211 3063 NH, the Netherlands, and is the holding company owning the shares of the Van Oord group companies. The financial statements have been prepared in accordance with generally accepted accounting principles in the Netherlands (Dutch GAAP) and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Reporting period

The financial statements cover the financial year ending on 31 December 2019.

Reporting currency and functional currency

The financial statements are presented in euro (EUR), which is the company's functional currency. All financial information is presented in EUR (rounded to the nearest thousand), unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial information of Van Oord N.V. and its wholly-owned group companies using the full consolidation method. Participating interests and contracting consortiums are consolidated proportionally, provided that the company exercises at least the same influence on policy as each of the other participants. Joint and several liability for the commitments of contracting consortiums is taken into account if necessary. The abbreviated company profit and loss account is prepared in accordance with Section 402 of Part 9 of Book 2 of the Dutch Civil Code.

Acquisitions

Acquisitions are recognised using the purchase accounting method, whereby the acquired party's identifiable assets and liabilities as at the date of acquisition are recognised in the consolidated balance sheet at fair value based on the policies of Van Oord. The difference between the acquisition price and the fair value of all of the acquired party's identifiable assets and liabilities is recognised by Van Oord as goodwill in the balance sheet.

Overview of most important group companies

Group companies 100%

| | |
|---|-----------|
| Van Oord Dredging and Marine Contractors B.V. | Rotterdam |
| Van Oord Nederland B.V. | Rotterdam |
| Van Oord Offshore Wind B.V. | Gorinchem |
| Van Oord Offshore B.V. | Gorinchem |
| Van Oord Equipment B.V. | Gorinchem |
| Van Oord Finance B.V. | Rotterdam |

A list of participating interests and contracting consortiums included in the consolidation has been filed at the offices of the Chamber of Commerce in Woerden (the Netherlands) in accordance with section 379 and section 414 of Part 9 of Book 2 of the Dutch Civil Code. The list also indicates for which companies Van Oord N.V. has have filed declarations of joint and several liability with the Chamber of Commerce and includes contracting consortiums in the Netherlands (VOF's) for which the company is jointly and severally liable for the non-consolidated part of the liabilities. A limited number of companies on the list in which Van Oord does not hold a majority of the shares, are consolidated as by means of deeds, agreements and arrangements control is obtained.

Foreign currency translation

Balance sheet items of foreign group companies denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Income and expenses in foreign currencies, to the extent that these are hedged by forward exchange transactions, are translated at the forward exchange rates. All other items are translated at average exchange rates or at the exchange rates ruling at the balance sheet date. Other exchange gains or losses are taken to the profit and loss account directly. Translation differences arising on the translation of foreign participating interests are taken to reserves.

Accounting policies

Estimates and assumptions

The preparation of financial statements requires management to make judgements, assumptions and estimates which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and related assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected by the revision.

The most critical accounting policies in presenting the financial position and which require estimates and assumptions are those applying to the valuation of:

- Tangible fixed assets
- Receivables
- Work in progress
- Provisions

At each reporting date the company assesses whether there is objective evidence that an asset or group of assets is impaired. In case of such evidence, the value in use is calculated with the discounted future cash flow which are derived from cashflow projections included in, management approved, projections for a period of five years. These are extrapolated for the later years and discounted against the estimated discount rate. The cashflow projections contain various assumptions and estimates of future expectations. The value in use is sensitive for the used discount rate and expected future cashflows.

As regards to work in progress, Van Oord has substantial contracts in progress and in its order book which, by their nature, are potentially high risk due to their size, complexity, and (long) duration. These projects are accounted for using best estimates of: the degree to which project revenue is achievable (allowing for contract variations), project expenses, and the expected profit on any contractually related maintenance phase. Because of their size, complexity and (long) duration, projects may also have a relatively large impact on the company's result. Project revenue, project expenses and hence the result made on projects at the time of completion may differ substantially from current estimates, amongst others as a consequence of negotiations with customers.

Financial instruments

Financial instruments include both primary financial instruments, such as receivables, payables and derivative financial instruments. All purchases and sales of financial assets made according to standard market conventions are recognised as at the transaction date, being the date on which the group enters into a binding agreement. For the accounting policies applicable to primary financial instruments, please refer to the relevant individual balance sheet items. For the valuation and recognition of derivatives, please refer to the section 'Derivatives and hedge accounting'.

Intangible fixed assets

Goodwill is the difference between the purchase price for newly acquired participating interests and the value of the company's share in the fair value determined in accordance with the Van Oord N.V. accounting policies. Goodwill is amortised on a straight-line base on its expected useful economic life.

Tangible fixed assets

Tangible fixed assets are stated at the lower of cost and net realisable value, less straight-line depreciation and / or impairments of tangible fixed assets based on their expected useful economic lives as stated in the notes to the consolidated balance sheet. Investments made during the year are depreciated from the date of purchase. Retired tangible fixed assets are carried at the carrying amount or their net realizable value, whichever is lower. A tangible fixed asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. The gain or losses arising on the disposal is taken to the profit and loss account. Repair and maintenance costs are recognised by means of a maintenance provision.

Financial fixed assets

Participating interests are stated at the lower of the proportional share of their net asset value determined in accordance with the accounting policies of Van Oord N.V. and net realisable value. Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment. Dividend is designated as income and recognised under financial income and expenses. Long-term receivables are stated at amortised cost.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available for set-off, for which the group assesses the availability of deferred tax liabilities set-off, the possibility of planning of fiscal results and the level of future taxable profits in combination with the time and/or period in which the deferred tax assets are realised.

Stock

Raw materials and consumables are stated at the lower of cost and net realisable value. Van Oord applies the first-in/first-out system.

Receivables

Receivables are initially measured at fair value plus transaction costs and subsequently stated at amortised cost, net of provisions for doubtful debts where necessary.

Cash at bank and in hand

Cash at bank and in hand is stated at nominal value.

Provisions

Provisions are stated at the nominal value of the expenditures expected to be required to settle the liabilities or losses. If some or all of the expenditure required to settle a provision is likely to be reimbursed by a third party at the time when the provision is settled, the reimbursement is separately recognised as an asset. A provision is recognised in the balance sheet if:

- a present obligation (legal or constructive) has arisen as a result of a past event
- the amount can be estimated reliably; and
- settlement of the liability is likely to result in an outflow of resources

Long-term liabilities

Long term liabilities are initially carried at fair value minus transaction costs and subsequently stated at amortised cost.

Work in progress

Work in progress relates to contracts with third parties and is stated at cost, plus attributed profit, minus the realisable value of work completed.

Cost comprises of direct project costs (such as the costs of staff directly involved in the project, costs of materials, subcontractor fees and charges for equipment), expenses attributable to general project activities and the project, and other costs contractually allocable to the customer.

Profit is accounted for on the basis of the technical progress of the work once this profit can be estimated reliably. The realisable value of work completed comprises the total work in progress instalments charged, and work completed but not yet invoiced. A provision for expected losses is deducted from the balance of work in progress.

Other liabilities

Other liabilities are initially carried at fair value minus transaction costs and subsequently stated at amortised cost.

Pensions

The principal pension plan is a collective defined contribution plan. Based on this plan, Van Oord will allocate a fixed contribution annually. If the plan cannot be administered from the available funds, then the employer will not be accountable, but rather the participants as a group will bear the shortfall via lower pension entitlements. The defined contribution group scheme is administered by a pension administrator. The guiding principle is that annual pension charges are equal to the pension contributions payable to the pension administrator. A liability is recognised in so far as the contribution payable to the pension administrator has not been paid at the balance sheet date.

Derivatives and hedge accounting

Van Oord N.V. uses financial instruments ('derivatives'), such as forward currency contracts to hedge against risks associated with fluctuations in currencies. Van Oord carries these instruments at cost and applies cost price hedge accounting. Hedge relationships have been documented and are pre-reviewed for expected effectiveness. Effectiveness is reviewed on a regular basis. If the critical elements of the derivative and the hedged item are not the same, a certain degree of ineffectiveness is assumed and a quantitative ineffectiveness measurement is required. If that measurement reveals that the cumulative negative change in fair value of the hedging instrument is higher in absolute terms than the opposite change in fair value of the hedged item, then ineffectiveness exists, which will be directly recognised in the profit and loss account as a loss.

Income and expenses

Revenue

Net revenue represents the value of the work carried out in the financial year plus the profit on work completed in the year and income from some trading activities.

Costs

Costs are determined in accordance with the accounting policies set out above and are allocated to the financial year to which they relate.

Employee benefits

Employee benefits and social charges are charged to the profit and loss account in the period in which the employee services are rendered.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests.

Income taxes

Income taxes are calculated on the basis of the result disclosed in the profit and loss account, taking into account current tax facilities and deferred tax assets and liabilities. Together with its Dutch group companies, the company constitutes a fiscal unity. Taxes within this fiscal unity are settled based on the reported financial results of the respective entities. Tax assets and liabilities are netted if the general conditions for netting are met.

Cash flow statement

The cash flow statement is prepared on the indirect method. The liquidities included in the cash flow statement comprise of cash at bank and in hand. Cash flows in foreign currencies are translated at an average exchange rate. Transactions where no cash is exchanged are not included in the cash flow.

Notes to the consolidated balance sheet

(x EUR 1,000)

The figures shown in brackets are the corresponding figures for the previous financial year.

Assets

| 1. Intangible fixed assets | 2019 | 2018 |
|----------------------------|---------------|---------------|
| Book value at 1 January | 47,256 | 52,882 |
| Goodwill paid | - | 10,976 |
| Disposals | - | -5,600 |
| Amortisation | -11,560 | -11,002 |
| Book value at 31 December | 35,696 | 47,256 |
| Cost | 164,681 | 164,681 |
| Accumulated amortisation | 128,985 | 117,425 |

Intangible fixed assets fully relate to goodwill. Goodwill is amortised over the period in which the economic benefits attributable to the asset are deemed to flow to Van Oord. The maximum amortisation period is 20 years.

The goodwill paid in 2018 related to the acquisition of MPI Offshore.

| 2. Tangible fixed assets 2019 | Land and buildings | Floating and other contracting equipment | Vehicles, fixtures and fittings | Assets under construction | Total |
|---|--------------------|--|---------------------------------|---------------------------|------------------|
| Book value per 1 January | 81,536 | 1,357,449 | 15,304 | 227,827 | 1,682,116 |
| Additions | 6 | 4,032 | 2,343 | 186,484 | 192,865 |
| Assets taken into operation and other changes | 4,957 | 52,366 | 7,226 | -64,357 | 192 |
| Disposals | - | -1,021 | -239 | - | -1,260 |
| Depreciation | -4,103 | -143,410 | -6,297 | - | -153,810 |
| Book value per 31 December | 82,396 | 1,269,416 | 18,337 | 349,954 | 1,720,103 |
| Cost | 118,113 | 3,183,502 | 76,150 | 349,954 | 3,727,719 |
| Accumulated depreciation | 35,717 | 1,914,086 | 57,813 | - | 2,007,616 |
| Depreciation period in number of years | 8 - 25 | 4 - 20 | 5 - 10 | | |

2. Tangible fixed assets 2018

| | Land and buildings | Floating and other contracting equipment | Vehicles, fixtures and fittings | Assets under construction | Total |
|---|--------------------|--|---------------------------------|---------------------------|------------------|
| Book value per 1 January | 85,720 | 1,155,126 | 13,927 | 375,381 | 1,630,154 |
| Additions | - | 3,572 | 6,669 | 112,259 | 122,500 |
| Acquisitions | - | 86,000 | - | - | 86,000 |
| Assets taken into operation and other changes | 486 | 259,070 | -26 | -259,739 | -209 |
| Disposals | -828 | -4,870 | -323 | -74 | -6,095 |
| Depreciation | -3,842 | -141,449 | -4,943 | - | -150,234 |
| Book value per 31 December | 81,536 | 1,357,449 | 15,304 | 227,827 | 1,682,116 |
| Cost | 113,218 | 3,133,633 | 68,988 | 227,827 | 3,543,666 |
| Accumulated depreciation | 31,682 | 1,776,184 | 53,684 | - | 1,861,550 |
| Depreciation period in number of years | 8 - 25 | 4 - 20 | 5 - 10 | | |

Acquisitions in 2018 related to the acquisition of MPI vessels. depreciated in accordance with the accounting policies stated above.

Assets under construction are not depreciated, unless the recoverable amount of the assets under construction is lower than the carrying amount, which was not the case in 2019. Upon first use, these assets are properly categorised and

The insured value of tangible fixed assets at year-end 2019 amounted to EUR 3.3 billion (EUR 3.2 billion).

3. Financial fixed assets 2019

| | Participations | Loans | Deferred tax assets | Total |
|------------------------|----------------|---------------|---------------------|---------------|
| Balance at 1 January | 8,962 | 2,463 | 11,200 | 22,625 |
| Capital injections | 12,245 | | | 12,245 |
| Dividend received | -96 | - | - | -96 |
| Share in results | 101 | - | - | 101 |
| Disposals | -222 | - | - | -222 |
| New loans | - | 19,270 | - | 19,270 |
| Other changes | 7 | 3 | -1,465 | -1,455 |
| Balance at 31 December | 20,997 | 21,736 | 9,735 | 52,468 |

| Financial fixed assets 2018 | Participations | Loans | Deferred tax assets | Total |
|------------------------------------|-----------------------|--------------|----------------------------|---------------|
| Balance at 1 January | 51,725 | - | - | 51,725 |
| Acquisitions | 8,283 | 933 | - | 9,216 |
| Dividend received | -13,148 | - | - | -13,148 |
| Share in results | 3,024 | - | - | 3,024 |
| Disposals | -40,789 | - | - | -40,789 |
| Other changes | -133 | 1,530 | 11,200 | 12,597 |
| Balance at 31 December | 8,962 | 2,463 | 11,200 | 22,625 |

The disposals in 2018 included the sale of our share in Gemini. Other changes in 2018 included the recognition of deferred tax assets in relation to tax losses carry forward.

| 4. Receivables | 2019 | 2018 |
|--------------------------------|----------------|----------------|
| Trade debtors | 262,114 | 240,840 |
| Other receivables | 164,859 | 198,792 |
| Prepayments and accrued income | 36,156 | 12,193 |
| | 463,129 | 451,825 |

The total of the accounts receivable is after deduction of a provision for bad debts of EUR 45 million (EUR 40 million).

| 5. Cash at bank and in hand | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| Cash, giro and bank | 90,286 | 266,421 |
| Deposit accounts | 17,886 | 20,295 |
| | 108,172 | 286,716 |

Of the total of cash at bank and in hand, EUR 56 million (EUR 41 million) relates to proportionally consolidated contracting consortiums and participating interests and is therefore not at free disposal of the company. Deposit accounts are immediately available to the company.

Liabilities

6. Shareholders' equity

Statement of changes in shareholders' equity of Van Oord N.V.:

| | 2019 | 2018 |
|--|------------------|----------------|
| Shareholders' equity of Van Oord at 1 January | 998,967 | 943,481 |
| Consolidated profit attributable to Van Oord N.V. | 45,881 | 92,097 |
| Translation differences arising on foreign participating interests | 2,653 | -2,569 |
| Total direct changes in shareholders' equity of Van Oord N.V. | 2,653 | -2,569 |
| Total profit of the legal entity | 48,534 | 89,528 |
| Dividend | -39,585 | -34,042 |
| Total changes in shareholders' equity | -39,585 | -34,042 |
| Shareholders' equity of Van Oord N.V. at 31 December | 1,007,916 | 998,967 |

For further details, please refer to the notes to the company balance sheet, under d.

7. Provisions

| | 1 January 2019 | Addition | Utilisation | Release | 31 December 2019 |
|---|-------------------|----------------|----------------|---------------|---------------------|
| Regular maintenance of fixed operating assets | 126,068 | 95,568 | 100,860 | 2,948 | 117,828 |
| Tax liabilities | 145,784 | 38,789 | - | 34,174 | 150,399 |
| Warranty obligations | 13,300 | 1,500 | 2,888 | 1,500 | 10,412 |
| | 285,152 | 135,857 | 103,748 | 38,622 | 278,639 |

The provision for regular maintenance of fixed operating assets is formed for systematic maintenance of equipment.

The provision for warranty obligations covers estimated obligations for completed construction contracts.

The provision for tax liabilities is intended mainly to settle tax liabilities, arising during the year and prior years, which may lead to tax payments in future reporting periods.

All provisions are generally long term in nature.

8. Long-term liabilities

In March 2019 a prepayment notification was sent to the noteholders for the prepayment of the remaining 50% of the outstanding US Private Placements. The prepayment is effectuated as per 1 April 2019. As a consequence of the above, in 2019 the one-off charges amounted to EUR 17.3 million which are included in interest expenses (refer to note 14).

As per 1 April 2019 a EU Private Placement in the amount of EUR 200 million was arranged in order to replace the remaining 50% of the US Private Placements. The EU Private Placement has 4 tranches with terms of 5 to 10 years.

In 2019 the principal amount of the existing Revolving Credit Facility was increased from EUR 400 million to EUR 450 million. In addition, the maturity of the Revolving Credit Facility has been extended to July 2024. At 31 December 2019 an amount of EUR 210 million was drawn under the RCF.

Further details of effective interest rates, remaining maturities and currencies in which the interest-bearing liabilities are denominated are provided in the note on financial instruments under 'interest rate risk'.

At year-end 2019, the company comfortably met the loan terms agreed for the credit facilities.

The average rate of interest on long term loans, excluding one-off charges, in 2019 was 2.11% (6.70%) per annum.

The repayment of long term liabilities after 5 years until final maturity amounts to EUR 198 million (EUR 13 million). No direct security is provided for the loans.

9. Work in progress

| | 2019 | 2018 |
|--|----------------|---------------|
| Cost of work in progress, profit recognised, provision for expected losses | -3,699,842 | -3,069,820 |
| Realisable value of work completed | 3,722,540 | 3,042,884 |
| Advance payments received | 92,283 | 108,870 |
| | <u>114,981</u> | <u>81,934</u> |

The work in progress balance includes agreements for which the cost of work in progress exceeds the realisable value of work completed. Total cost of work in progress and

realisable value of work completed amounted to EUR 1,884 million (EUR 2,135 million) and EUR 1,683 million (EUR 1,848 million), respectively, at year-end 2019.

10. Other liabilities

| | 2019 | 2018 |
|--|----------------|----------------|
| Prepayment Notification of loans within one year | - | 216,316 |
| Repayment of loans falling due within one year | - | 15,000 |
| Trade creditors | 107,916 | 90,723 |
| Taxes and social security contributions | 55,516 | 87,070 |
| Various other liabilities | 46,114 | 51,409 |
| Accruals and deferred income | 388,172 | 496,319 |
| | <u>597,718</u> | <u>956,837</u> |

Accruals and deferred income mainly concern accruals for project costs.

Financial instruments

General

Van Oord N.V. and its group companies use various financial instruments as part of their normal business activities

These are either accounted for under assets and liabilities or are not included in the balance sheet.

Credit risk

In principle, payment risks are covered by bank guarantees, insurance, etc., unless the creditworthiness of the debtor has been assured. These procedures and the geographical spread of the group companies' activities limit exposure to credit concentrations and market risks.

Liquidity risk

The principle underlying liquidity risk management is that sufficient cash resources must be maintained or credit facilities available to meet current and future financial commitments under both normal and exceptional circumstances. Liquidity forecasts, which include available credit facilities, form part of the regular management information. In view of the nature of the activities and corresponding strongly fluctuating cash flows, the available cash at bank and in hand is usually not tied up for more than one year.

Fuel price risk

The fuel price is largely hedged by entering into forward contracts and contractual arrangements with customers.

Foreign exchange risk

Many project contracts are denominated in foreign currencies. Virtually all positions in foreign currencies are fully hedged by means of forward exchange contracts. Forward currency contracts concluded to hedge against exchange rate fluctuations are valued at cost, and cost price hedge accounting is applied. Differences in forward rates arising from renewed forward exchange contracts are included in the balance sheet under current liabilities or assets. Forward exchange contracts are concluded for future cash flows mainly in US dollars. For this purpose, an amount of EUR 0.3 million (2018: EUR 3 million) is included under other liabilities at 31 December 2019, which is released as soon as the hedged future cash flow occurs. The portion of the US Private Placements denominated in US dollars was hedged at 31 December 2018 against foreign exchange risks using a cross-currency swap and an amount of EUR 74 million was included under other receivables for this purpose.

Interest rate risk

The EU Private Placement is mainly of a fixed-interest nature (EUR 150 million fixed, EUR 50 million variable). The Revolving Credit Facility is fully of a variable-interest nature. With regard to interest rate risk exposure, Van Oord periodically evaluates the mix of fixed and variable interest rate liabilities, balancing the benefit of lower interest costs versus the variability of cash flows. Van Oord may use derivative financial instruments to hedge the interest rate exposure.

The effective interest rates and maturities of cash at bank and in hand and interest-bearing liabilities are as follows:

| Per 31 December 2019 (x EUR 1,000) | Effective interest rate | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---------------------------------------|-------------------------------|------------------------|--------------|--------------|--------------|----------------|-------------------------|----------------|
| Cash at bank and in hand | 0.5% | 108,172 | - | - | - | - | - | 108,172 |
| EU Private Placement 2019 (EUR) | 1.8% | - | - | - | - | - | 198,239 | 198,239 |
| Revolving Credit Facility (EUR) | 0.9% | - | - | - | 210,000 | - | - | 210,000 |
| Other loans (EUR) | - | - | - | 1,913 | 2,295 | 2,295 | - | 6,503 |
| Total long-term liabilities | | - | - | 1,913 | 2,295 | 212,295 | 198,239 | 414,742 |

The movement of the interest-bearing short-term liabilities is as follows:

| (x EUR 1,000) | US Private Placements | EU Private Placement | Revolving Credit Facility | Other loans | Total |
|---------------------------|--------------------------|-------------------------|---------------------------------|----------------|----------|
| Book value at 1 January | 231,316 | - | - | - | 231,316 |
| Prepayment | -216,316 | - | - | - | -216,316 |
| Repayment | -15,000 | - | - | - | -15,000 |
| Book value at 31 December | - | - | - | - | - |

The movement of the interest-bearing long-term liabilities is as follows:

| (x EUR 1,000) | US Private Placements | EU Private Placement | Revolving Credit Facility | Other loans | Total |
|---------------------------|--------------------------|-------------------------|---------------------------------|----------------|----------|
| Book value at 1 January | 200,816 | - | - | 6,503 | 207,319 |
| Prepayment | -200,816 | - | - | - | -200,816 |
| Drawn | - | - | 210,000 | - | 210,000 |
| New financing | - | 198,239 | - | - | 198,239 |
| Book value at 31 December | - | 198,239 | 210,000 | 6,503 | 414,742 |

On-balance financial instruments and fair value

The fair value of financial instruments included in the balance sheet, such as financial fixed assets, cash at bank and in hand, receivables, and current and long-term liabilities, is virtually identical to their carrying value.

Off-balance financial instruments and fair value

As at 31 December 2019, the (nominal) amount of the forward exchange contracts at the forward rates was EUR 557 million (EUR 319 million). The (nominal) amount of the currencies to be received under these contracts at the exchange rates at 31 December 2019 was EUR 583 million (EUR 331 million).

Commitments, contingent assets and liabilities

Warranty commitments

The warranty commitments not included in the balance sheet amounted to EUR 790 million (EUR 812 million) at year-end 2019. The vast majority of the commitments relate to performance bonds issued to clients, which is common practice in contracting.

Obligations pursuant to claims, procedures and investigations

Van Oord is or may in future be involved in claims, procedures and investigations, including regulatory and other governmental, with possible financial and/or other consequences in the context of its business operations. Based on available information, Van Oord expects that at year-end 2019 sufficient provisions have been made for possible negative financial developments.

Events of non-compliance may result in regulatory investigations, litigations and/or sanctions. Although extensive efforts are made to act in compliance with all relevant (local and international) legislation and regulations, notwithstanding all risk mitigating measures, a complete elimination of compliance risk cannot be guaranteed. Any violation of any relevant legislation, including anti-bribery and corruption legislation or anti-money laundering legislation could be material on our operational performance and cash flow in an individual accounting period.

Rental and lease commitments

Total commitments under long-term rental and lease contracts amount to EUR 20 million (EUR 22 million). An amount of EUR 8 million will be paid in 2020. Total operational car lease commitments amount to EUR 13 million, of which EUR 5 million will be paid in 2020. Commitments with a term longer than 5 years amount to EUR 1 million.

Capital commitments

Commitments relating to investments in tangible fixed assets amounted to EUR 353 million (EUR 317 million) at the balance sheet date. An amount of EUR 116 million will be paid in 2020. There are no commitments with a term longer than 5 years.

Agency fees

Van Oord has own management teams in place in many parts of the world, but also works with agents to win and/or execute contracts. This can lead to an increased risk of non-compliance with laws and regulations

Some countries require us to engage an agent, and an agent can also provide local support during the execution of a project. Agents usually receive a (fixed) percentage of the contract price for their work, sometimes in the form of a (partial) success fee. That is why we try to mitigate the risks associated with working with agents through our Agent Policy. Stringent procedures relating to new and existing agents are in place and we engage the services of external professionals to support us.

Although our stringent policy and procedures did not reveal any concrete indications of possible irregularities, the risk of non-compliance with the applicable laws and regulations can never be completely excluded. Please refer to Chapter 4 Governance (Risk and Compliance) for a more detailed explanation of our approach to and management of compliance risks.

Related parties

Van Oord classifies group companies, the Executive Board, the Supervisory Board and (participations of) the shareholders as related parties. Related-party transactions are carried out at arm's length basis.

Notes to the consolidated profit and loss account

(x EUR 1,000)

11. General

Net revenue on work carried out in 2019, including the company's share of revenue generated by the consolidated consortiums (excluding value added tax), amounted to EUR 1,644 million (EUR 1,876 million).

| Breakdown revenue by geographical area | 2019 | | 2018 | |
|--|------------------|-------------|------------------|-------------|
| Netherlands | 385,322 | 24% | 224,769 | 12% |
| Rest of Europe | 760,043 | 46% | 894,897 | 48% |
| Rest of the world | 498,402 | 30% | 756,496 | 40% |
| | 1,643,767 | 100% | 1,876,162 | 100% |

| Breakdown revenue by business unit | 2019 | | 2018 | |
|------------------------------------|------------------|-------------|------------------|-------------|
| Dredging | 690,428 | 42% | 851,407 | 45% |
| Netherlands | 172,917 | 10% | 115,375 | 6% |
| Offshore Wind | 570,553 | 35% | 706,024 | 38% |
| Offshore | 209,869 | 13% | 203,356 | 11% |
| | 1,643,767 | 100% | 1,876,162 | 100% |

Wages and salaries

Wages, salaries and social security contributions in 2019 for employees of Van Oord and its group companies amounted to EUR 300 million (EUR 274 million). This related to an average

of 3,764 (3,463) employees (in full-time equivalents) and can be broken down as follows:

| | 2019 | 2018 |
|-------------------------------|----------------|----------------|
| Wages and salaries | 241,976 | 219,836 |
| Social security contributions | 33,545 | 32,148 |
| Pension costs | 24,221 | 21,584 |
| | 299,742 | 273,568 |

These costs only relate to employees on our own payroll. The above figures include wages, salaries, social security contributions and pension costs of EUR 57 million (EUR 49 million) relating to the companies consolidated on a proportional basis.

Remuneration of the members of the Supervisory Board amounts to EUR 0.3 million (EUR 0.3 million) and members of the Executive Board amounts to EUR 4.5 million (EUR 3.5 million).

Remuneration of the members of the Supervisory Board and Executive Board totalled EUR 4.8 million (EUR 3.8 million).

Annual pension charges are equal to the pension contributions payable to the pension administrator.

| Breakdown of average number of employees (full-time equivalents) | 2019 | | 2018 | |
|--|--------------|------|--------------|------|
| Employed in the Netherlands | 2,475 | 48% | 2,257 | 49% |
| Employed outside the Netherlands | 1,289 | 25% | 1,206 | 26% |
| | <u>3,764</u> | 73% | <u>3,463</u> | 74% |
| Hired personnel | 1,411 | 27% | 1,202 | 26% |
| | <u>5,175</u> | 100% | <u>4,665</u> | 100% |

11. and 12. Gross profit

Gross profit represents the balance of net revenue and the cost of work, plus the profit recognised on work in progress. Gross profit also includes:

- the addition to or release from the provision for expected losses on work in progress;
- prior-year income and expenses on work completed in previous years;
- income from fixed operating assets charged as rent to projects and third parties, less operating expenses, including periodic maintenance costs, and excluding depreciation;
- various items of income and expenses, such as results on the sale of tangible fixed assets, exchange differences and compensation for damage;
- depreciation and impairment of tangible fixed assets;
- amortisation of intangible fixed assets.

13. General and administrative expenses

General and administrative expenses are costs not charged to projects, such as head office, corporate departments and foreign offices.

General and administrative expenses comprised EUR 0.9 million (EUR 1.1 million) in audit fees for the financial statements of the entities included in Van Oord N.V.'s consolidated accounts. These fees were charged by Ernst & Young Accountants LLP Netherlands and taken to the profit and loss account. Other audit fees charged by Ernst & Young in 2019 were EUR 0.1 million (EUR 0.1 million). Non-audit fees charged by Ernst & Young were nil (EUR 0.1 million).

14. Net interest expense

| | 2019 | 2018 |
|------------------|----------------|----------------|
| Interest income | 1,935 | 1,629 |
| Interest expense | <u>-26,734</u> | <u>-46,247</u> |
| | <u>-24,799</u> | <u>-44,618</u> |

As a result of the 50% prepayment notification in December 2018 of the US Private Placements an amount of EUR 13.7 million make-whole fees was included in the interest expenses of 2018. In addition the until 2018 unrecognised Marked to Market value of the related (cross currency) interest rate swaps was included in the interest expenses of 2018 for an amount of EUR 13.5 million. In total the one-off charges in 2018 amounted to EUR 27.2 million.

Following the 50% prepayment notification in March 2019 for the US Private Placements an amount of EUR 17.3 million make-whole fees and costs for unwinding the related (cross currency) interest rate swaps is included in the interest expenses of 2019.

15. Income taxes

This item includes both Dutch and foreign taxes.

The effective and nominal tax rates differ by country.

Reconciliation between the weighted nominal tax rate and the effective tax rate is as follows (in percentage terms):

| | 2019 | 2018 |
|---|--------|--------|
| Weighted average nominal tax rate | 38.8% | 22.1% |
| Tax implications of: | | |
| Use of losses available for set-off not accounted for | -23.1% | -7.8% |
| Loss carry-forwards not accounted for | 2.6% | 0.2% |
| Tax-exempt profits and non-deductible expenses | 21.8% | -15.7% |
| Amortisation of intangible fixed assets | 3.5% | 4.1% |
| Movements in provisions | -15.9% | 5.3% |
| Effective tax rate | 27.7% | 8.3% |

Future losses relief of approximately EUR 52 million (EUR 58 million) are not recognised as deferred tax asset in the balance sheet of Van Oord. The set off of these compensating losses are amongst others dependent on any future taxable profits.

Company balance sheet (before appropriation of profit)

(x EUR 1,000)

The letters next to the items refer to the corresponding letters in the notes.

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Fixed assets | | |
| Intangible fixed assets | a. 27,464 | 34,330 |
| Financial fixed assets | b. 919,187 | 913,380 |
| | 946,651 | 947,710 |
| Current assets | | |
| Receivables | 159 | 106 |
| Amounts owed by group companies | c. 432,118 | 380,258 |
| | 432,277 | 380,364 |
| Total assets | 1,378,928 | 1,328,074 |
| Shareholders' equity | | |
| Paid-up and called-up share capital | d. 12,100 | 12,100 |
| Share premium account | 270,400 | 270,400 |
| Statutory reserves | -25,581 | -28,234 |
| Other reserves | 705,116 | 652,604 |
| Profit for the financial year | 45,881 | 92,097 |
| | 1,007,916 | 998,967 |
| Provisions | e. 25,645 | - |
| Long-term loans from group companies | f. 328,300 | 328,300 |
| Current liabilities | | |
| Other liabilities | 17,067 | 807 |
| | 17,067 | 807 |
| Total shareholders' equity and liabilities | 1,378,928 | 1,328,074 |

Company profit and loss account

(x EUR 1,000)

| | 2019 | 2018 |
|--|----------------|---------------|
| Profit of participating interests after taxation | 68,211 | 98,934 |
| Various income and expenses after taxation | <u>-22,330</u> | <u>-6,837</u> |
| Net profit | 45,881 | 92,097 |

Notes to the company financial statements

(x EUR 1,000)

The figures shown in brackets are the corresponding figures for the previous financial year.

Unless stated otherwise, reference is made to the notes to the consolidated financial statements.

Assets

a. Intangible fixed assets

| | Goodwill |
|--|-----------------|
| Book value at 1 January 2019 | 34,330 |
| Amortisation | -6,866 |
| Book value at 31 December 2019 | 27,464 |
| | |
| Cost | 137,320 |
| Accumulated amortisation | 109,856 |
| | |
| Amortisation period in number of years | 20 |

b. Financial fixed assets

The group companies included in this item are listed and referred to in the notes to the consolidated financial statements.

| | Group companies | Long-term loans to group companies | Deferred tax assets | Total |
|--|------------------------|---|----------------------------|----------------|
| Book value at 1 January 2019 | 585,080 | 328,300 | - | 913,380 |
| Dividend received | -100,000 | - | - | -100,000 |
| Result of participating interests | 68,211 | - | - | 68,211 |
| Disposals | 4,701 | - | - | 4,701 |
| Translation differences of participating interests | 2,653 | - | - | 2,653 |
| Transfer to provisions | 25,645 | - | - | 25,645 |
| Other changes | - | - | 4,597 | 4,597 |
| Book value at 31 December 2019 | 586,290 | 328,300 | 4,597 | 919,187 |

Long-term loans to group companies have a maturity per 31 December 2022 (interest of Euribor +1.2%).

c. Amounts owed by group companies

Amounts owed by group companies include EUR 429 million (2018: EUR 371 million) related to a surplus of Van Oord N.V. as part of the (zero-balance) cash pool held by the Van Oord Group at the Deutsche Bank.

Shareholders' equity and liabilities

d. Shareholders' equity

The authorised share capital in accordance with the Articles of Association amounts to EUR 40,000,000, divided into 40,000 ordinary shares of EUR 1,000. The issued share capital amounts to EUR 12,100,000, divided into 12,100 ordinary shares.

| | Paid-up and called-up share capital | Share premium account | Statutory reserves | Other reserves | Undistributed result | Total |
|--|-------------------------------------|-----------------------|--------------------|----------------|----------------------|------------------|
| 2019 | | | | | | |
| Balance at 1 January | 12,100 | 270,400 | -28,234 | 652,604 | 92,097 | 998,967 |
| Added to reserves | - | - | - | 52,512 | -52,512 | - |
| Dividend paid | - | - | - | - | -39,585 | -39,585 |
| Translation differences and other changes in participating interests | - | - | 2,653 | - | - | 2,653 |
| Profit for the financial year | - | - | - | - | 45,881 | 45,881 |
| Balance at 31 December | 12,100 | 270,400 | -25,581 | 705,116 | 45,881 | 1,007,916 |

| | Paid-up and called-up share capital | Share premium account | Statutory reserves | Other reserves | Undistributed result | Total |
|--|-------------------------------------|-----------------------|--------------------|----------------|----------------------|----------------|
| 2018 | | | | | | |
| Balance at 1 January | 12,100 | 270,400 | -25,665 | 608,406 | 78,240 | 943,481 |
| Added to reserves | - | - | - | 44,198 | -44,198 | - |
| Dividend paid | - | - | - | - | -34,042 | -34,042 |
| Translation differences and other changes in participating interests | - | - | -2,569 | - | - | -2,569 |
| Profit for the financial year | - | - | - | - | 92,097 | 92,097 |
| Balance at 31 December | 12,100 | 270,400 | -28,234 | 652,604 | 92,097 | 998,967 |

The share premium account is tax exempt.

Statutory reserves consist of a currency translation reserve participating interests of EUR -26.5 million (EUR -29.1 million) and a reserve for statutory reserves of participating interests of EUR 0.9 million (EUR 0.9 million).

Proposed appropriation

The proposed appropriation of the profit is as follows:

| | |
|--------------------------------------|---------------|
| Proposed dividend on ordinary shares | 21,099 |
| Added to reserves | 24,782 |
| Profit for the financial year | <u>45,881</u> |

e. Provisions

| | 1 January 2019 | Transfer from financial fixed assets | 31 December 2019 |
|---------------------------------------|-------------------|--|---------------------|
| Provision for participating interests | - | 25,645 | 25,645 |

f. Long-term loans from group companies

The balance consists of long-term loans from group companies with a maturity per 31 December 2022 (interest of Euribor +1.2%) for which long-term loans have been provided to other group companies as included under financial fixed assets.

Contingent liabilities

The company is jointly and severally liable for the tax liabilities of the group companies forming part of the Van Oord N.V. fiscal unity.

Rotterdam, 12 March 2020

Supervisory Board

N.W. Hoek, Chairman
K. Damen
J.H.R. Kretzers
J.M.J.A.P. Laurent Josi
Jac.G. van Oord
J.M.M. van der Ven

Statutory Directors

P. van Oord, CEO
M.J. Poots-Bijl

Other Information

Profit appropriation

Profit appropriation takes place in accordance with Article 14 (1) of the Articles of Association, which reads as follows:

‘The profit as disclosed in the profit and loss account approved by the General Meeting of Shareholders will be at the disposal of the General Meeting of Shareholders.’

6

Other information

About this report
Independent auditor's report
Assurance report
Definitions



About this report

Van Oord has reported on the state of affairs in the company and its subsidiaries in its 2019 Annual Report. The annual report is intended for all interested parties. In it, we report on the company's performance, its added social value and its financial results.

This annual report has been approved by the Supervisory Board and will be adopted by the shareholders on 15 April 2020. The accompanying annual financial statements have been audited by Ernst & Young Accountants LLP. Our financial statements are in accordance with the Dutch GAAP, the generally accepted accounting principles of financial reporting in the Netherlands, and the statutory regulations concerning annual financial statements, as included in the Dutch Civil Code, Title 9, Book 2.

The non-financial information contained in this report complies with our own reporting guidelines and the relevant sections of the Sustainability Reporting Guidelines (G4) by the Global Reporting Initiative (GRI). To ensure that the report is easy to read, its structure differs from the GRI Guidelines.

Limited assurance is requested for a number of selected sustainability indicators. They are:

- Male/female ratio: The number of men compared to the number of women on the Dutch payroll.
- Number of participants in training courses arranged via the NL VO Academy.
- Sick leave rate: a number of days' absence due to illness (employees on Dutch payroll) divided by the number of potential working days times the number of employees on the Dutch payroll (x 100%).
- Total Recordable Injury Rate (TRIR): Number of recordable injuries per 200,000 hours worked by workers on Van Oord's payroll or hired in from other companies, based on 2,693 hours per FTE; based on compulsory notifications by projects and fleet to the QHSE department). Recordable injury include: Lost time injury cases (more than one day absent), Medical treatment cases and Restricted work cases. This excludes First aid cases. TRIR includes all reported cases.

- Carbon footprint: Emissions expressed in tonnes of carbon dioxide. Concerns emissions from all equipment, flights, fleet of vehicles, offices and shipyards. These emissions come under scope 1 and 2 emissions as defined in the CO₂ Foundation for Climate Friendly Procurement and Business (SKAO), dated 4 April 2014. The conversion factor applied by Van Oord is also taken from this Manual.
- Sustainable Supply Chain: number of suppliers provided sustainability and QHSE information such as respect for human rights, anti-corruption measures, subscribing the OECD Guidelines for Multinational Enterprises, etc. The number represents the cumulative amount of suppliers provided such information started as per 2016 until 31 January 2020.

The selected indicators are to be found in Chapter 3, Non-financial performance, in this 2019 Annual Report. Except for 'number of participants in training courses', 'sick leave rate', the data provided on these selected indicators refers to Van Oord N.V. and its wholly-owned corporate group companies. The graphs and notes in the report indicate the year to which the data refers.

This report is available in English on our website <http://annualreport.vanoord.com>, <http://www.vanoord.com> and in the Van Oord App (App Store and Google Play).

We would be pleased to receive any comments on this annual report. Please send your e-mail to info@vanoord.com.

Independent auditor's report

To: the shareholders and supervisory board of Van Oord N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Van Oord N.V. based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Van Oord N.V. as at 31 December 2019 and of its results for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2019
- The consolidated and company profit and loss account for 2019
- The consolidated cashflow statement for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Van Oord N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Key figures
- The management board's report
- The supervisory board's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Definitions

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 12 March 2020

Ernst & Young Accountants LLP

W.P. de Pater

Assurance report of the independent auditor

To: the shareholders and supervisory board of Van Oord N.V.

Our conclusion

We have performed a limited assurance engagement on selected non-financial indicators ('the selected indicators') in the annual report for the year ended 31 December 2019 of Van Oord N.V. ('the annual report'), based in Rotterdam.

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators are not prepared, in all material respects, in accordance with Van Oord's reporting criteria as included in the section 'About this report' on page 128 of the annual report.

The selected indicators comprise the following indicators in the annual report 2019:

- male/female ratio (as a % of Dutch payroll list) as specified on page 73;
- number of participants in training courses as specified on page 73;
- absenteeism (as a % of the Dutch payroll list) as specified on page 73;
- frequency of incidents (TRIR) as specified on page 73;
- the carbon footprint (in metric tonnes) as specified on page 72;
- Number of suppliers for which sustainability information has been collected, as specified on page 72.

Basis for our conclusion

We have performed our limited assurance engagement on the selected indicators in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' ('Assurance engagements other than audits or reviews of historical financial information (attestation engagements)'). Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement on the selected indicators'.

We are independent of Van Oord N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to

independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The selected indicators need to be read and understood together with the reporting criteria. Van Oord N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the selected indicators are the reporting criteria developed by Van Oord N.V. and are disclosed in section 'About this report' of the annual report.

The absence of an established practice on which to draw, to evaluate and measure the selected indicators allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to our assurance engagement

Quantification of carbon emissions is subject to inherent uncertainty due to the use of variables such as emissions factors that are used in mathematical models to calculate carbon emissions, and the inability of those models to precisely characterize under all circumstances the relationship between various inputs and the resultant emissions because of incomplete scientific knowledge on this topic.

Our assurance engagement is restricted to the selected indicators. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

Responsibilities of the board of management and supervisory board for the selected indicators

The board of management is responsible for the preparation of reliable and adequate selected indicators in accordance with the reporting criteria as included in the section Reporting criteria. In this context, the board of management is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the board of management regarding the scope of the selected indicators and the reporting policy are summarized in in section 'About this report' of the annual report.

The board of management is also responsible for such internal control as the board of management determines is necessary to enable the preparation of the selected indicators that are free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the reporting process of Van Oord N.V.

Our responsibilities for the assurance engagement on the selected indicators

Our responsibility is to plan and perform the limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen (NVKS, Regulations for Quality management systems)' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the assurance engagement, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

The procedures of our limited assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant social themes and issues and the characteristics of the company as far as relevant to the selected indicators
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures on the selected indicators. This includes the evaluation of the reasonableness of estimates made by the board of management
- Obtaining an understanding of the reporting processes for the selected indicators, including obtaining a general understanding of internal control relevant to our assurance engagement
- Identifying areas of the selected indicators with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the selected indicators responsive to this risk analysis. These further assurance procedures consisted amongst others of:
 - Interviewing management and relevant staff at corporate and business level responsible for the strategy, policy and results relating to the selected indicators
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the selected indicators
 - Obtaining assurance information that the data for the selected indicators reconcile with underlying records of the company
 - Reviewing, on a limited test basis, relevant internal and external documentation
 - Performing an analytical review of the data and trends submitted for consolidation at corporate level
 - Evaluating the consistency of the selected indicators with the information in the annual report which is not included in the scope of our assurance engagement

Rotterdam, 12 March 2020

Ernst & Young Accountants LLP

Signed by R.T.H. Wortelboer

Definitions

Financial terms

Amortisation: Depreciation of intangible assets such as goodwill.

Audit Committee: A committee comprising members of the Supervisory Board whose main task is to advise the Supervisory Board on its supervisory role with regard to the company's financial affairs and reporting.

Dutch GAAP: The generally accepted accounting principles for financial reporting in the Netherlands (Dutch Annual Reporting Guidelines and the statutory provisions on annual reporting as laid down in Title 9, Book 2, of the Dutch Civil Code.

EBIT: Earnings before interest and taxes.

EBITDA: Earnings before interest, taxes, depreciation and amortisation.

Hedging: Offsetting all or part of a financial risk in an investment by means of another investment.

Order book: The value of revenue on projects that Van Oord has been awarded, including those subject to financial close, but has yet to carry out.

Return on capital employed: EBIT divided by average capital employed, i.e. total assets less short-term liabilities.

Return on equity: Net profit divided by average equity.

Solvency: Equity divided by balance sheet total, i.e. fixed and current assets.

General terms

Backhoe: a hydraulic grab crane mounted on a dredging pontoon. Backhoes are used in hard ground.

Balance of Plant: all the work that necessarily precedes the installation of a wind turbine, for example construction of the foundations and the cable base.

Cutter suction dredger: A vessel that uses a rotating cutter head to loosen the material in the bed.

Carbon footprint: Emissions expressed in tonnes of carbon dioxide. This concerns emissions from all equipment, flights, fleet of vehicles, offices and shipyards. These emissions come under scope 1 and 2 emissions as defined in the CO₂ Performance Ladder Version 2.2 by the Independent Foundation for Climate Friendly Procurement and Business (SKAO), dated 4 April 2014. The conversion factor applied by Van Oord is also taken from this manual.

Energy transition: A structural shift towards a renewable energy system.

EPC: Type of contract with responsibility for engineering, procurement and construction.

Flexible fallpipe vessel: A vessel that installs rock on an ocean or river bed using a fallpipe with the aim of protecting underwater structures or levelling the bed.

FaunaGuard: An innovative technique for protecting sea mammals from the noise of engineering works being carried out on the seabed. The FaunaGuard was developed by Van Oord in cooperation with SEAMARCO (Sea Mammal Research Company).

Fleet capacity utilisation rate: Occupation of equipment related to project execution in number of working weeks per year (weighted average). This number includes cold stacked equipment.

Global Reporting Initiative: An international organisation that formulates guidelines for sustainability reporting.

IMO: International Maritime Organisation.

KPIs: Key performance indicators, variables that indicate whether an organisation is on track to achieve its targets.

Male/female ratio: The number of men compared to the number of women on the Dutch payroll.

Maritime Labour Convention: International convention governing working and living conditions on board sea-going vessels.

NGO: Non-governmental organisation that is independent of government and that focuses on a matter of social concern.

Operational excellence: An organisation's determination to deliver excellent service to its customers. It means that everything that the organisation does must be right the first time: delivery on time and for an outstanding price.

PlumeGuard: An advanced system for turbidity and sediment spill measurements, that can be equipped with a variety of water quality sensors. It can be deployed to perform mobile water quality measurements and to monitor dredging plumes.

ReefGuard: An innovative mobile laboratory developed by Van Oord in cooperation with coral experts to restore damaged coral reefs.

Sick leave rate: A number of days' absence due to illness (employees on Dutch payroll) divided by the number of potential working days times the number of employees on the Dutch payroll (x 100%).

Trailing suction hopper dredger: A vessel with large, powerful pumps and engines that enable it to suck up sand, clay, sludge and even gravel from ocean or river beds.

Total Recordable Injury Rate (TRIR): Number of recordable injuries per 200,000 hours worked by workers on Van Oord's payroll or hired in from other companies, based on 2.693 hours per FTE; based on compulsory notifications by projects and fleet to the QHSE department). Recordable injury include: Lost time injury cases (more than one day absent), Medical treatment cases and Restricted work cases. This excludes First aid cases. TRIR includes all reported cases.

Value chain responsibility: The process of encouraging sustainability in procurement chains. Van Oord practices value chain responsibility by identifying what sustainability issues our suppliers and subcontractors address in their operations, discussing these issues with them, and including them in our procurement terms and conditions.

Water injection dredger (WID): A special, innovative dredging vessel that injects water under low pressure into the sea or river bed, bringing sediment on the bottom into suspension, which is then carried away by natural tidal or river currents. Their excellent manoeuvrability means that WIDs can work close to embankments and quay walls, making them a very good choice for harbour deepening projects.

Sustainable Supply Chain: number of suppliers provided sustainability and QHSE information such as respect for human rights, anti-corruption measures, subscribing the OECD Guidelines for Multinational Enterprises, etc. The number represents the cumulative amount of suppliers provided such information started as per 2016 until 31 January 2020.

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Contact

We would be pleased to receive any comments on this annual report. Do you have questions about the contents of this report or our reporting methods?

You can let us know that too, by sending an e-mail to info@vanoord.com or contacting Mr R. de Bruin,

T +31 88 8268234. You will receive a response within ten working days.

