


STRATEGY
2020-2022

STRATEGY 2020-2022



WE CREATE, PROTECT AND ADVANCE





Boskalis operates around the world and is a leading player in the fields of dredging, offshore energy and maritime services. The company is a frontrunner in many of its markets thanks to its ability to deliver innovative all-round solutions combined with a comprehensive portfolio of specialist activities. Its versatile vessels and maritime equipment with value-adding potential are the cornerstone of the Boskalis business model. Systematic execution of the strategy, which is reviewed regularly in light of relevant market developments, is a key factor in Boskalis' success.

Our strategy is elaborated in our three-year business plan. Following a thorough review of our markets and business lines, a new Corporate Business Plan was formulated early 2020 for the period 2020-2022. Based on three strategic pillars – Focus, Sustainable Growth and Human Excellence – this plan addresses current and anticipated developments in our global business environment.

FOCUS

- Value adding assets
- Creative innovative solutions
- Disciplined and selective tendering
- Operational excellence

SUSTAINABLE GROWTH

- Investments in distinct assets
- Invigorate climate change adaptation
- Advance energy transition
- Carbon neutrality

HUMAN EXCELLENCE

- Strategic workforce planning
- Leadership and talent development
- Knowledge sharing
- Employee engagement

BUSINESS DRIVERS

In monitoring and developing our corporate strategy we keep a clear eye on the long-term megatrends that underpin the Boskalis business model.



A key driver of our business model is the continued growth of the global population, projected to rise by more than 1 billion persons to approximately 9 billion by 2040. By then almost 70 percent of the people together with associated assets and infrastructure will live on 0.5 percent of the world's land area, much of it in close proximity to water and some of this land will be reclaimed. Furthermore, long-term economic projections show that emerging markets will outgrow the advanced economies and that the average global Gross Domestic Product (GDP) per capita is expected to have increased by 50 percent by 2040. This growing and more affluent population living in coastal regions underpins the other drivers of our business: world trade, energy consumption and climate change.

According to the World Bank, infrastructure services are the backbone of development – they support essential services required to meet economic and financial, social and environmental objectives. In particular, the building of trade-related infrastructure is recognized as a key element to help accelerate progress towards achieving the UN Sustainable Development Goals (SDGs).

Global trade is expected to roughly keep pace with economic growth. Particularly in Asia, interregional shipping is anticipated to further increase. Boskalis continues to benefit from the trend towards larger vessels with deeper drafts. In ports these vessels require deeper access channels and larger and deeper berths and turning basins, creating primarily opportunities in the area of dredging.

As a consequence of the above-mentioned demographic and economic developments, energy demand continues to increase. Part of this demand can be served from existing sources, however significant new investments are required to meet this rising demand. The energy infrastructure required to meet this need presents a challenge on multiple fronts. The International Energy Agency (IEA) estimates USD 44 trillion is required in new energy supply infrastructure in the period up to 2040. While an annual expenditure of USD 45 billion is required to address UN SDG 7 (Affordable and clean energy) to deliver affordable, sustainable and reliable access to modern energy services.

Whilst the energy transition is driving growth in renewables, traditional fossil energy sources will continue to be indispensable for the foreseeable future. Oil, natural gas and even coal are expected to remain significant components of the global energy mix and absolute fossil fuel volumes are predicted to grow in the short and medium term. A more rapid energy transition – consistent with meeting the Paris climate goals – would also create substantial new opportunities for Boskalis. Within such a faster energy transition, the share of coal and oil in the energy mix would strongly decline and be offset by an even sharper growth in renewables and gas - the two most relevant energy markets for Boskalis. Through our projects and business activities we have an important role to play in advancing the energy transition. We are one of the leading players in the offshore wind market with a strong position in the installation of cables and turbine foundations. Through these projects we are helping to make renewable electricity available and attractive to clients and consumers.

Climate change continues to rise up the global agenda and Boskalis can play a valuable role in the necessary adaptation. The UN recognizes the rising gap between current progress and global goals to limit global warming. The opportunity for businesses to step up to the challenge is bigger than ever. The 2018 special report from the Intergovernmental Panel on Climate Change (IPCC) incontrovertibly states that the effects of climate change

cannot be fully prevented. Approximately 3.5 billion people, half the global population, live within 60 kilometers of the coast and 75 percent of major cities worldwide are located on the coast, many of which are at risk from the effects of climate change. Furthermore, 1.1 billion people live in flood-prone areas at threat from both rivers and seas. Without additional investments annual coastal flood damages are projected to increase 100 to 1,000 times by the end of this century. It is estimated that annual investments of USD 77 billion are required to keep flood risks at their current levels. Raising the safety levels to Dutch standards would result in a tenfold increase of these annual investment needs.

In summary, the mid- to long-term development of macro trends relevant to Boskalis are all positive. The structural growth and rising prosperity of the global population that increasingly lives in coastal areas drives demand for raw materials and energy and stimulates global trade. Climate change necessitates massive investments in the energy transition away from fossil fuels towards renewable energy sources. Given the unavoidable changes that are already locked in as a result of current and near-term emissions, the damaging effects of climate change will nonetheless increase over the next decades. Adequately addressing these effects through adaptive measures also requires very substantial investments. Collectively these macro trends propel the demand for maritime infrastructure and as such constitute key drivers of sustainable growth for our activities. This is irrespective of unpredictable and potentially less favorable short-term developments in some of the regions and markets where Boskalis is active.

Since its inception in 1910, Boskalis' raison d'être has been to create and to protect infrastructure through innovative solutions to challenges in the maritime, coastal and delta regions of the world. The importance of our climate change adaptive solutions will only increase with time and through our renewables business, we strive to advance the energy transition. Looking to the future, our purpose seems more relevant than ever.



DIVISIONAL REVIEW



DREDGING & INLAND INFRA

Dredging & Inland Infra is focused on market segments with structural growth. In the short-term the rate at which the market continues to grow is modest, but the industry characteristics are compelling. Boskalis holds an important position in this consolidated market and has a very strong global presence, putting the company in a good position to take advantage of forthcoming prospects.

Based on recent market assessments, Boskalis estimates the global dredging market for hopper and cutter dredger projects to have a contract value in the order of EUR 56 billion, with the bulk of the identified projects expected in the next five years. This outlook is slightly better than the same market assessment conducted three years ago.

Climate change is one of the greatest threats facing humanity with potentially far-reaching and devastating impact on people, the environment, and the economy. The investments needed to adequately protect coastal regions are immense. Therefore, accelerating climate change adaptation is a human, environmental, and economic

necessity. The dredging industry is uniquely positioned to offer adaptive solutions as sea levels continue to rise, extreme weather events surge and their damaging impact becomes more apparent.

To position ourselves for these opportunities we will make investments to maintain and, where appropriate, expand our market position. In terms of the fleet, investments are centered on the delivery of the Krios mega cutter in 2020 and the development of two new and distinctive shallow-draught, large/jumbo-sized trailing suction hopper dredgers. As ever, Boskalis will continue to keep an eye out for interesting consolidation opportunities involving acquisitions of regional dredging players.

To reduce our emissions, the Dredging division has successfully developed the 'Boskalis on Bio' program in partnership with GoodFuels and Wärtsilä. We see biofuels as one of the alternatives to accomplish substantial CO₂ reductions and continue to invest in technology and practical experience around other carbon-neutral fuels for our vessel engines in the coming years.

“BOSKALIS IS EXCEPTIONALLY POSITIONED TO PROVIDE SOLUTIONS TO THE MANY CHALLENGES IN THE RAPIDLY CHANGING WORLD AROUND US; WE HAVE A UNIQUE COMBINATION OF PEOPLE, VESSELS AND CAPABILITIES THROUGH WHICH WE ARE ABLE TO CREATE AND PROTECT WELFARE AND ADVANCE THE ENERGY TRANSITION”

Peter Berdowski

TOWAGE & SALVAGE

As referred to earlier, the size of our towage business has decreased following two substantial divestments in 2019. Opportunities to divest the remaining smaller parts of the towage business will be assessed on a case by case basis. The volume of work for Salvage is unpredictable by nature. Nevertheless, Boskalis will leverage its global footprint and permanent presence in ports around the world to grow its Emergency Response business. Furthermore, we will use our assets, engineering know-how, contract and risk

management skills as well as our solid financial position to secure attractive wreck removal contracts. The importance of our salvage operations from an ESG perspective is gaining external recognition. Through our efforts we protect economic value and avert ecological damage. Over the last five years, Salvage has had on average one case every five days and prevented 1.9 million tons of (refined) oil products and 4.2 million tons of hazardous cargo from spilling in our oceans and seas.



OFFSHORE ENERGY

Boskalis offers a broad range of distinctive capabilities to the offshore energy sector, both in oil and gas as well as in offshore wind. Over the past six years, the revenue share of offshore wind has grown from practically nil to currently 45 percent.

Increasing energy consumption will create additional opportunities for our traditional offshore activities, whilst the renewables market has substantial further growth potential. For the period 2020-2022 overall capital expenditures in offshore oil & gas are expected to grow by an average of over 6 percent per year. Key activity drivers for Boskalis include rig activity, the installation of floating and fixed structures, pipelines, SURF, subsea IRM and decommissioning.

The total expenditures in offshore wind are projected to increase by on average more than 22 percent per year over the business plan period. Within the offshore wind market, the main activity indicators for Boskalis include the transportation and installation of foundations and substations and the installation of export and array cables.

The various business clusters within the offshore energy division often serve both the oil & gas and offshore wind markets allowing us to allocate our assets and staff towards opportunities where they can add most value.

Marine Transport Services

Boskalis has a leading position in the global heavy marine transport market and is also active in long-distance ocean towage. Boskalis has deliberately positioned itself for the high end of the transport market with a focused fleet of semi-submersible heavy marine transport vessels. In this market it holds a substantial share and based on public information the supply side outlook is fairly stable. Demand for the coming years is set to increase with a pick-up of rig moves and a strong increase in the number and size of floating and fixed platforms. Furthermore, the growth in offshore wind is also creating dry transport opportunities as foundations and offshore substations are increasingly being fabricated in different parts of the world.

Survey

With the acquisition of Gardline in the UK and Horizon in the United Arab Emirates, Boskalis has established a leading position in the marine survey market and strengthened its position in the early-cyclical segments of the renewables and oil & gas markets. In the coming years, survey will benefit from both the improved market dynamics in oil & gas and growth in wind. It will also present us with opportunities to increase our presence in the Asian markets as well as on the east coast of the United States. Based on the four largest players in this market, Boskalis' share is approximately 30 percent.



In order to further strengthen our competitive position, we plan to invest in four new survey vessels during the business plan period.

Subsea Services

Boskalis holds a relatively modest but successful position in the subsea services market, focusing on survey and UXO clearance, diving and Inspection, Repair and Maintenance (IRM) work in shallow water regions in Northwest Europe, Africa and the Middle East. The subsea services market is highly fragmented with the vast majority of players operating just one or two survey and diving support vessels in a specific region. The addition of two large existing diving support vessels to our fleet has significantly strengthened our market position.

Installation & Intervention

Installation & Intervention comprises the installation of floating and fixed offshore structures as well as seabed preparation, subsea rock installation and landfall construction. Similar to the other business units the positive outlook for oil & gas and wind is expected to create opportunities in the coming years. To strengthen its position in the subsea rock installation market Boskalis will convert a former heavy transport vessel into a fallpipe vessel.

Offshore wind

The offshore wind cluster is mostly active in the transportation and installation of turbine foundations and substations as well as the installation of export and array cables. Boskalis' share in the European offshore wind market ranges from around 10 percent (foundations) to around 35 percent (cables). The company is committed to maintaining a strong presence in the European market as well as to build a position in the Far East and east coast of the United States.

Similar to the successful Bokalift 1, Boskalis will convert an existing hull to create the Bokalift 2 crane vessel with 7,500 m² of free deck space and a 4,000 ton revolving crane capable of lifting structures more than 100 meters high. The Bokalift 2 will be a flexible value adding asset, well positioned for the installation of current and future generation offshore wind turbine foundations as well as oil & gas structures in addition to serving the decommissioning and salvage market.





STRATEGIC FRAMEWORK

The Boskalis strategy is a logical progression from our purpose and mission:

Purpose – We create and protect welfare and advance the energy transition.

Mission – We strive to be the leading dredging and marine contracting experts, creating new horizons for all our stakeholders.

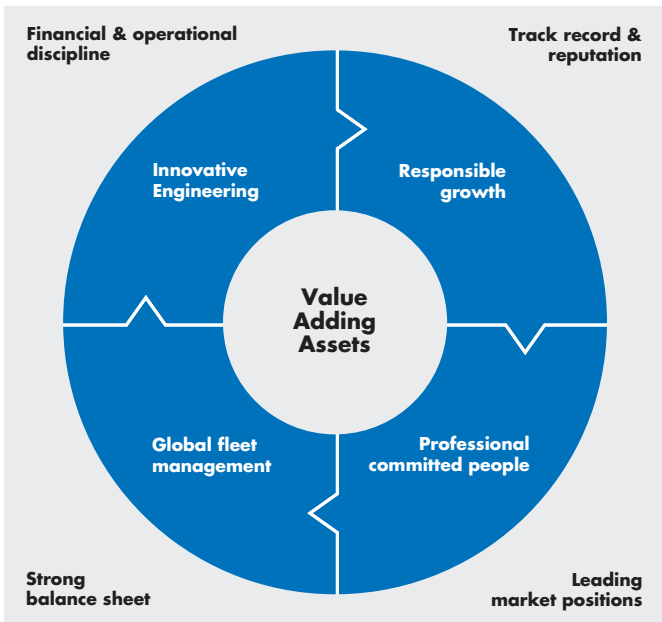
The strategic course for the coming period will be based on three pillars: Focus, Sustainable Growth and Human Excellence.

FOCUS

Value Adding Assets

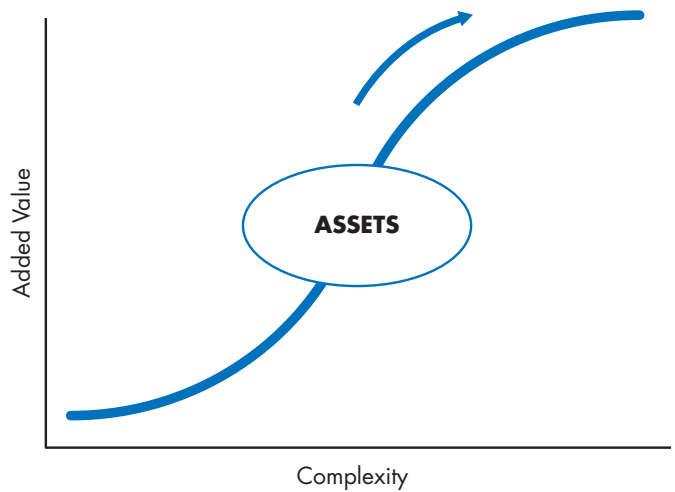
Boskalis’ strength lies in deploying its own assets combined with additional interrelated core competencies to add value for our clients. Boskalis will sustain its success as long as we have the right assets and people to execute our specialized activities for our various client base.

We seek to achieve the optimum balance between margin maximization and fleet utilization by operating our assets at various points on the S curve (see figure). We have clients who need us to deliver integrated, innovative services or turnkey solutions. In order to meet these client requirements, we need competencies that complement and reinforce one another, such as innovative engineering as well as financial and operational discipline. In addition, we need to be able to act as lead contractor with project management experience and a successful track record being of great importance. In this part of the market, with its higher margin potential, we expressly position ourselves towards the top of the S curve.



Interrelated core competencies

The more straightforward services assets are positioned at the lower end of the S curve. Certain of these services support contracting projects but the bulk of the business is third-party services revenue. Here the emphasis lies on sustaining fleet utilization levels whilst maintaining a responsible risk profile, with cost leadership being an important prerequisite.



S curve – creating value with assets

The S curve concept is dynamic in time and therefore we need to be critical with regard to the scope for adding sufficient value to assets at the lower end of the S curve. A structural shift in supply and demand can for example cause a former value-adding asset to be structurally repositioned lower on the curve. If this results in an asset becoming a commodity that cannot be moved up the S curve, we will consider divesting it. Conversely, modifying an existing asset or deploying it in a new market segment – for example in conjunction with our high-value contracting assets and project management capabilities – can result in it being repositioned higher on the curve. Boskalis manages its portfolio of assets actively in order to timely respond to such market dynamics. The essence of our value-adding asset concept is that we aim to position assets high on the S curve.

Disciplined and selective tendering

The gradual overall market recovery will result in new opportunities for many of our business activities. Market conditions are expected to remain challenging as surplus capacity still persists and clients continue to ask more value for money. This requires us to be disciplined and selective in the (pre)tender phase, focusing on projects that sit well within our profile of core competencies allowing for an equitable risk/reward (cash) balance.

Our core activities are focused on geographic regions and market segments that offer the best opportunities whereby we provide our services on both a combined and a standalone basis. Our mix of activities gives us a broad geographical scope. Some of our activities, such as Dredging, Transport and Salvage, have a truly global reach, while others have a regional focus. For example, our Inland Infra activities are concentrated on the Dutch market and Offshore Wind foundations and cables is currently focused on Northwest Europe and Far East, while our Installation & Intervention activities cover a wider geographical scope. Marine Survey

has a historic foothold in Europe and the Middle East with an increasing presence on the East coast of the United States and Asia through the growth in offshore wind.

Capital allocation and returns

Our capital allocation guideline aims to distribute and invest the company's financial resources in ways that optimize returns. In practice this typically results in captive vessels at the high end of the S curve being internally financed. Where possible we charter surplus commodity assets that are often available at rates below the full economic cost of ownership.

Safeguarding profitability margins also requires a continued focus on operational excellence whereby problem-solving capabilities, teamwork and leadership drive the ongoing improvement of our processes and practices.

SUSTAINABLE GROWTH

Invest in differentiating assets

There are various ways in which we can grow the business and we will consider our options as and when opportunities arise. Ways of expanding include building new assets, although this will only be considered for unique assets that cannot be purchased second-hand, or buying existing assets in the market. During the business plan period the following asset investments are anticipated:

Dredging

- the delivery of the cutter Krios in 2020;
- the development of two distinctive shallow-draught large-sized hoppers, the first being expected to be completed by 2022;

Offshore

- the conversion and development of a unique 4,000-ton crane vessel Bokalift 2 which will initially be deployed for wind turbine foundations;
- the conversion of a heavy marine transport vessel into a fallpipe vessel;
- four new survey vessels;
- bolt-on acquisitions of players that hold an interesting market position and preferably bring a combination of assets and know-how;
- strategic alliances and partnerships to supplement our own internal assets, capabilities and activities;
- consolidation, an area where we are keen to play an active role. Consolidation would be focused on markets where we already hold a strong position. This category tends to be difficult to steer and is largely opportunity driven.

Invigorate climate change adaptation

We continue to promote ecologically and socially responsible alternatives to our clients. To invigorate climate change adaptation, we will further invest in sustainable coastal protection technology such as 3D printed reefs, mangrove restoration, polders and sand engines.

The huge climate change adaptation investments needed to protect and promote human prosperity will not materialize automatically overnight. It will require close(r) cooperation between governments, businesses and development finance institutions. By conducting focused dialogues with key stakeholders, we can assist in systematically identifying the main barriers to private and public climate change project financing and help develop solutions.





Climate neutrality

To support the sustainable growth of our business we commit to being climate neutral by 2050. Nearly all our carbon emission is caused by our global fleet that constitutes a large installed base of fossil-fueled engines. We continue to invest in technology and practical experience around carbon-neutral fuels for our vessel engines, including biofuels, methanol, ammonia and hydrogen. Additionally, we explore the possibilities of new energy conversion technologies such as (hydrogen) fuel cells. To help advance the timely industry-wide adaptation of these alternatives we aim to further develop these alternatives in close collaboration with the main European maritime industry players.

HUMAN EXCELLENCE

Our clients demand more integrated and innovative solutions and expect us to have a thorough understanding of their operating environments and stakeholders. Additionally, they expect us to provide ever more value for money often in combination with increased local content requirements. The fact that technology is commoditizing rapidly and capital is in abundance at low cost, makes human capital the main differentiator for a sustainable competitive advantage.

In view of the above, recruitment, retention and development of excellent staff is considered the main pillar of our strategic framework. For this purpose we will intensify the development and implementation of initiatives and tools to source the right talent from the international labor market as well as to monitor, develop and steer internal talent and improve internal mobility. We will also continue to refresh and optimize our HR-processes around performance management, leadership- and talent development, knowledge sharing and employee engagement.

IN CONCLUSION

After a number of challenging years, Boskalis is entering the 2020-2022 business plan period on a very solid basis, both in terms of business fundamentals and financial resilience. In addition, we have a strong global client base, highly committed and passionate employees and a state-of-the-art, versatile fleet.

We will continue to selectively invest in the further sustainable growth of our business. Total capital expenditure over the three-year period is projected at around EUR 900 million, somewhat above depreciation. This amount excludes any asset acquisitions, bolt-on acquisitions or consolidation opportunities that may arise.

A healthy balance sheet is essential in our line of business. We believe a net debt/EBITDA ratio in a range of 1 to 1.5 through the cycle to be appropriate for our mix of activities. We expect to be at or below this range during the business plan period, both as a matter of prudence and in order to have the flexibility to expand if opportunities present themselves.

We remain committed to our shareholders and will maintain our current dividend policy, which is based on distributing 40-50 percent of the net profit from ordinary operations. Whilst depressed earnings are recovering, a stable all cash dividend with a higher payout ratio is expected to prevail. Furthermore, the current share buyback program is expected to be completed in the course of 2020. Subject to market conditions at that point in time a new share buyback program may be considered.

SUSTAINABILITY

We play a pivotal role in keeping the world moving both on land and at sea. The areas where we can make the biggest contribution, both to the world economy and sustainable development, are tied to our business, our people and our activities. Through our strategy and responsible business practices, we contribute to the United Nations Sustainable Development Goals (SDGs) which form the blueprint to achieve a better and more sustainable future for all.



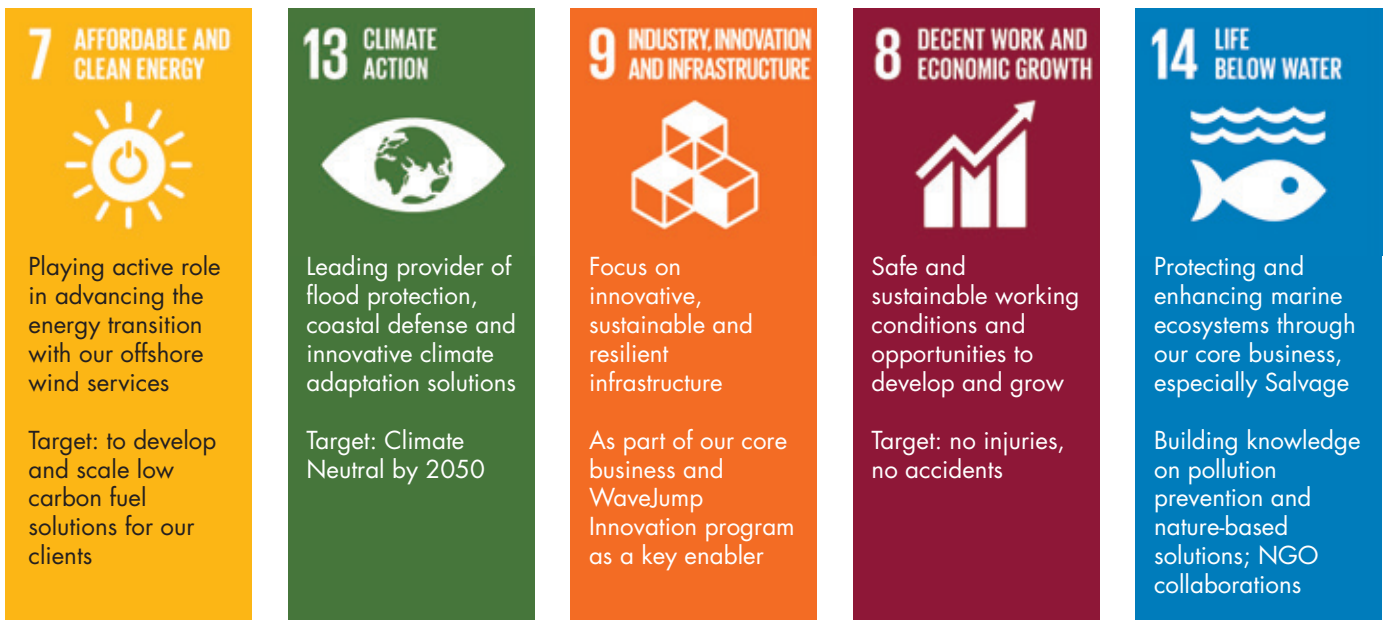
“WITH THE PRIDE AND DEDICATION OF OUR PEOPLE, I AM CONFIDENT THAT BOSKALIS CAN RISE TO THE CHALLENGES THE WORLD FACES AND THROUGH OUR BUSINESS SOLUTIONS MAKE A POSITIVE CONTRIBUTION”

Peter Berdowski

To align our sustainability approach to the SDGs we conducted an assessment on the current, potential, positive and negative impacts that our activities have on the SDGs throughout our value chain. Based on this assessment, whilst we see there are areas in which we can contribute to all of the SDGs, we consider five SDGs as most relevant in relation to our activities.

In the figure below these five SDGs are presented including how we contribute to each SDG and the objectives we have set ourselves in this regard.

You can read more about our approach to managing social and environmental impacts in the respective chapters of our sustainability report.



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