# ANNUAL REPORT 2010

ROYAL HASKONING
Enhancing Society

# ROYAL HASKONING IN 2010

Royal Haskoning achieved a worldwide turnover of €335 million in 2010. The net profit rose by over 60 per cent in comparison with 2009 to €7.6 million. Its healthy solvency and liquidity positions constitute a solid basis for the future of the company.

*'A good result despite a difficult year'*

The Board of Management of Royal Haskoning feels positive as it looks back over 2010. Unfavourable economic conditions did reduce Group turnover by 6 per cent to €335 million in 2010, however, a much sharper decline, of 14 per cent, had been expected at the beginning of the year. Nevertheless, we unfortunately had to adjust staff numbers to the decreasing market demand. Despite the loss of turnover, earnings before interest, tax and depreciation amounted to €25.4 million (against €23.2 million in 2009). Savings on operating costs and improvement of internal processes have contributed to the more favourable results. After tax and profit distribution to staff, the result amounted to €7.6 million (representing 2.3 per cent of turnover), against €4.7 million in 2009.

**SPECIAL ITEMS IN 2010**

Our 2010 result was positively influenced by a payment of €1.4 million from Dubai, an item for which we had made a provision in 2009. Two technically, highly challenging and successful projects - 'Room for the Waal' in the Netherlands and Ras Laffan in Qatar - were unfortunately less successful in financial terms, causing a setback of €3.0 million. In addition, we have had to make provisions to the amount of €1.4 million in 2010 for reorganisation. In 2010, we also signed an agreement with a new ICT supplier. Total costs for the entire period will be lower than before; the one-off transition costs amounted to €1.4 million in 2010.

**A SOUND AND HEALTHY BALANCE SHEET**

Even tighter control of our working capital enabled us to close the year with a net liquidity position of €52.1 million.
Cash flow from operational activities amounted to €29.0 million (against €15.6 million in 2009). Nearly all divisions contributed to the improvement in working capital. With 47.1 per cent solvency and a current ratio of 180.2 per cent, the balance sheet looks healthy as of the end of 2010.

As a result of economic circumstances, work in hand at the end of 2010 had dropped to 5.8 months (against 6.7 months at the end of 2009). Work in hand showed a varied picture across the divisions.

**BETTER BUSINESS MANAGEMENT**

In 2010 we worked to improve our market profile and business management. Four strategic programmes underlie this: Clients First, Financial Control, Value Improvement in Business Processes and Learn & Grow.
The Clients First programme aims to map out our clients' needs, instead of exclusively offering our own expertise. We have looked at the challenges facing our clients from different perspectives and grouped the vast store of knowledge within Royal Haskoning into multidisciplinary teams. This has enabled us to win and implement several cross-divisional projects. An excellent example is the design

*'Our sound solvency and liquidity position form a firm base for the future'*

and engineering of a brewery in Angola, for which the project team drew on resources from the Netherlands, Vietnam, Thailand and Indonesia. Or closer to home, the centre for war casualties De Basis in Doorn, benefited from an integrated approach with expertise from various divisions. Our whole approach to clients has improved further, reflecting the positive influence of the introduction of a new CRM-system. The upward trend in our client satisfaction surveys demonstrates that the programme is resulting in more satisfied clients.

**INCREASED EQUITY**

The Financial Control programme has borne fruit. The balance sheet has improved further. Royal Haskoning's equity grew from €72 million to €80 million. In addition, our sound solvency and liquidity position form a firm base for the future.

In the context of Value Improvement, we have worked on further improvement of our business management. Investments were made in project management; 500 employees have now been trained and the majority have gained IPMA certification. Co-ordination of our corporate process for all offices in various countries resulted in improvements to quality, flexibility and increased added value for our clients. Risk management rose to a higher plane last year, and became more firmly embedded in our organisation. We introduced a Risk Assessment Board to independently assess project-related risks.

**LAUNCH OF SUSTAINABILITY CAMPAIGN**

Sustainable development is, and will continue to be an important driver for our organisation. The greatest profit we record for man and the environment comes from sustainable, innovative solutions for our clients. Naturally, this also applies to our internal processes, including the reduction, as far as possible, of our own $CO_2$ emissions. To involve our employees more closely with sustainable development, we launched the Dare2Share sustainability campaign last year. Within the framework of the Rotterdam Climate Initiative, we also signed a co-operation agreement on sustainable development with the Rotterdam City Council. Under this agreement, both parties strive for tangible sustainability improvements in a wider sense in property and spatial developments and in projects.

**TRAINING AND DEVELOPMENT**

Our employees are vital to the success of our company. For this reason, we paid even more attention during 2010 to opportunities for our people to train and develop, via the Learn & Grow programme. This has been pursued at world level, to improve our integrated, international service provision. As a result, our teams in India, Vietnam, Indonesia and Thailand - to name but a few - can now work together seamlessly with those in western Europe.

Convinced as we are that our innovation skills contribute to our market position, now and in the future, our focus is on developing this even further. We intend to continue this approach in 2011. Other ways of stimulating innovation are: closer collaboration with universities, as well as organising in-house and external competitions. We are proud to have achieved the highest score in our history in the Intermediair Employers' Survey for the best employer of 2010. Our clients will benefit from this, because we are constantly offering innovative and creative solutions.

**CONSEQUENCES OF RECESSION**

On Royal Haskoning's Western European markets (the Netherlands, the UK, Belgium and France) we have seen a sharp fall, especially in utility and residential buildings, due to the recession. One of the consequences has been that we have had to adjust the capacity of our Buildings Division. In the Netherlands, the industrial sector is on the upturn. Given that our sector, by nature, has a late place in the cycle, there has still been no rise in the turnover of our Industrial Engineering and Industrial Concepts Divisions. Our Infrastructure & Transport Division has fared better than many parts of our company. Extra investments under the Dutch Government's Crisis and Recovery Act have certainly helped. Government cutbacks and market overcapacity have had a negative impact on results in the water sector. There is clearly less work on the market and price levels are under pressure. For the first time in years, we have had to reduce the size of the Water Division.

The consequences of the recession continue to make themselves felt in our activities in the United Kingdom. The formation of a coalition government in spring 2010 has led to a reduction in government spending on infrastructure and on controlling the risks of flooding, while a greater role is being assigned to local government. Although there was considerable support for offshore wind projects and the development of industrial areas such as ports, funding for Private Finance Initiative (PFI) projects in the field of waste processing was scaled down.

For Haskoning Belgium, 2010 was a difficult year with a substantial loss. By a better focus and new management, we expect to take an important step in the right direction in 2011. One of the consequences will be that divisions such as Infrastructure & Transport and Building will have a broader focus on the Belgian market in 2011.

The Danish government has recently decided in favour of an immersed tunnel as the fixed link between Denmark and Germany. Royal Haskoning, as a consortium member, played a prominent role in its design. The almost 19 kilometre long tunnel under the Fehmarn Belt is globally regarded as one of the largest and most challenging construction projects that is currently being prepared.

In Russia, we had to reduce our staffing, but saw promising developments during the last quarter. These included the oil and gas industry in Yamal and the industry around

**E. (Erik) Oostwegel**
Chairman as from 01-01-2011

***Chairman since*** *01-01-2011 >* ***Member of the Board*** *since 01-05-2009 >* ***Born*** *in 1966 >* ***Nationality*** *Dutch >* ***Additional functions/ memberships include*** *Member of the Governing Board of NLingenieurs (association of consulting, management and engineering agencies), Member of Advisory Council Delft Infrastructures & Mobility Initiative (DIMI), Board member of NAP ('The Process Industry Competence Network'), Member of Advisory Council 'Universiteitsfonds Delft (UfD)' >* ***Previous positions*** *Divisional Director of Industrial Installations and acting Divisional Director of Architecture & Building at Royal Haskoning <*

**F. (Frank) Heemskerk**
Member since 01-01-2011

***Member of the Board*** *since 01-01-2011 >* ***Born*** *in 1969 >* ***Nationality*** *Dutch >* ***Additional functions/memberships include*** *> Chairman of ECP-EPN, Chairman of 'Nederlandse EffieAwards' jury > Member of the national committee for Export, Import and Investment Guarantees >* ***Previous positions*** *Secretary of State at the Ministry of Economic Affairs, Member of the Lower House of the Dutch Parliament, various international positions at ABN AMRO Bank<*

**H.J.D. (Henry) Rowe**
Member since 01-01-2008

***Member of the Board*** *since 01-01-2008 >* ***Born*** *in 1952 >* ***Nationality*** *British >* ***Membership*** *Member of Environment Agency Strategic Framework Board >* ***Previous position*** *Director of Coastal & Rivers and Maritime Divisions at Royal Haskoning. International career in harbour and maritime sector <*

Moscow and St. Petersburg.
The recovering economy in Asia has also yielded better results. Royal Haskoning has built a strong position there, resulting in assignments in - amongst others - the food & beverage and consumer industries. We have designed new facilities for various international players (such as L'Oréal and Colgate Palmolive). Our activities in Vietnam, Thailand and Indonesia have grown too. India also recorded an excellent result, driven especially by projects in the maritime sector.

The growth of the oil and gas industries (and all related facilities, such as terminals and loading stations) has been very important to Royal Haskoning, since Royal Haskoning contributes to the entire logistics chain. A major civil engineering and maritime project was the Nakilat shipyard in the Ras Laffan harbour in Qatar, which opened in 2010.

**OUTLOOK FOR 2011**

Royal Haskoning realises that the coming year is not going to be easy. Prospects for utility and home building in particular are not good. Due to the weak property market, we expect less demand from project developers for design and consultancy. In addition, the governments in the Netherlands and the United Kingdom face immense tasks in order to economise. At the same time, oil & gas-related projects offer new scope and opportunities. This also applies to projects in the fields of sustainability and energy saving. Here, Royal Haskoning, with partners, is continuously looking for innovative solutions for its clients' problems. We expect stronger economic growth figures, especially in emerging economies.

Royal Haskoning will continue its result-oriented approach in 2011. In doing so, we will focus on greater uniformity of working methods. This will not only increase the efficiency, but also the effectiveness of the organisation and its expected results. Despite unfavourable prospects in some sectors, we are seeking to maintain profitability at a similar level. In addition to the countries in which we are already established, we are paying more attention to opportunities in South Africa, Brazil and Australia. We see oil & gas, energy, food & beverage, water systems and shoreline development as sectors where we can add much value for our clients. Moreover, we have identified a number of niche markets with a high sustainability content, such as power generation from mini-hydro power stations.

Since the beginning of 2011, the Arab countries have increasingly been the scene of political tension and changes. Royal Haskoning is continually testing what effects these developments could have on its activities in certain countries and regions.

To increase customer focus in our organisation, we have decided to adopt a market-oriented organisation structure. The existing 11 divisions will therefore be transformed into 5 Business Lines in 2011.

Finally, we wish especially to thank all our employees for their involvement, dedication and professionalism over the past year. With their work, they contribute to a better society. Their continued attention to our clients' issues is also an important source of inspiration to us. Thus it becomes a decisive factor in the success of our company and of our clients.

Nijmegen, 17 March 2011

**The Board of Management,**
Erik Oostwegel, Chairman
Frank Heemskerk
Henry Rowe

# REPORT OF THE SUPERVISORY BOARD

During the year under review, the Supervisory Board has focused, in its supervisory and advisory capacity, on the difficult market conditions caused by the global economic recession. The company took a swift and cautious approach in its response to the crisis by reducing capacity in a number of departments and through various reorganisations. We are pleased that, despite reduced turnover, we have achieved a significant improvement in the results compared to the previous year. On this basis, we can say with confidence that the company is in a healthy financial state.

We are also pleased to note that a great deal of progress has been made with the reorganisation and rationalisation of the financial and administrative processes. The new, pragmatic approach to innovation, with the main focus on sustainability, is having a refreshing effect and stimulates the relevance for society of our activities. Regular discussions have been held with the Board of Management regarding improvements to project management and risk management and the all-round use of ICT. There is still much to be gained through improvements here and we will look more closely at these areas in 2011.

The Supervisory Board has also decided for 2011 to form a committee from among its members to focus specifically on staff policy at a broad level. It will be similar in nature to the Audit Committee that focuses on financial matters. The findings of these committees will form the basis for discussions in the full Board meetings.

Another important point for deliberation was the succession of the chairman of the Board of Management, Jan Bout, who stepped down from his position on his retirement on 1 January 2011. The Board thanks Jan for the enormous contribution he has made to the growth and development of the company over the past nine years. It was particularly gratifying to learn that he was to be awarded the distinction of Officer in the Order of Orange Nassau. The Board decided to recommend Jan Bout's appointment as a member of the Supervisory Board as of 1 July 2011. The Works Council and the shareholders adopted this recommendation.

The Supervisory Board also deliberated over the re-appointment of Klaas de Vries on 1 January 2011 and decided to recommend his reappointment to the shareholders. The shareholders were in agreement.

Meanwhile, the new Board of Management with Erik Oostwegel as the new chairman and Frank Heemskerk as a new member alongside Henry Rowe, has thrown itself enthusiastically into its task as it builds on the strong foundations it has inherited. Their mission will be to continue to use the company's flexibility to respond to and capitalise on continually changing circumstances. Our customers' needs and the quality of our services and our employees will continue to be central. The Supervisory Board looks forward to providing continued support to the Board in the fulfilment of its role.

*The new, pragmatic approach to innovation, with the main focus on sustainability, is having a refreshing effect and stimulates the relevance for society of our activities*

During the year under review, individual members of the Supervisory Board also had contact in different capacities with the Works Council, the Stichting Beheer Aandelen Haskoning (Foundation for the Management of Shares in Haskoning) and the Management Council. We found our meetings with them to be open and constructive and look forward to working together in a similar manner in the future. The understanding attitude taken by the Works Council with regards to the necessary, sometimes painful, measures that have had to be taken, and their constructive contribution to decision-making deserves special mention.

We would like to extend our thanks to all employees: their efforts and achievements form the basis for the company's success in the past, and allow us to look forward to the future of Royal Haskoning with confidence.

*Nijmegen, 17 March 2011*

*On behalf of the Supervisory Board*
*Jan Veraart, Chairman of the Board*

### J.J.M. (Jan) Veraart
Chairman of the Board
Member since 2001

- ***Term ends*** *at the end of 2012*
- ***Born*** *in 1939*
- ***Nationality*** *Dutch*
- *Chairman of the Supervisory Board of 'Koninklijke De Vries Scheepsbouw B.V.', chairman 'Stichting ING Aandelen'*
- ***Previous position*** *President of the Board of Management of 'Hollandsche Beton Groep'*

### M.T.H. (Marry) de Gaay Fortman
Member since 2006

- ***Term ends*** *at the end of 2013*
- ***Born*** *in 1965*
- ***Nationality*** *Dutch*
- *Lawyer and partner with Houthoff Buruma, lawyers, notaries and tax consultants*
- *chair of the Supervisory Committee of 'AMREF Flying Doctors', Supervisory Director 'Univé-VGZ-IZA-Trias', member of the Supervisory Committee of 'Waarborgfonds Kinderopvang', member of the Supervisory Committee of 'Nederlands Dansthéater', Chair of the Board 'John Adams Institute', member of Executive Committee 'De Nederlandse Bachvereniging', member of the Supervisory Committee 'Stedelijk Museum Amsterdam', member of Central Planning Committee 'CPB (CPC)', Vice Chairman 'Commissie Integriteit Publieke Omroep (CIPO)'*

### K.G. (Klaas) de Vries
Member since 2007

- ***Term ends*** *at the end of 2014*
- ***Born*** *in 1943*
- ***Nationality*** *Dutch*
- *Member of Upper House of Dutch Parliament, member of Supervisory Board at ENECO, chairman of the board 'Nederlands Muziek Instituut', chairman of the board 'Stichting Centrum Arbeidsverhoudingen Overheidspersoneel', Visiting Professor at Radboud Universiteit Nijmegen*
- ***Previous positions*** *Member of the Lower House of the Dutch Parliament, Minister of the Interior and Kingdom Relations, Minister of Social Affairs and Employment, Chairman 'Sociaal Economische Raad', Head of the 'Vereniging van Nederlandse Gemeenten'*

### P.P.J.J.M. (Pieter Paul) van Besouw
Member since 2004

- ***Term ends*** *at the end of 2011*
- ***Born*** *in 1946*
- ***Nationality*** *Dutch*
- *Managing Director and owner of SMALLTAILS.COM, consultants*
- *Vice Chairman of the Supervisory Board of 'RDW', chairman of the 'Beleggingsadviescommissie SPW', member of the board of 'Stichting Cordeans', Supervisory director 'Optiver Holding B.V.', Supervisory director 'Total Specific Solutions B.V.'*
- ***Previous position*** *Chairman of the Board of Management 'Bank Nederlandse Gemeenten'*

### J.B. (Hans) Opschoor
Member since 2005

- ***Terms ends*** *at the end of 2012*
- ***Born*** *in 1944*
- ***Nationality*** *Dutch*
- *Emeritus Professor at the Institute of Social Studies*
- *Emeritus Professor at the Vrije Universiteit Amsterdam, Member of the Afrika Studie Centrum Supervisory Committee, member of the Supervisory Committee of UNICEF-Nederland, member of KNAW, member of the UN Committee for Development Policy, member of the International Advisory Council of the Institute for Urban Environment, China*
- ***Previous positions*** *Rector of the Institute of Social Studies, Chairman 'Raad voor Ruimtelijk, Milieu- en Natuur Onderzoek', Vice Chairman 'Raad van Advies voor Onderzoek Ontwikkelingsvraagstukken' and the 'Nationale Advies Raad voor Ontwikkelingsbeleid (NAR)', Director 'Instituut voor Milieuvraagstukken'*