Boskalis

# HALF YEAR REPORT 2018

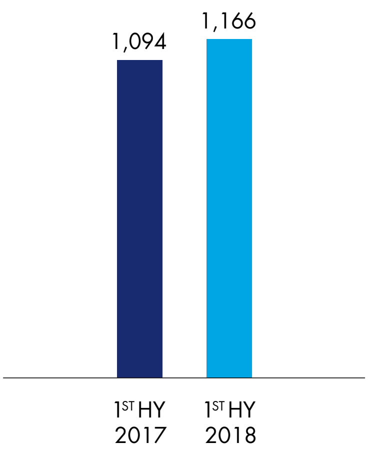
HALF YEAR
REPORT 2018

# KEY FIGURES

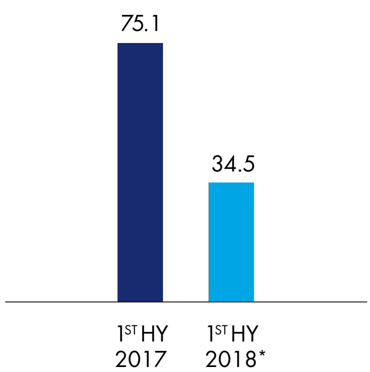
| KEY FIGURES | 1ST HY 2018 | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Revenue | **1,165.7** | 1,094.0 | 2,342.6 |
| EBITDA | **167.2** | 225.1 | 436.6 |
| Net result from JVs and associates | **14.8** | 21.9 | 31.0 |
| Operating result | **47.4** | 101.7 | 185.0 |
| Extraordinary charges | **397.0** | - | - |
| EBIT | **-349.6** | 101.7 | 185.0 |
| Net profit adjusted for extraordinary charges | **34.5** | 75.1 | 150.5 |
| Net profit (loss) | **-361.4** | 75.1 | 150.5 |
| Earnings per share (in EUR) | **0.27** | 0.58 | 1.15 |
| | **30 June 2018** | 30 June 2017 | End 2017 |
| Order book | **3,885** | 3,246 | 3,495 |

Our share in the net result of joint ventures and associated companies is included in EBIT(DA).
2018 EBITDA and earnings per share are presented excluding extraordinary charges.

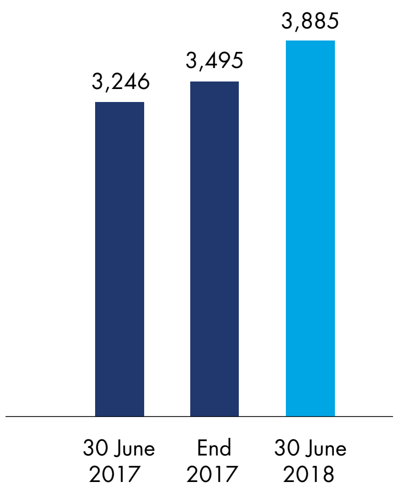
**REVENUE** (in EUR million)




**NET PROFIT** (in EUR million)

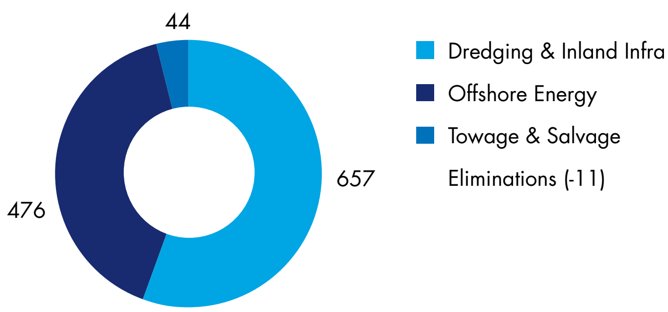



**ORDER BOOK** (in EUR million)

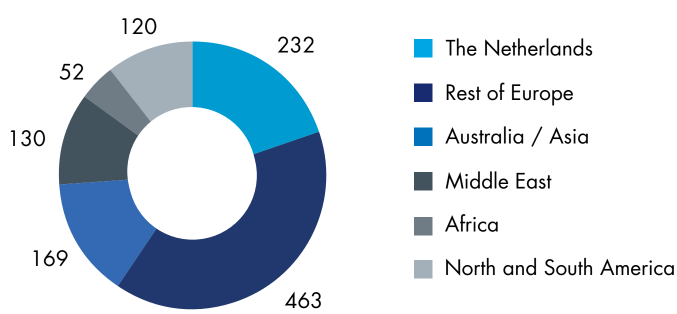



*Excluding extraordinary charges

**REVENUE BY SEGMENT** (in EUR million)




**REVENUE BY GEOGRAPHICAL AREA** (in EUR million)



# HALF YEAR REPORT 2018

This half year report contains forward-looking statements. These statements are based on current expectations, estimates and projections of Boskalis' management and information currently available to the company. These forecasts are not certain and contain elements of risk that are difficult to predict and therefore Boskalis does not guarantee that its expectations will be realized. Boskalis has no obligation to update the statements contained in this half year report. Unless stated otherwise, all amounts in this half year report are in euros (EUR). Some of the projects referred to in this report were carried out in joint venture or in a subcontractor role. This half year report as well as the Annual Report 2017 can be read on www.boskalis.com.

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The mega cutter suction dredger Helios at work in Duqm, Oman.

# CHAIRMAN'S STATEMENT

**"There were two sides to the first half of the year. While the contracting activities at Dredging and Offshore Energy made a good contribution, developments at offshore services had a significant adverse effect on the result.**

**Dredging performed in line with expectations. We were able to increase revenue with a stable result and we were also successful in acquiring a number of large projects which considerably increased our work in hand.**

**The offshore contracting activities such as seabed intervention and cable-laying also made a good contribution to the result. The pain in the first half of the year was clearly felt on the services side of offshore, particularly the low end of the transport market. As previously announced, we have reviewed our position there and have decided to fully exit this loss-making market segment that offers no prospects for improvement. With the lower end of the transport fleet we are slipping down further in the market and we are unable to add sufficient value. This is in contrast to the upper end of the fleet where we are distinctive, especially in combination with our other vessels and activities – fully in line with our strategy.**

**Looking ahead we are moderately optimistic. At Dredging we have a well-filled order book and see interesting and sizable projects across the market. In Offshore Energy we expect to see improved results at the contracting activities as well as at services as a result of the fleet reduction.**

**We are also seeing an increase in tender activities in the offshore market for the medium term. In the coming period we will therefore continue to seek ways to strengthen the company and expand it in the offshore market. Following the successful acquisition of Gardline we are seeing more opportunities in the survey market. At the same time we are focused on further strengthening our position in the high-end transport and installation market."**

**Peter Berdowski, CEO**

# OVERVIEW

The operating results of Royal Boskalis Westminster N.V. decreased in the first half of the year compared to the first half of 2017. This decline was mainly due to a sharp drop in the result of the Offshore Energy division where the transport activities at the low end of the market in particular worsened further and are now heavily loss-making. This segment is rapidly becoming a commodity transport market, often not oil and gas-related, that is structurally confronted with (Asian) overcapacity. In addition, the commodity activities do not fit within Boskalis' strategy aimed at a position higher up in the Transport & Installation market. These developments have prompted Boskalis deciding to terminate these activities. Due in part to this decision an extraordinary charge of EUR 397.0 million was recognized in the first half of the year, consisting mainly of a goodwill impairment and a write-off of vessels.

A net operating profit of EUR 34.5 million was realized in the first half of the year (H1 2017: EUR 75.1 million). Including extraordinary charges the company reported a net loss of EUR 361.4 million.

Revenue in the first half of the year amounted to EUR 1.17 billion, a 6.6% increase compared to the first half of last year (H1 2017: EUR 1.09 billion).

EBITDA totaled EUR 167.2 million in the first half of the year and the operating result was EUR 47.4 million, both adjusted for extraordinary charges (H1 2017 EBITDA: EUR 225.1 million, operating result: EUR 101.7 million).

Revenue increased at the Dredging & Inland Infra segment, as did the utilization of the hopper fleet. Large ongoing projects in Oman and India contributed to this. The margins and result were stable compared to 2017.

At Offshore Energy the contracting activities revenue was virtually unchanged, with important contributions from the cable-laying activities and seabed intervention projects such as TurkStream and Nord Stream 2. The sharp drop in the result of the division is largely attributable to the decline at services. Boskalis is able to set itself apart at the top end of the transport market where many opportunities still exist whereas the smaller, predominantly older transport vessels at the low end of the market are now loss-making. This part of the market is at the lower end of the S curve and is not strategically interesting for Boskalis. Therefore Boskalis has decided to exit this market segment and take the closed-stern heavy transport vessels (types IIb and III) out of service. This will result in a structural improvement in the operating result of more than EUR 25 million on an annual basis.

Salvage had a good first half of the year with several smaller emergency response contracts as well as the successful salvage of the ultra-large container vessel Maersk Honam which had caught fire in the Arabian Sea. The volumes at Towage are relatively stable, albeit that margins are under pressure in a number of ports, mainly due to price erosion in container shipping. A loss of margin has resulted in an adjustment of the book value of two joint ventures by means of a goodwill impairment.

Boskalis' financial position continues to be strong, with a solvency ratio of 56.2% and a modest net debt position of EUR 239 million.

The order book, excluding our share in the order book of joint ventures and associated companies, increased to EUR 3.89 billion at the end of the first half of the year (end-2017: EUR 3.50 billion).

# OPERATIONAL AND FINANCIAL DEVELOPMENTS


## HIGHLIGHTS FIRST HALF YEAR 2018

- Revenue: EUR 1.2 billion
- EBITDA: EUR 167 million
- Operating result: EUR 47 million
- Extraordinary charges: EUR 397 million
- Net operating profit: EUR 34.5 million
- Order book: EUR 3.9 billion

## OUTLOOK FOR 2018

- Market picture unchanged
- Dredging & Inland Infra: stable market volumes and stable margins
- Offshore Energy contracting: good projects in the order book
- Offshore Energy services: positive contribution to operating result from termination of loss-making low-end transport activities
- Towage: stable at current levels
- Salvage: positive outlook based on projects in hand
- Profit outlook: sharp improvement in net operating profit compared to H1

The Boskalis 2018 half year result was substantially impacted by extraordinary charges of in total EUR 397.0 million. Of these charges, EUR 379.8 million were non-cash impairments, with EUR 242.9 million relating to goodwill (including goodwill embedded in joint ventures).

For comparison purposes the EBITDA and operating result are adjusted for these extraordinary charges; operating result is defined as EBIT before extraordinary charges. Excluding the extraordinary loss of EUR 395.9 million after taxation, net profit for the first half of 2018 amounts to EUR 34.5 million.

## REVENUE

Revenue for the first half of 2018 increased by 6.6% to EUR 1,166 million (H1 2017: EUR 1,094 million). Revenue levels within Dredging & Inland Infra and Salvage increased while revenue declined in Offshore Energy. Adjusted for consolidation, deconsolidation and currency effects, revenue increased by 6.2%.

Within the Dredging & Inland Infra division a 13% revenue increase was accompanied by a higher utilization of the hopper fleet. The biggest revenue growth was realized outside of Europe, with large projects under execution in Oman and India.

The revenue decline within Offshore Energy was attributable to the weak performance within services with the largest decline in the Marine Transport & Services cluster. Contracting revenue was stable with the largest contribution coming from various offshore wind projects and a couple of seabed intervention projects. Marine Survey, comprising the Gardline activities acquired in the middle of last year, made a promising start to the year and is showing signs of recovery compared to recent years.

Within the Towage & Salvage division, Salvage had a good first half year. In addition to a number of smaller emergency response contracts, revenue was lifted by the contract to salvage the ultra-large container ship Maersk Honam.

| **REVENUE BY SEGMENT** | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Dredging & Inland Infra | **656.9** | 579.3 | 1,298.3 |
| Offshore Energy | **475.7** | 496.6 | 972.1 |
| Towage & Salvage | **43.9** | 25.6 | 100.5 |
| Eliminations | **-10.8** | -7.5 | -28.3 |
| **Total** | **1,165.7** | 1,094.0 | 2,342.6 |

| **REVENUE BY GEOGRAPHICAL AREA** | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| The Netherlands | **231.7** | 181.5 | 497.8 |
| Rest of Europe | **463.0** | 432.7 | 856.5 |
| Australia / Asia | **168.6** | 154.5 | 364.4 |
| Middle East | **129.7** | 110.4 | 256.4 |
| Africa | **52.5** | 52.6 | 84.8 |
| North and South America | **120.2** | 162.3 | 282.7 |
| **Total** | **1,165.7** | 1,094.0 | 2,342.6 |

## RESULT

The operating result before interest, taxes, depreciation, amortization, impairments and extraordinary charges (EBITDA) totaled EUR 167.2 million in the first half of the year (H1 2017: EUR 225.1 million). EBITDA includes the contribution from our share in the net result of joint ventures and associated companies.

The operating result declined to EUR 47.4 million (H1 2017: EUR 101.7 million). This result includes our share in the net result of joint ventures and associated companies, which on balance amounted to EUR 14.8 million (H1 2017: EUR 21.9 million).

After extraordinary charges of EUR 397.0 million before taxation, EBIT amounted to a negative EUR 349.6 million.

For Dredging & Inland Infra the operating result amounted to EUR 61.8 million (H1 2017: EUR 61.7 million). Results from projects in progress or in the process of being completed were reasonable. Overall, the reported margin was in line with the average margin reported last year.

Offshore Energy saw a strong decline in earnings with an operating loss of EUR 7.2 million (H1 2017: profit EUR 36.1 million). The low-end Marine Transport & Services activities and the Subsea Services activities showed the largest decline in earnings and were the cause of the negative divisional result. Within contracting, the seabed intervention and cable-laying activities made a good contribution to the result.

Towage & Salvage closed the first half of the year with a slightly lower result. A higher result from Salvage was offset by a lower result from some of the Towage joint ventures.

Non-allocated group income and expenses amounted to minus EUR 21.2 million and relates primarily to non-allocated head-office costs and non-recurring income and expenses.

| **RESULT BY SEGMENT** | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Dredging & Inland Infra | **61.8** | 61.7 | 110.5 |
| Offshore Energy | **-7.2** | 36.1 | 85.0 |
| Towage & Salvage | **14.0** | 16.7 | 32.8 |
| Non-allocated group result | **-21.2** | -12.8 | -43.3 |
| **Total Operating result** | **47.4** | 101.7 | 185.0 |
| Extraordinary charges | **-397.0** | - | - |
| **Total EBIT** | **-349.6** | 101.7 | 185.0 |

## NET PROFIT

The operating result amounted to EUR 47.4 million (H1 2017: EUR 101.7 million) and EBIT was negative EUR 349.6 million. Net of financing expenses of EUR 6.2 million on balance, the pre-tax loss was EUR 355.8 million. The net loss attributable to shareholders totaled EUR 361.4 million, compared to a profit of EUR 75.1 million in H1 2017. Excluding the after tax extraordinary charges, the 2018 half year net profit amounts to EUR 34.5 million.

## ORDER BOOK

At the end of the first half of the year the order book, excluding our share in the order book of joint ventures and associated companies, increased to EUR 3,884.6 million (end-2017: EUR 3,495.2 million).

In the course of the first half of the year Boskalis acquired, on balance, EUR 1,555.1 million worth of new contracts. Notable projects within Dredging & Inland Infra include the expansion of the Singapore Tuas Mega Port, the development of a polder in the northeastern part of Singapore and the construction of an artificial island in the IJmeer lake for the city of Amsterdam (the Netherlands). Within Offshore Energy numerous smaller contacts were acquired.

After the close of the first half of the year Boskalis acquired a sizable logistical management transport contract and received a letter of award for the transport and float-over installation of an offshore platform. Furthermore, the financial close of the Triton Knoll and Moray Offshore Windfarm East cabling contracts is expected to take place in the second half of the year. These projects are not included in the order book as at 30 June.

| ORDER BOOK | **30 JUNE 2018** | END 2017 | 30 JUNE 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Dredging & Inland Infra | **3,005.7** | 2,477.4 | 2,309.2 |
| Offshore Energy | **862.3** | 1,011.1 | 930.2 |
| Towage & Salvage | **16.6** | 6.7 | 6.3 |
| **Total** | **3,884.6** | 3,495.2 | 3,245.7 |

## DREDGING & INLAND INFRA

*Construction, maintenance and deepening of ports and waterways, land reclamation, coastal defense and riverbank protection, underwater rock fragmentation and the extraction of minerals using dredging techniques. Construction of roads and railroads, bridges, aqueducts, viaducts and tunnels including earthmoving, soil improvement and remediation – mainly in the Netherlands.*

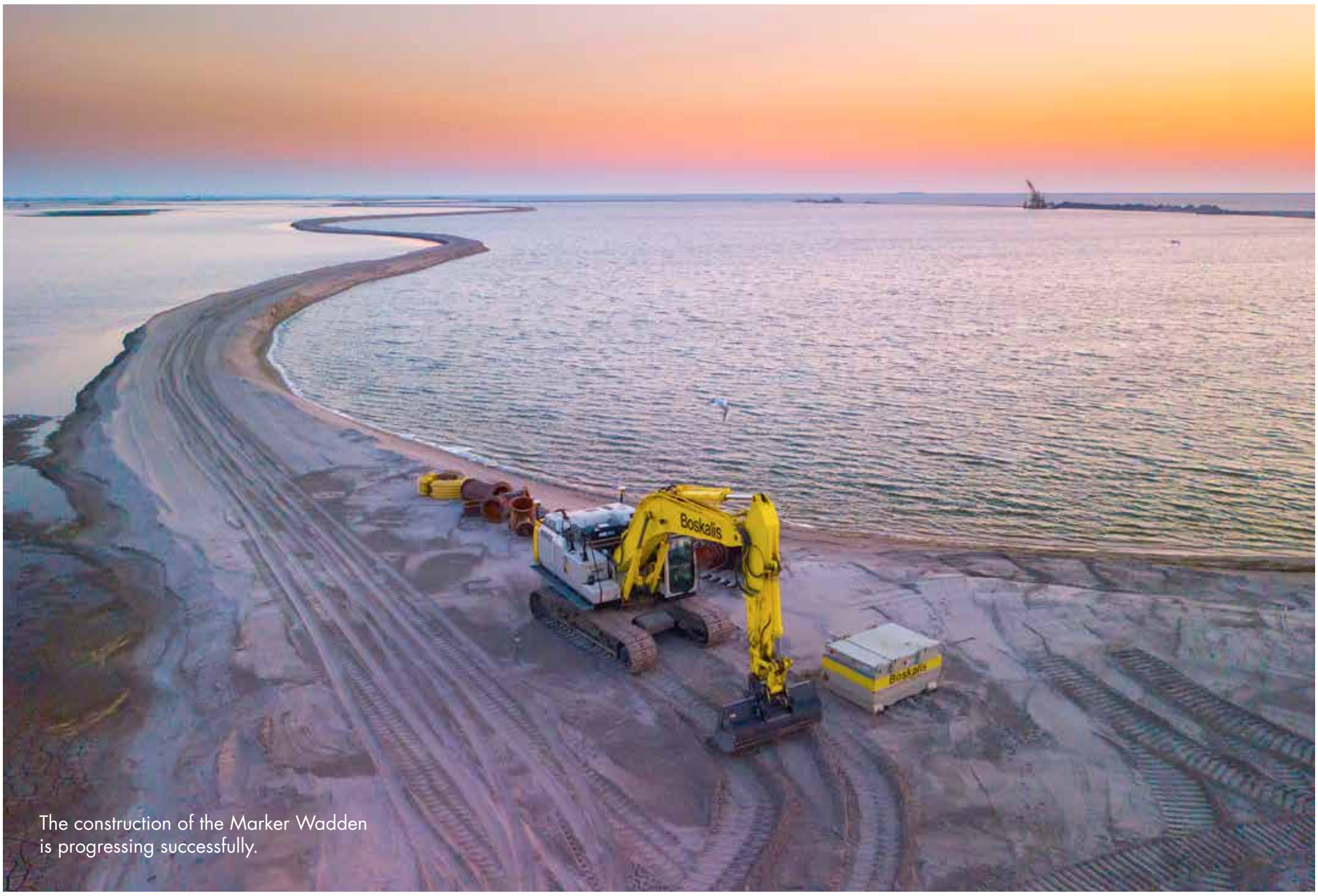
| DREDGING & INLAND INFRA | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Revenue | **656.9** | 579.3 | 1,298.3 |
| EBITDA | **121.6** | 112.4 | 219.1 |
| Net result from JVs and associates | **1.2** | 5.4 | 3.6 |
| Operating result | **61.8** | 61.7 | 110.5 |
| Order book | **3,005.7** | 2,309.2 | 2,477.4 |

EBITDA and operating result include our share in the net result of joint ventures and associated companies.

## REVENUE

Revenue in the Dredging & Inland Infra segment amounted to EUR 656.9 million (H1 2017: EUR 579.3 million).

| REVENUE BY REGION | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| The Netherlands | **201.9** | 178.2 | 473.2 |
| Rest of Europe | **112.9** | 143.0 | 253.7 |
| Rest of the world | **342.1** | 258.1 | 571.5 |
| **Total** | **656.9** | 579.3 | 1,298.3 |



The construction of the Marker Wadden is progressing successfully.

**The Netherlands**
Revenue in the Netherlands totaled EUR 201.9 million for the first half of the year. The largest revenue contribution came from the deepening of the Rotterdam port channel, the construction of the HES/Hartel Tank Terminal, the Buitenring Parkstad Limburg and miscellaneous riverbank and dike reinforcement projects. These included the Houtribdike, the Waddensea dike between Eemshaven and Delfzijl and the dike on the island of Texel, as well as work related to Room for the River projects.

**Rest of Europe**
Revenue in the rest of Europe amounted to EUR 112.9 million. The largest contribution came from the quay wall construction project for the new Stockholm Norvik Port in Sweden and the redevelopment of the Dover Western Docks in the UK. Numerous other port-related capital and maintenance projects were executed in the European home markets (United Kingdom, Germany, Sweden and Finland).

**Rest of the world**
Outside of Europe revenue increased to EUR 342.1 million. Important projects under execution include the development of the port of Duqm (Oman), the deepening of the access channel to the Jawaharlal Nehru Port in Mumbai (India), the expansion of the port of Lekki (Nigeria) and various other port and channel related projects in South America, Southeast Asia and the Indian subcontinent.

## FLEET DEVELOPMENTS

Utilization of the hopper fleet improved in the first half of the year compared to the same period last year. The hopper fleet had an effective annual utilization rate of 37 weeks (H1 2017: 31 weeks). The cutter fleet had an effective annual utilization rate of 14 weeks (H1 2017: 20 weeks). The mega cutter suction dredger Helios, which was taken into service last year, made a good contribution on the Duqm project in the first quarter. In line with the project phasing, the vessel has since been idle and is due to resume operations in the course of the third quarter.

## SEGMENT RESULT

In the first half of the year EBITDA of EUR 121.6 million was achieved along with an operating result of EUR 61.8 million (H1 2017: EUR 112.4 million and EUR 61.7 million, respectively).

In view of the challenging market conditions, the results from dredging projects were reasonable. The Dutch Inland Infra activities made a positive contribution to the result. Similar to previous years, financial settlements from projects that were technically completed at an earlier stage had a positive impact on the result.

## ORDER BOOK

On 30 June the order book stood at EUR 3,005.7 million (end-2017: EUR 2,477.4 million).

The order book for the Netherlands increased. Notable new contracts include the deepening of the Nieuwe Waterweg port channel in the Port of Rotterdam, the construction of an artificial island in the IJmeer lake for the city of Amsterdam and the construction of the N3/A16 motorway interchange. The orderbook for the Rest of Europe showed a modest decline compared to the end of 2017. The order book for the Rest of the World increased significantly with the most noteworthy contract wins being the expansion of the Singapore Tuas Mega Port, the development of a polder in the northeastern part of Singapore and the deepening of the access channel to the port of Lyttelton (New Zeeland). On balance EUR 1,185.2 million of new work was acquired in the course of the first half of the year.

| ORDER BOOK BY REGION | **30 JUNE 2018** | END 2017 | 30 JUNE 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| The Netherlands | **683.4** | 604.4 | 720.1 |
| Rest of Europe | **533.9** | 557.6 | 507.0 |
| Rest of the world | **1,788.4** | 1,315.4 | 1,082.1 |
| **Total** | **3,005.7** | 2,477.4 | 2,309.2 |

## OFFSHORE ENERGY

*Offshore dredging and rock installation projects, heavy transport, lift and installation work, surveying, diving and ROV services in support of the development, construction, maintenance and dismantling of oil and LNG import/export facilities, offshore platforms, pipelines and cables and offshore wind farms.*

| OFFSHORE ENERGY | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Revenue | **475.7** | 496.6 | 972.1 |
| EBITDA | **49.0** | 105.3 | 221.1 |
| Net result from JVs and associates | **1.7** | 0.8 | 0.3 |
| Operating result | **-7.2** | 36.1 | 85.0 |
| Order book | **862.3** | 930.2 | 1,011.1 |

EBITDA and operating result include our share in the net result of joint ventures and associated companies.
2018 half year EBITDA is presented excluding extraordinary charges.

## REVENUE

Revenue in the Offshore Energy segment amounted to EUR 475.7 million (H1 2017: EUR 496.6 million).
The revenue decline was fully attributable to the services cluster, whereas revenue remained stable within the contracting cluster.

**Offshore Services** includes Marine Transport & Services, Subsea Services and Marine Survey. As a consequence of the prevailing weak market conditions, the decision has been taken to largely exit the loss-making low-end of the heavy marine transport market and rationalize the respective part of the fleet.
Within Marine Transport & Services, projects such as the dry transport of the P67 and Johan Sverdrup FPSOs involving the type 0 and type 1 vessels made a good contribution to

revenue, albeit less than in previous years. The revenue contribution from the other transport vessels, including those deployed on logistical management projects, was limited.
At Subsea Services, work in the Middle East and Western Africa made an important revenue contribution, in addition to some involvement on internal offshore wind farm and unexploded ordnance clearance projects. Overall, but in particular in the North Sea, subsea markets remained under pressure. The recently acquired diving support vessels are still being positioned in the market resulting in a low utilization.
Marine Survey, comprising the Gardline activities acquired mid last year, had a seasonally slow start to the year. Revenue levels and pricing for this early-cyclical activity have however improved in the course of the first half of the year, showing clear signs of recovery compared to recent years. The order book for the rest of the 2018 season is well-filled.

**Offshore Contracting** includes Seabed Intervention, Marine Installation and the Subsea cable-laying activities. Notable Seabed Intervention projects under execution include the rock installation activities for the Nord Stream 2 pipeline and the landfall for the TurkStream pipeline, with both projects expected to make a healthy revenue contribution in the second half of the year.
Offshore wind farm developments contributing to revenue included Aberdeen, Arkona Becken, Hohe See and Horns Rev 3. With the exception of Aberdeen OWF, which was recently completed, the other cable-related projects are also expected to make an important contribution in the second half of the year. The Bokalift 1 crane vessel, which entered service at the end of the first quarter, was fully utilized on an offshore wind farm foundation installation project.

## FLEET DEVELOPMENTS

In the first half of the year the (weighted) utilization rate of the heavy transport fleet was 71% (H1 2017: 70%), with the type 0 and type 1 vessels being almost fully utilized. The cable-laying vessels and the fallpipe vessel Rockpiper saw reasonable utilization levels in the winter and strong levels in the spring.

## SEGMENT RESULT

In the first half of the year EBITDA of EUR 49.0 million was achieved and an operating loss of EUR 7.2 million (H1 2017: EUR 105.3 million and EUR 36.1 million, respectively).
The prevailing market conditions in the oil and gas sector impacted results in the services cluster, with the low-end of Marine Transport & Services and Subsea Services most affected. The operating result of these business units was negative and substantially lower than last year.
The segment result within contracting was slightly lower than last year. Based on the projects in hand, the contribution in the second half of 2018 is expected to improve.

The segment result includes our share in the net result of joint ventures and associated companies of EUR 1.7 million.

## ORDER BOOK

On 30 June the order book stood at EUR 862.3 million (end-2017: EUR 1,011.1 million).

On balance EUR 326.9 million of new work was acquired in the first six months consisting of numerous smaller contracts.

In 2017, Boskalis was nominated as preferred cable-lay supplier for the Triton Knoll and Moray Offshore Windfarm East offshore windfarm projects representing a combined contract value in excess of EUR 150 million. Both projects are expected to reach financial close in the second half of this year and are currently not included in the order book.

After the close of the first half of the year, Boskalis acquired a sizable logistical management transport contract for the transportation of a large number of modules from a fabrication yard in Asia to a plant being developed in North America. The contract ties up two high-end open-stern heavy transport vessels for approximately 475 vessel days each, commencing late 2019. Furthermore, Boskalis received a letter of award from Malaysia Marine and Heavy Engineering Sdn Bhd for the transportation and float-over installation of a topside for the Bokor Central Processing Platform Phase 3 redevelopment project in Malaysia. This project is due to be executed in 2020.

## TOWAGE & SALVAGE

| | |
|---|---|
| *Towage:* | *towage services and berthing and unberthing of oceangoing vessels in ports and at offshore terminals, management and maintenance both above and below the surface of onshore and offshore oil and gas terminals and associated maritime and management services.* |
| *Salvage:* | *providing assistance to vessels in distress, wreck removal, environmental care services and consultancy.* |

| TOWAGE & SALVAGE | 1ST HY 2018 | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Revenue | **43.9** | 25.6 | 100.5 |
| EBITDA | **15.4** | 17.8 | 35.1 |
| Net result from JVs and associates | **11.9** | 15.7 | 26.1 |
| Operating result | **14.0** | 16.7 | 32.8 |
| Order book | **16.6** | 6.3 | 6.7 |

EBITDA and operating result include our share in the net result of joint ventures and associated companies.

## REVENUE

Revenue in the Towage & Salvage segment increased to EUR 43.9 million in the first half of the year (H1 2017: EUR 25.6 million). In addition to numerous smaller emergency response contracts, the salvage of the ultra-large containership Maersk Honam contributed substantially to this revenue.

The Bokalift 1 installing jacket foundations for a wind farm in the North Sea.

In recent years, all the harbor towage activities were transferred to joint ventures. Our share in the net results of the towage joint ventures is recognized as net result from joint ventures and associated companies.

## SEGMENT RESULT

EBITDA for the Towage & Salvage segment totaled EUR 15.4 million, with an operating result of EUR 14.0 million (H1 2017: EUR 17.8 million and EUR 16.7 million, respectively).

The Salvage result includes results from ongoing projects in addition to financial settlements from projects that were executed in previous years. Such settlements are a common part of the salvage business. The actual size and timing thereof are however unpredictable.

The segment result includes our share in the net result from joint ventures and associated companies, the main ones being Smit Lamnalco, Keppel Smit Towage, Saam Smit Towage and Kotug Smit Towage. The contribution from these joint ventures was EUR 11.9 million (H1 2017: EUR 15.7 million). The Keppel Smit and Kotug Smit joint ventures continue to feel the effects of increased competition and price pressure, in particular from the container shipping industry. These developments led to a critical evaluation of the book value of these joint ventures, resulting in an impairment charge relating to goodwill embedded therein.

## ORDER BOOK

The order book, excluding our share in the order book of joint ventures and associated companies, was EUR 16.6 million on 30 June (end-2017: EUR 6.7 million). The order book relates solely to the Salvage business unit.

# HOLDING AND ELIMINATIONS

*Non-allocated head office activities.*

| HOLDING AND ELIMINATIONS | **1ST HY 2018** | 1ST HY 2017 | 2017 |
|---|---|---|---|
| (in EUR million) | | | |
| Revenue | **-10.8** | -7.5 | -28.3 |
| EBITDA | **-18.8** | -10.4 | -38.7 |
| Net result from JVs and associates | **-** | - | 1.1 |
| Operating result | **-21.2** | -12.8 | -43.3 |

## SEGMENT RESULT

The operating result for the reporting period mainly includes the usual non-allocated head-office costs, as well as various non-allocated (in many cases non-recurring) income and expenses. The operating result in the first half of 2017 included a positive result on the sale of real estate.

# OTHER FINANCIAL INFORMATION


Installation of a suction bucket jacket foundation for the Aberdeen Offshore Wind Farm by the floating sheerleg crane Asian Hercules III.

## DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

Mainly as a result of the prevailing weak market conditions in the offshore energy services sector, non-cash impairment charges of in total EUR 379.8 million before taxation (EUR 378.7 million after taxation) were accounted for. The largest part of this relates to the Offshore Energy division, of which EUR 136.9 million relates to an impairment charge for vessels and EUR 154.9 million to an impairment of goodwill. The remaining amount of EUR 88.0 million is related to goodwill embedded in the book value of the Kotug Smit Towage and Keppel Smit Towage joint ventures.

Depreciation and amortization amounted to EUR 119.7 million, excluding impairment charges.

## INCOME FROM JOINT VENTURES AND ASSOCIATES

Our share in the net result of joint ventures and associated companies was EUR 14.8 million. This result relates mainly to our share in the net results of Smit Lamnalco, the Singapore partnerships with Keppel (Keppel Smit Towage, Maju Maritime and Asian Lift), Saam Smit Towage and Kotug Smit Towage.

## TAX

The tax charge in the first half of the year was EUR 5.9 million (H1 2017: EUR 19.6 million). The tax rate was 26.4%, excluding the result from joint ventures and associates and excluding the (tax effect on) extraordinary charges (H1 2017: 27.0%).

## CAPITAL EXPENDITURE AND BALANCE SHEET

In the first half of the year an amount of EUR 90.6 million was invested in property, plant and equipment (H1 2017: EUR 112.2 million), of which EUR 24.3 million was related to dry dockings.
Disposals were made totaling EUR 14.5 million.

Within Dredging the first construction installments on the sister vessel of the Helios were the largest investments. Investments within Offshore Energy included the completion of the conversion of the Finesse heavy transport vessel into the Bokalift 1 crane vessel.

At 30 June, the capital expenditure commitments amounted to EUR 160 million. These commitments relate mainly to the aforementioned sister vessel of the Helios.

In the second quarter Boskalis paid EUR 36.3 million (2017: EUR 29.5 million) to those shareholders who opted to receive their 2017 dividend in cash. This represented around 28% of the dividend, with the remaining 72% being distributed in the form of shares. For the stock dividend, 2,026,444 new ordinary shares were issued, bringing the current total number of outstanding Boskalis shares to 135,378,338 including 1,310,512 treasury stock.

The cash flow for the first six months amounted to EUR 137.8 million (H1 2017: EUR 198.5 million).

The working capital position at end of the half year was EUR 274 million negative (year-end 2017: EUR 386 million negative). Working capital was impacted by the receipt of some large project milestone payments after the close of the first half year as well as the historical seasonal pattern of revenues and receivables.

The cash position at 30 June was EUR 220.4 million (end-2017: EUR 191.9 million). The solvency ratio decreased to 56.2% (end-2017: 62.6%), primarily as a result of the impairment charges.

The interest-bearing debt totaled EUR 459.1 million at 30 June, resulting in a net debt position of EUR 238.7 million. At the end of 2017 interest-bearing debt was EUR 311.7 million and the net debt position EUR 119.7 million.

The interest-bearing debt position relates largely to a long-term US Private Placement (USPP) of USD 325 million (EUR 278.4 million as at 30 June 2018). This USPP matures in five years (2023). Furthermore, Boskalis has a five year EUR 600 million syndicated bank facility at its disposal (matures in 2021), of which EUR 145 million was drawn as at 30 June 2018.

Boskalis has agreed a number of covenants with the syndicate of banks and the USPP investors. These covenants were comfortably met as at 30 June 2018. The main covenants relate to the net debt : EBITDA ratio, with a limit of 3, and the EBITDA : net interest ratio, with a minimum of 4. At 30 June 2018 the net debt : EBITDA ratio stood at 0.9 and the EBITDA : net interest ratio at 28.

## PRINCIPAL RISKS AND UNCERTAINTIES

The 2017 Annual Report of Royal Boskalis Westminster N.V. provides an overview of Boskalis' risk management and describes the main risk categories: strategic and market risks, operational risks, financial risks, other risks including non-compliance with laws and regulations, and risks related to financial reporting as well as internal risk management and control systems. More information can be found on pages 52-58 of the 2017 Annual Report and in the online annual report at https://boskalis.com/annualreport.

The principal risks also apply to the current financial year. In the second half of 2018 the extent to which new projects are acquired with associated commercial terms and conditions will be largely dictated by the general prevailing economic circumstances in the geographic markets relevant to Boskalis and in particular by the state of affairs for services providers to the oil and gas sector.

# OTHER DEVELOPMENTS

## SHARE BUYBACK

On 3 July 2017 Boskalis started a share buyback program with the intent to neutralize the dilution resulting from the 2017 stock dividend, which at the time of issue represented an amount of over EUR 100 million. As at 19 March 2018, Boskalis completed this buyback program for an amount of EUR 97.8 million including dividend taxes due, of which EUR 16.6 million in the first half of this year.

## FINANCIAL CALENDAR 2018-2019

| | |
|---|---|
| 16 August | Publication of 2018 half-year results |
| 9 November | Trading update on third quarter of 2018 |
| 7 March | Publication of 2018 annual results |
| 8 May | Trading update on first quarter of 2019 |
| 8 May | Annual General Meeting of Shareholders |
| 22 August | Publication of 2019 half-year results |
| 8 November | Trading update on third quarter of 2019 |



The Ndeavor installing power cables for the Aberdeen Offshore Wind Farm.

# OUTLOOK

At Dredging & Inland Infra we see a pipeline with a good number of tenders and volume of work. The current size of the order book means that a large part of the fleet will be utilized in the next six to nine months.

At Offshore Energy the outlook for the remainder of the year is reasonable. The large contracting projects in the order book are expected to make a good contribution to the result, and the outlook for the ongoing cable-laying projects in offshore wind is also favorable. At services however our reliance on the unpredictable and often competitive spot market remains large. Divesting the low end of the transport fleet will reduce part of this reliance and remove loss-making activities. The respective vessels are expected to be phased out in the next 12 months, in line with any contractual obligations, without any further consequences for the result.

The result of Towage & Salvage is not expected to materially change in the second half of the year.

Based on the fleet planning and work in the order book and barring unforeseen circumstances, the Board of Management expects a sharp improvement in the net operating profit in the second half of 2018 relative to the first half year. However, it is not expected that the net result level achieved in the second half of 2017 will be matched.

Capital expenditure in 2018 is expected to be around EUR 250 million, excluding acquisitions, and will be financed from the company’s own cash flow. Boskalis has a very sound financial position and the solvency ratio is 56.2%. At the end of the period Boskalis had a modest net debt position of EUR 239 million and comfortably met its financial covenants.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR 2018

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**(Condensed Consolidated Income Statement)**

| (in millions of EUR) | Note | 1ST HALF YEAR 2018 | 1ST HALF YEAR 2017 REVISED*) |
|---|---|---|---|
| **OPERATING INCOME** | | | |
| Revenue | [7] | **1,165.7** | 1,094.0 |
| Other income | [8] | **2.2** | 3.7 |
| | | **1,167.9** | 1,097.7 |
| **OPERATING EXPENSES** | | | |
| Raw materials, consumables, personnel expenses, services and subcontracted work | | **- 1,032.5** | - 893.0 |
| Depreciation and amortization | | **- 119.7** | - 123.4 |
| Impairment charges | [9] | **- 379.8** | - |
| Other expenses | [8] | **- 0.3** | - 1.5 |
| | | **- 1,532.3** | - 1,017.9 |
| Share in result of joint ventures and associated companies | | **14.8** | 21.9 |
| **RESULTS FROM OPERATING ACTIVITIES (EBIT)** | | **- 349.6** | 101.7 |
| Finance income and expenses | | **- 6.2** | - 7.0 |
| **PROFIT/LOSS (-) BEFORE TAXATION** | | **- 355.8** | 94.7 |
| Income tax expense | [18] | **- 5.9** | - 19.6 |
| **NET GROUP PROFIT/LOSS (-) FOR THE REPORTING PERIOD** | | **- 361.7** | 75.1 |
| **NET GROUP PROFIT/LOSS (-) FOR THE REPORTING PERIOD ATTRIBUTABLE TO:** | | | |
| Shareholders | | **- 361.4** | 75.1 |
| Non-controlling interests | | **- 0.3** | - |
| | | **- 361.7** | 75.1 |
| Average number of shares (x 1,000) | | **130,891** | 130,565 |
| Number of shares at the end of the reporting period (x 1,000) | | **134,068** | 133,352 |
| Earnings per share | | **EUR -2.76** | EUR 0,58 |
| Earnings per share excluding extraordinary charges | | **EUR 0.27** | EUR 0.58 |
| Diluted earnings per share | | **EUR -2.76** | EUR 0.58 |

* Refer to notes 3 and 16 relating to the changes in accounting policies.

The notes on pages 25 to 33 are an integral part of these Interim Consolidated Financial Statements for the first half year 2018.

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

**(Condensed Consolidated Statement of Recognized and Unrecognized Income and Expenses)**

| (in millions of EUR) | **1ST HALF YEAR 2018** | 1ST HALF YEAR 2017 |
|---|---|---|
| **NET GROUP PROFIT/LOSS (-) FOR THE REPORTING PERIOD** | **- 361.7** | 75.1 |
| **ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO THE STATEMENT OF PROFIT OR LOSS** | | |
| Actuarial gains (losses) and asset limitation on defined benefit pension schemes, after tax | **- 0.3** | - 0.1 |
| | **- 0.3** | - 0.1 |
| **ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO STATEMENT OF PROFIT OR LOSS** | | |
| Movement in fair value of investment in Fugro N.V. | **-** | - 0.4 |
| Currency translation differences on foreign operations, after tax | **5.9** | - 33.1 |
| Currency translation differences from joint ventures and associated companies, after tax | **12.5** | - 42.0 |
| Change in fair value of cash flow hedges, after tax | **- 4.1** | 8.5 |
| Change in fair value of cash flow hedges from joint ventures and associated companies, after tax | **- 0.9** | 1.9 |
| | **13.4** | - 65.1 |
| Other comprehensive income for the reporting period, after tax | **13.1** | - 65.2 |
| **TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD** | **- 348.6** | 9.9 |
| **ATTRIBUTABLE TO:** | | |
| Shareholders | **- 348.9** | 9.9 |
| Non-controlling interests | **0.3** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD** | **- 348.6** | 9.9 |

The notes on pages 25 to 33 are an integral part of these Interim Consolidated Financial Statements for the first half year 2018.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**(Condensed Consolidated Balance Sheet)**

| (in millions of EUR) | Note | **30 JUNE 2018** | 1 JANUARY 2018 REVISED*) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | *[10]* | **121.2** | 277.4 |
| Property, plant and equipment | *[11]* | **2,373.4** | 2,538.1 |
| Investments in joint ventures and associated companies | *[12]* | **708.9** | 775.6 |
| Other non-current assets | | **18.2** | 20.7 |
| | | **3,221.7** | 3,611.8 |
| **CURRENT ASSETS** | | | |
| Inventories and receivables | | **1,225.7** | 1,024.6 |
| Cash and cash equivalents | | **220.4** | 191.9 |
| | | **1,446.1** | 1,216.5 |
| **TOTAL ASSETS** | | **4,667.8** | 4,828.3 |
| **GROUP EQUITY** | | | |
| Shareholders' equity | *[16]* | **2,619.7** | 3,021.5 |
| Non-controlling interests | | **2.7** | 2.4 |
| | | **2,622.4** | 3,023.9 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing borrowings | *[13]* | **279.9** | 270.6 |
| Provisions | | **62.0** | 56.0 |
| Other liabilities and payables | | **13.9** | 11.7 |
| | | **355.8** | 338.3 |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing borrowings | *[13]* | **145.3** | 0.3 |
| Bank overdrafts | | **33.9** | 40.8 |
| Other liabilities, payables and provisions | | **1,510.4** | 1,425.0 |
| | | **1,689.6** | 1,466.1 |
| **TOTAL GROUP EQUITY AND LIABILITIES** | | **4,667.8** | 4,828.3 |
| Solvency | | **56.2%** | 62.6% |

* Refer to notes 3 and 16 relating to the changes in accounting policies.

The notes on pages 25 to 33 are an integral part of these Interim Consolidated Financial Statements for the first half year 2018.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| (in millions of EUR) | | **1ST HALF YEAR 2018** | 1ST HALF YEAR 2017 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net group profit/loss (-) | | **- 361.7** | 75.1 |
| Depreciation, amortization and impairment charges | [9/10/11] | **499.5** | 123.4 |
| Cash flow | | **137.8** | 198.5 |
| | | | |
| **Adjustments for:** | | | |
| Finance income and expenses, income tax expenses, results from disposals / divestments | | **14.0** | 24.4 |
| Movement in other non-current assets, excluding Fugro, excluding deferred tax | | **2.2** | - 3.0 |
| Movement in provisions, excluding deferred tax | | **- 6.0** | 6.3 |
| Movement in working capital (including inventories, excluding tax and interest) | | **- 111.5** | - 188.2 |
| Share in result of joint ventures and associated companies | [12] | **- 14.8** | - 21.9 |
| Cash generated from operating activities | | **21.7** | 16.1 |
| | | | |
| Dividends received | [12] | **6.2** | 14.0 |
| Interest paid and received | | **- 6.0** | - 15.3 |
| Income tax paid | | **- 11.7** | - 23.6 |
| Net cash from operating activities | | **10.2** | - 8.8 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net investments in intangible assets and property, plant and equipment | [11] | **- 74.3** | - 120.9 |
| Divestment of Fugro N.V. | [15] | **-** | 114.1 |
| Disposal of (a part of) group companies, net of cash disposed | | **-** | - 5.4 |
| Net cash used in investing activities | | **- 74.3** | - 12.2 |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from interest-bearing borrowings | [13] | **146.5** | - |
| Repayment of interest-bearing borrowings, including make-whole payments | [13] | **- 0.2** | - 445.9 |
| Net proceeds from settlement of hedges on early repayment of borrowings | | **-** | 52.6 |
| Purchase of ordinary shares | [20] | **- 16.6** | - |
| Dividends paid to shareholders and non-controlling interests | [14] | **- 36.3** | - 29.5 |
| Net cash used in / from financing activities | | **93.4** | - 422.8 |
| | | | |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **29.3** | - 443.8 |
| | | | |
| Net cash and cash equivalents and bank overdrafts as at 1 January | | **151.2** | 969.7 |
| | | | |
| Net increase (decrease) in cash and cash equivalents | | **29.3** | - 443.8 |
| Currency translation differences | | **6.0** | - 6.4 |
| Movement in net cash and cash equivalents | | **35.3** | - 450.2 |
| | | | |
| **NET CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS AS AT 30 JUNE** | | **186.5** | 519.5 |

The notes on pages 25 to 33 are an integral part of these Interim Consolidated Financial Statements for the first half year 2018.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

| (in millions of EUR) | 1ST HALF YEAR 2018 SHARE HOLDERS' EQUITY | NON-CONTROLLING INTERESTS | GROUP EQUITY | 1ST HALF YEAR 2017 SHARE HOLDERS' EQUITY | NON-CONTROLLING INTERESTS | GROUP EQUITY |
|---|---|---|---|---|---|---|
| Balance as at 31 December prior year | **3,022.9** | **2.4** | **3,025.3** | 3,121.2 | 2.0 | 3,123.2 |
| Change in accounting principles *) | **- 1.4** | **-** | **- 1.4** | - | - | - |
| **Balance as at 1 January revised *)** | **3,021.5** | **2.4** | **3,023.9** | 3,121.2 | 2.0 | 3,123.2 |
| **TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD** | | | | | | |
| Net group profit/loss (-) for the reporting period | **- 361.4** | **- 0.3** | **- 361.7** | 75.1 | - | 75.1 |
| Other comprehensive income for the reporting period | **12.5** | **0.6** | **13.1** | - 65.2 | - | - 65.2 |
| **Total comprehensive income for the reporting period** | **- 348.9** | **0.3** | **- 348.6** | 9.9 | - | 9.9 |
| **TRANSACTIONS WITH SHAREHOLDERS** | | | | | | |
| Purchase of ordinary shares | **- 16.6** | **-** | **- 16.6** | - | - | - |
| Cash dividend | **- 36.3** | **-** | **- 36.3** | - 29.5 | - | - 29.5 |
| **Total transactions with shareholders** | **- 52.9** | **-** | **- 52.9** | - 29.5 | - | - 29.5 |
| **Balance as at 30 June** | **2,619.7** | **2.7** | **2,622.4** | 3,101.6 | 2.0 | 3,103.6 |

* Refer to notes 3 and 16 relating to the changes in accounting policies.

The notes on pages 25 to 33 are an integral part of these Interim Consolidated Financial Statements for the first half year 2018.

# EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

Royal Boskalis Westminster N.V. is a leading global services provider operating in the dredging, dry and maritime infrastructure and maritime services sectors. Royal Boskalis Westminster N.V. (the 'Company') has its registered office in Sliedrecht, the Netherlands, and its head office is located at Rosmolenweg 20, 3556 LK in Papendrecht, the Netherlands. The Company is registered at the Chamber of Commerce under number 23008599 and is a publicly listed company on the Euronext Amsterdam.

The Interim Consolidated Financial Statements for the first half year of 2018 of Royal Boskalis Westminster N.V. include the Company and its Group companies (hereinafter referred to jointly as the 'Group') and the interests of the Group in associated companies and entities over which it has joint control.

The Interim Consolidated Financial Statements were prepared by the Board of Management and released for publication on 16 August 2018.

The Interim Consolidated Financial Statements for the first half year of 2018 have not been audited or reviewed by an independent auditor.

The Group's audited consolidated financial statements for 2017 are available at www.boskalis.com.

## 2. COMPLIANCE STATEMENT

The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These Interim Consolidated Financial Statements do not include all the information required for full financial statements and are to be read in combination with the audited 2017 consolidated financial statements of the Group, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

## 3. ACCOUNTING PRINCIPLES APPLIED FOR THE PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles applied to the valuation of assets and liabilities and the determination of results are the same as the valuation principles applied to the 2017 consolidated financial statements except for the relevant changes mentioned in the section 'Changes in principles of financial reporting'.

Unless stated otherwise, all amounts are reported in millions of euros.

### CHANGES IN PRINCIPLES OF FINANCIAL REPORTING

The Group applied IFRS 9 and IFRS 15 for the first time. Both standards are effective as from 1 January 2018, and require to a certain extent a revision of the comparative figures, as elaborated below.

**(a) IFRS 9 Financial Instruments**

IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. This new standard replaces IAS 39. The introduction of IFRS 9 had no material impact and is not expected to materially impact the results of the Group in subsequent periods.

**(b) IFRS 15 Revenue from Contracts with Customers**

IFRS 15 'Revenue from Contracts with Customers' provides a framework for the recognition of income and has replaced the current standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The introduction of IFRS 15 had no material impact on the results of the Group and is not expected to do so in subsequent periods.

The impact of the adoption of these two standards is further explained and quantified in the Condensed Consolidated Income Statement and Condensed Consolidated Balance Sheet as shown in note 16.

### NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations, are not effective as of 30 June 2018 and / or are not yet endorsed by the European Union. As a consequence, these new standards, amendments and interpretations have not been applied in these Interim Consolidated Financial Statements. The Group does not adopt these standards and interpretations early. The most important possible changes for the Group can be summarized as follows:

- IFRS 16 'Leases' replaces the current standard for leases (IAS 17) and provides a new framework for the recognition of lease contracts. The new standard mainly requires lessees to recognize a liability in their Statement of Financial Position and to capitalize the right-of-use of a leased asset if it is leased for a period exceeding one year. The new standard relates to changes in accounting for operational lease commitments of the Group (see note 19). The Group has made a qualitative analysis of the possible effects and intends to apply the retrospective method with the cumulated effect of initially applying the standard recognized at the date of initial application. Including the operational leases in the Consolidated Balance Sheet would result in an increase of less than 2% of the Consolidated Balance Sheet total. The impact on the net Group result is not expected to be material because additional depreciation and interest expenses resulting from the application of this standard will be to a large extend offset by lower operational lease expenses which are currently recognized in raw materials, consumables, personnel expenses, services and subcontracted work. The standard was issued in January 2016 and will be effective as of 1 January 2019. The European Union endorsed this standard in October 2017.

- IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and will be effective as of 1 January 2019. IFRIC 23 relates to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates in case of uncertainties in income tax positions. The European Union has not yet endorsed this interpretation.

## 4. ESTIMATES

The preparation of Interim Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting principles and the recognized amounts under assets, liabilities, income and expense. Actual results may deviate from results reported previously on the basis of estimates and assumptions. Judgements made by management in applying the Group's accounting principles and the key sources for making estimates were the same as the judgements and sources applied when preparing the 2017 Consolidated Financial Statements, with the exception of income tax expense. Income tax expense is accounted for based on the weighted average tax rate that would apply to expected pre-tax profit for the full year multiplied by the pre-tax profit for the reporting period, taking into account known deviations.

## 5. OPERATIONAL SEGMENTS

The Group recognizes three operational segments which comprise the divisions of the Group as described below. These divisions offer different products and services and are managed separately because they require different strategies. Each of the divisions reports on a quarterly basis, by means of internal management reporting to the Board of Management.

The following is a brief summary of the activities of the operational segments:

### DREDGING & INLAND INFRA

Traditionally, dredging is the core activity of the Group. It involves all activities required to remove silt, sand and other layers from the seabed and river bed and in some cases using it elsewhere where possible, for example for coastal protection or land reclamation. The services provided also include the construction and maintenance of ports and waterways, and coastal defense and riverbank protection, as well as associated specialist services such as underwater rock fragmentation. In addition, the Group is active in the extraction of raw materials using dredging techniques and dry earthmoving. In the Netherlands, the Group also operates as a contractor of dry infrastructure projects. This involves the design, preparation (by means of dry earthmoving) and execution of large-scale civil infra works, such as the construction of roads and railroads, bridges, dams, viaducts and tunnels. These activities include performing specialist works such as soil improvement and land remediation.

### OFFSHORE ENERGY

With the offshore contracting capabilities and services the Group supports activities of the international energy sector, including oil and gas companies and providers of renewable energy such as wind power. The Group is involved in the engineering, construction, maintenance and decommissioning of oil and LNG-import/export facilities, offshore platforms, pipelines and cables and offshore wind farms. In performing these activities the Group applies its expertise in the areas of heavy transport, lift and installation work, as well as diving and ROV services complemented with dredging, offshore pipeline installation, rock installation, offshore cable installation and marine activities. The acquired activities of Gardline have been part of this segment since 15 August 2017.

### TOWAGE & SALVAGE

In ports around the world assistance is provided to incoming and outgoing ocean-going vessels through the Group's joint ventures Keppel Smit Towage, Saam Smit Towage and Kotug Smit Towage. In addition, a full range of services for the operation and management of onshore and offshore terminals is offered through its strategic joint venture Smit Lamnalco. These services include assistance with the berthing and unberthing of tankers at oil and LNG terminals as well as additional support services. The versatile fleet of over 400 vessels provides assistance to, amongst others, oil and chemical tankers, container ships, reefers, RoRo ships and mixed cargo ships in around 100 ports and terminal locations in 35 countries.
SMIT Salvage provides marine salvage-related services and assistance to vessels in distress and is able to act at anytime and anywhere in the world. It is able to do so by operating out of four locations which are strategically situated in relation to the main international shipping routes: Houston, Cape Town, Rotterdam and Singapore. Wreck removal of sunken ships and offshore platforms almost always takes place at locations where the wreck forms an obstruction to traffic or presents an environmental hazard.

## SEGMENTS

The operational segments are monitored based on the segment result (operating result) and EBITDA. The segment result and EBITDA are used to measure the performance of operational segments, both between segments and compared to other companies in the same industry. Inter-operational segment services, if any, take place on an arm's length basis. In the reporting period there were no material inter-operational segment services.

### INFORMATION ON OPERATIONAL SEGMENTS AND RECONCILIATION TO GROUP RESULTS

| (in millions of EUR) | DREDGING & INLAND INFRA | OFFSHORE ENERGY | TOWAGE & SALVAGE | HOLDING & ELIMINATIONS | GROUP |
|---|---|---|---|---|---|
| **1st half year 2018** | | | | | |
| Revenue | 656.9 | 475.7 | 43.9 | - 10.8 | 1,165.7 |
| EBITDA | 121.6 | 49.0 | 15.4 | - 18.8 | 167.2 |
| Share in result of strategic investments | 1.2 | 1.7 | 11.9 | - | 14.8 |
| Operating result (before extraordinary charges) | 61.8 | - 7.2 | 14.0 | - 21.2 | 47.4 |
| Extraordinary charges | | | | | - 397.0 |
| EBIT | | | | | - 349.6 |
| Non-allocated finance income and expenses | | | | | - 6.2 |
| Non-allocated income tax | | | | | - 5.9 |
| Net Group profit/loss (-) | | | | | - 361.7 |
| Investments in property, plant and equipment | 49.3 | 38.7 | - | 2.6 | 90.6 |
| Depreciation and amortization | 59.9 | 56.2 | 1.4 | 2.2 | 119.7 |
| Impairment charges on property, plant and equipment | - | 136.9 | - | - | 136.9 |
| Impairment charges on intangible assets | - | 154.9 | - | - | 154.9 |
| Impairment charges on joint ventures | - | - | 88.0 | - | 88.0 |

| (in millions of EUR) | DREDGING & INLAND INFRA | OFFSHORE ENERGY | TOWAGE & SALVAGE | HOLDING & ELIMINATIONS | GROUP |
|---|---|---|---|---|---|
| **1st half year 2017 revised *)** | | | | | |
| Revenue | 579.3 | 496.6 | 25.6 | - 7.5 | 1,094.0 |
| EBITDA | 112.4 | 105.3 | 17.8 | - 10.4 | 225.1 |
| Share in result of strategic investments | 5.4 | 0.8 | 15.7 | - | 21.9 |
| Operating result (EBIT) | 61.7 | 36.1 | 16.7 | - 12.8 | 101.7 |
| Non-allocated finance income and expenses | | | | | - 7.0 |
| Non-allocated income tax | | | | | - 19.6 |
| Net Group profit/loss (-) | | | | | 75.1 |
| Investments in property, plant and equipment | 61.1 | 48.6 | 0.1 | 2.4 | 112.2 |
| Depreciation and amortization | 50.7 | 69.2 | 1.1 | 2.4 | 123.4 |

* The introduction of IFRS 15 results in an increase of revenue within the operational segment Offshore Energy with EUR 1.4 million.

As required by EU-IFRS, the information as presented above reconciles with the internal management information of the Board of Management. In measuring the financial performance of operational segments, certain line items are presented differently in the internal management information than in these EU-IFRS Interim Consolidated Financial Statements.

In the EU-IFRS Interim Condensed Consolidated Statement of Profit or Loss the Result from operating activities (EBIT) shows a loss of EUR 349.6 million. This includes impairment charges of EUR 379.8 million (see note 9) and related additions to provisions of EUR 17.2 million (recorded under raw materials, consumables, services and subcontracted work). In the table above these items are presented as part of extraordinary charges and impairment charges are specified for each operational segment. EBITDA in the table above equals the operating result before depreciation and amortization.

A large part of the Group's projects that have been executed or are currently in progress within the operational segments Dredging & Inland Infra and Offshore Energy is directly or indirectly performed on behalf of state-controlled authorities and oil and gas producers (or contractors thereof) in various countries and geographical areas. In general there is a healthy diversification of receivables from different customers in several countries in which the Group performs its activities.

## 6. SEASONAL OPERATIONS

The Group's operations are mainly project-based and therefore primarily influenced by the timing of commencement and completion of these projects. Projects are executed and services provided all over the world. Some operations are influenced by seasonal patterns.

## 7. REVENUE

Revenue by region can be specified as follows:

| (in millions of EUR) | 2018 | 2017 REVISED |
|---|---|---|
| The Netherlands | **231.7** | 181.5 |
| Rest of Europe | **463.0** | 432.7 |
| Australia / Asia | **168.6** | 154.5 |
| Middle East | **129.7** | 110.4 |
| Africa | **52.5** | 52.6 |
| North and South America | **120.2** | 162.3 |
| | **1,165.7** | 1,094.0 |

Revenue from contracting business amounts to approximately EUR 0.9 billion (first half year 2017: EUR 0.8 billion). This mainly comprises the revenue of Dredging & Inland Infra, Offshore Energy (excluding marine transport and related services) and Salvage, and is typically related to the execution of projects.

The revenue from services rendered to third parties is primarily related to Offshore Energy (mainly marine transport and related services) and amounts to approximately EUR 0.3 billion (first half year 2017: EUR 0.3 billion).

## 8. OTHER INCOME AND EXPENSES

Other income and other expenses mainly consist of the positive/negative book result on the disposal of property and equipment.

## 9. IMPAIRMENT CHARGES

The Group reviewed the carrying amounts of goodwill and its non-financial assets that are subject to depreciation and amortization to determine whether events or a change in circumstances indicate that the carrying amount may not be recoverable. Accordingly, the recoverable amount has been estimated for goodwill allocated to Offshore Energy, a number of Offshore Energy related vessels and two Harbor Towage joint ventures.

This resulted in the recognition of the following non-cash impairment charges:

| (in millions of EUR) | 2018 | 2017 |
|---|---|---|
| **Offshore Energy** | | |
| Intangible assets (goodwill) | **154.9** | - |
| Property, plant and equipment | **136.9** | - |
| | **291.8** | - |
| **Harbor Towage** | | |
| Joint Ventures | **88.0** | - |
| **TOTAL** | **379.8** | - |

### OFFSHORE ENERGY

In the first half year the Group incurred non-cash impairment charges of EUR 292 million with regard to Offshore Energy. These charges are almost entirely related to current market circumstances that are not expected to materially improve in the foreseeable future specifically in the lower-end service-related segments of the offshore energy market.

**Goodwill**

These market circumstances have resulted in a downward adjustment of the projected future cash flows for the Offshore Energy cash-generating unit (CGU). After recognizing a EUR 154.9 million goodwill impairment charge the recoverable amount for Offshore Energy equals EUR 1.2 billion, based on a value in use calculation.

**Property, plant and equipment**

In light of the market situation described above the Group has already taken a number of vessels out of service and recently decided to take additional vessels out of service in the near future, all for future scrapping. These vessels have been valued at scrap value (fair value less cost to sell). For a limited number of vessels and floating equipment, that continues to be operated or may be sold, the recoverable amounts were determined as the higher of the fair value less costs to sell (determined by an external valuator) and the value in use, calculated using discounted cash flow models. The pre-tax discount rates used in these calculations range from 7.3% to 7.9%.

### HARBOR TOWAGE JOINT VENTURES

An impairment charge of EUR 88 million was recorded relating to two harbor towage joint ventures. Deteriorated market conditions, that are not expected to materially improve in the foreseeable future, in some of the harbors in which these joint ventures operate, have resulted in materially lower levels of expected future cash flows.

## 10. INTANGIBLE ASSETS

The decrease in intangible assets relates mainly to the recognition of an impairment charge to goodwill of EUR 154.9 million. As a result the carrying amount of goodwill for Offshore Energy was nil at 30 June 2018 (31 December 2017: EUR 154.9 million). As elaborated on in note 9, in the first half year the Group tested the goodwill allocated to the Offshore Energy operating segment and CGU. The recoverable amount was determined based on value in use calculations. Value in use is determined by discounting the expected future cash flows from the continued use of the CGU. Management projected cash flows based on past trends and estimates of future market developments, cost developments and investment plans. These projections also factor in market conditions, order book in hand, expected win rates of contracts and expected vessel utilization. In the projections, cash flows for the remaining part of 2018 were based on management's most recent forecasts. Key assumptions in the calculation of value in use for the Offshore Energy CGU are the growth rate applied in the calculation of the terminal value and the discount rate used. Cash flows beyond five years are extrapolated using an estimated long-term growth rate of 1%. The applicable growth rate does not exceed the long-term average growth rate which may be expected for the activities. The pre-tax discount rate used in the calculations is 9.0% and is determined by means of an iterative calculation using the projected post-tax cash flows, expected tax rate and a post-tax discount rate for the Offshore Energy CGU.

## 11. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in the reporting period are summarized as follows:

| (in millions of EUR) | TOTAL |
|---|---|
| **Balance as at 1 January 2018** | **2,538.1** |
| Investments | 90.6 |
| Depreciation | - 118.0 |
| Impairment charges | - 136.9 |
| Disposals | - 14.5 |
| Currency translation differences and other movements | 14.1 |
| **Balance as at 30 June 2018** | **2,373.4** |

As disclosed in the table above and as elaborated on in note 9, an impairment charge on property, plant and equipment of EUR 136.9 million was recorded, relating to vessels and floating equipment within Offshore Energy. The recoverable amounts were determined based on the highest of its value in use and fair value less costs to sell. Value in use is calculated using discounted cash flow models. Fair values less costs to sell were determined by external valuators for vessels that will stay in service (fair value hierarchy: level 3). Vessels that will be taken out of service were valued on scrap values.The full impairment charge relates to assets that were valued at fair value less cost to sell, including the charge for assets that are or will be taken out of service.

## 12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

Movements in investments in joint ventures and associated companies in the reporting period can be summarized as follows:

| (in millions of EUR) | TOTAL |
|---|---|
| **Balance as at 1 January 2018 revised** | **775.6** |
| Investments | 0.4 |
| Impairment charges | - 88.0 |
| Share in result of joint ventures and associated companies | 14.8 |
| Dividends received | - 6.2 |
| Currency translation differences and other movements | 12.3 |
| **Balance as at 30 June 2018** | **708.9** |

As disclosed in the table above and as elaborated on in note 9, an impairment charge of EUR 88 million was recorded on the carrying value of the investments in two harbor towage joint ventures. The carrying value, as part of the required application of the equity method, includes goodwill resulting from the initial recognition of the investment in the joint venture. The recoverable amounts were determined, for each investment, based on the higher of the fair value less cost to sell and value in use calculations using discounted cash flow models. The values were determined based on 100% figures, taking into account the net debt of the joint venture, and adjusted for our share. Fair values less cost to sell were based on EBITDA-multiplier models, determined with the assistance of an external valuator. Values in use were determined by discounting the expected future cash flows from the continued use of the investment. Management projects cash flows based on past trends and estimates of future market developments, cost developments and investment plans. These projections also factor in market conditions. In the projections, cash flows for the remainder of 2018 were based on management's most recent forecasts. Key assumptions in the calculation of value in use of the investments are the growth rate applied in the calculation of the terminal value and to the discount rate used. Cash flows beyond ten years are extrapolated using an estimated long-term growth rate of 1.0%-1.2%. The applicable growth rate does not exceed the long-term average growth rate which may be expected for the activities. The pre-tax discount rates used in the calculation range from 7.4%-9.0% and were determined through an iterative calculation using the projected post-tax cash flows, expected tax rate and a post-tax discount rate. If the cash flow projections used in the value in use calculations would have been 3% lower, the Group would have recognized an additional impairment charge of EUR 6 million. If the estimated discount rates for these joint ventures would have been 1% higher than disclosed above, the Group would have recognized an additional impairment charge of approximately EUR 25 million.

## 13. INTEREST-BEARING BORROWINGS

The movement in interest-bearing borrowings in the first half of 2018 mainly relates to the amount drawn under the revolving multi-currency credit facility (EUR 145 million; 31 December 2017: nil).

In January 2017 Boskalis repaid early the US private placement originating from July 2010 and amounting to USD 433 million and GBP 11 million. The expenses of make-whole payments and the early unwinding of cross-currency swaps relating to this transaction were mainly accounted for in 2016 and had no material impact on the 2017 half year result.

## 14. DIVIDEND PAYMENTS TO SHAREHOLDERS OF ROYAL BOSKALIS WESTMINSTER N.V.

In the first half year of 2018 a total dividend of EUR 130.1 million was distributed with regard to the 2017 financial year (EUR 1.00 per ordinary share).

72% of all shareholders opted to receive a stock dividend in ordinary shares. As a result 2,026,444 new ordinary shares were issued. The remaining 1,964,530 shares were repurchased last year through the share buyback program and these shares were issued for the stock dividend as well. At 30 June 2018 the number of outstanding shares was 134,067,826.

The remaining 28% of all shareholders opted for a cash dividend. An amount of EUR 36.3 million was distributed and the associated dividend tax was paid in July 2018.

## 15. DIVESTMENT OF FUGRO N.V.

On 28 February 2017 Boskalis sold its remaining investment in Fugro N.V. through an accelerated book-build at EUR 14.50 per share. The net proceeds amounted to EUR 114.1 million.

## 16. CHANGES IN ACCOUNTING POLICIES

The Group started applying IFRS 9 and IFRS 15 with effect from 1 January 2018. The Interim Consolidated Financial Statements for the first half year 2018 marks the first time that changes resulting from the application of these standards have been accounted for.

### IFRS 9

IFRS 9 introduces the required expected credit loss model for receivables. The application of the expected loss model results in an increase of EUR 0.2 million in the allowance for current receivables. Also, IFRS 9 changed the accounting of financial instruments by the Group's joint ventures and associated companies, resulting on balance in a lower equity of these joint ventures and associated companies. As a result, our investment in joint ventures and associated companies shows a decrease of EUR 1.2 million. In line with IFRS 9, the Group has included the total impact in equity as per 1 January 2018 (decrease of EUR 1.4 million) without restating the comparative information of financial year 2017.

In addition, the hedge accounting model under IFRS 9 is more flexible and allows more hedges to qualify for hedge accounting. The Group applies for the transition of hedge accounting the prospective approach in accordance with IFRS 9.

### IFRS 15

With respect to IFRS 15 the Group applied the full retrospective approach and has used the transition options that contracts completed before 1 January 2017 or contracts that begin and end within the same annual reporting period do not need to be restated.

**Revenue recognition**

The Group has contracting activities in all three of its operational segments (see note 5). These activities include construction projects and the execution of service-related contracts. A combination of contracts rarely happens, but contract modifications, such as those related to additional work, are common. Additional work included in the revenue recognition, is based on mutually agreed contract modifications. In most cases such modifications or added services are not distinct and therefore form part of a single performance obligation that is partially met at the time of the contract modification. Most often the contracts contain only one performance obligation. Performance obligations are the asset to be constructed for the customer or the service that is to be rendered. If there is a right to variable remuneration, such as incentive agreements, this is taken into account to the extent that it is highly unlikely that it will be reversed at a later date. Revenue is recognized over time, when the customer simultaneously receives and consumes the benefits provided through the Group's performance or when Boskalis creates or enhances an asset, that the customer controls.

Revenue recognition from the contracting of projects by the Dredging & Inland Infra and Offshore Energy operational segments, excluding marine transport and other related services, is based on the progress of the project, mostly using the 'cost-to-cost' method. The Group makes significant estimates and judgements for the projects, depending on the nature of specific project circumstances.

Revenue also includes revenue from services rendered to third parties during the reporting period. Such services include the rental/hire of equipment and/or personnel, marine transport services and related services of Offshore Energy and the activities of Harbor Towage. These services are charged on (day) rates to the customers and revenue is recognized/allocated, to a large extent, on the basis of sailing days of the vessel.

Revenue from salvage work (part of the operational segment Towage & Salvage) that is completed at the date of the Statement of Financial Position, but for which the proceeds are not finally determined between parties, is recognized on the basis of expected proceeds, taking into account the estimation uncertainty.

**Impact**
Revenue increased by EUR 2.5 million in the first half year 2018 (first half year 2017: increase of EUR 1.4 million). The application of IFRS 15 also resulted in lower current assets and liabilities of EUR 0.8 million (first half year 2017: higher current assets and liabilities of EUR 16.2 million). The standard results in a reclassification from liabilities due to customers to provisions of onerous contracts for a limited amount. The change had no impact on the group profit attributable to shareholders and net-equity attributable to shareholders.

## COMBINED IMPACT OF IFRS 9 AND IFRS 15

The impact of these adjustments on the Condensed Consolidated Income Statement for the first half year 2017, and the Condensed Consolidated Balance Sheet as per 1 January 2018 / 31 December 2017 are disclosed below.

Condensed Consolidated Income Statement as at first half year 2017:

| | ACCOUNTING PRINCIPLES | |
|---|---|---|
| (in millions of EUR) | CURRENT | PREVIOUS |
| Operating income (including revenue) | **1,097.7** | 1,096.3 |
| Operating expenses | **- 1,017.9** | - 1,016.5 |
| Share in result of joint ventures and associated companies | **21.9** | 21.9 |
| Operating result | **101.7** | 101.7 |
| Finance income and expenses | **- 7.0** | - 7.0 |
| Income tax expense | **- 19.6** | - 19.6 |
| **NET GROUP PROFIT** | **75.1** | 75.1 |
| **Net Group profit attributable to:** | | |
| Non-controlling interests | **-** | - |
| Shareholders | **75.1** | 75.1 |

Condensed Consolidated Balance Sheet as at 1 January 2018 / 31 December 2017:

| | ACCOUNTING PRINCIPLES | |
|---|---|---|
| | CURRENT | PREVIOUS |
| (in millions of EUR) | 1/1/2018 | 31/12/2017 |
| **NON-CURRENT ASSETS** | | |
| Intangible assets | **277.4** | 277.4 |
| Property, plant and equipment | **2,538.1** | 2,538.1 |
| Investments in joint ventures and associated companies | **775.6** | 776.9 |
| Other non-current assets | **20.7** | 20.7 |
| | **3,611.8** | 3,613.1 |
| **CURRENT ASSETS** | | |
| Inventories and receivables | **1,024.6** | 1,008.5 |
| Cash and cash equivalents | **191.9** | 191.9 |
| | **1,216.5** | 1,200.4 |
| **Total assets** | **4,828.3** | 4,813.5 |
| **GROUP EQUITY** | | |
| Shareholders' equity | **3,021.5** | 3,022.9 |
| Non-controlling interests | **2.4** | 2.4 |
| | **3,023.9** | 3,025.3 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing borrowings | **270.6** | 270.6 |
| Other | **67.7** | 67.7 |
| | **338.3** | 338.3 |
| **CURRENT LIABILITIES** | | |
| Interest-bearing borrowings | **0.3** | 0.3 |
| Bank overdrafts | **40.8** | 40.8 |
| Other liabilities, payables and provisions | **1,425.0** | 1,408.8 |
| | **1,466.1** | 1,449.9 |
| **Total group equity and liabilities** | **4,828.3** | 4,813.5 |
| Solvency | **62.6%** | 62.9% |

## 17. RELATED PARTIES

The identified related parties of the Group are its Group companies, joint ventures, associated companies, shareholders with significant influence, pension funds that are classified as funded defined benefit pension plans in accordance with IAS 19, and the members of the Supervisory Board and Board of Management.
Mr. J.P. de Kreij was appointed as a member of the Supervisory Board at the General Meeting of Shareholders on 9 May 2018, while Mr. J.M. Hessels resigned as a member of the Supervisory Board as of the date of the Meeting. There were no other significant changes to the identified related parties of the Group.

Transactions with joint ventures and associated companies in the course of normal business activities take place at arm's length basis. In the first half year of 2018 sales and purchases amounted to EUR 4.0 million and EUR 7.0 million, respectively (first half year 2017: EUR 19.5 million and EUR 11.5 million, respectively).

Receivables from and liabilities to joint ventures and associated companies amount to EUR 34.5 million and EUR 5.3 million, respectively as at 30 June 2018 (year-end 2017: EUR 24.7 million and EUR 3.2 million, respectively).

Transactions with members of the Board of Management and Supervisory Board comprise only regular remuneration.

During the first half year of 2018 there were no other material transactions with related parties that could reasonably be expected to influence any decision taken by users of these Interim Consolidated Financial Statements.

## 18. INCOME TAX EXPENSE

The tax rate, excluding the result from joint ventures and associated and excluding the (tax effect on) extraordinary charges, was 26.4% in the first half year of 2018.

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

The total of outstanding guarantees, mainly relating to projects in progress, amounted to EUR 0.6 billion as at 30 June 2018. Compared to 31 December 2017 there were no material changes to the other commitments, including operational lease commitments and investment commitments. Some legal proceedings and investigations have been initiated against the Group or entities of the Group. Provisions have been made where deemed necessary and if a reliable estimate of future cash flows can be made.

## 20. SHARE BUYBACK PROGRAM

On 3 July 2017 the Company announced a share buyback program to reduce the capital outstanding with the intention to neutralize the effect resulting from the distribution of the 2016 stock dividend. This program was completed in March 2018. A total of 3,275,042 shares representing an amount of EUR 97.7 million (including EUR 4.2 million dividend tax) were repurchased in 2017 and 2018.

## 21. FINANCIAL INSTRUMENTS

### FAIR VALUE

The fair value of the majority of the financial instruments does not differ materially from the book value, with the exception of long-term and short-term loans and other payables with a fixed interest rate. The fair value of these items exceeded the book value by EUR 0.5 million as at 30 June 2018 (31 December 2017: EUR 12.6 million higher).

On the Balance Sheet the following financial instruments have been recognized at fair value:

| (in millions of EUR) | **30 June 2018** | 1 January 2018 REVISED |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Derivatives non-current | **7.7** | 7.1 |
| Derivatives current | **7.6** | 30.2 |
| | **15.3** | 37.3 |
| **FINANCIAL LIABILITIES** | | |
| Derivatives non-current | **4.4** | 7.3 |
| Derivatives current | **2.9** | 3.8 |
| | **7.3** | 11.1 |

### FAIR VALUE HIERARCHY

A fair value hierarchy is defined in accordance with IFRS 13 for the fair value measurement of the recognized financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivatives is based on future cash flows, objectively determinable forward rates of the relevant interest rates, foreign currencies and commodities at balance sheet date and forward rates according to the respective contracts. Moreover the discount rate applied is derived from the relevant interest curves. The fair value of derivatives is categorized as level 2 (31 December 2017: level 2).

The fair value of the long-term and short-term loans and other payables with a fixed interest rate is determined based on the present value of future cash flows for which the discount rate is derived from relevant interest curves. The fair value of these loans and payables are categorized as level 3 (31 December 2017: level 3).

## 22. BOARD OF MANAGEMENT DECLARATION

The Board of Management of Royal Boskalis Westminster N.V. hereby declares that, to the best of its knowledge, the Interim Consolidated Financial Statements for the first half year of 2018 as prepared in accordance with International Financial Reporting Standard (IFRS) 'IAS 34 Interim Financial Reporting' gives a true and fair view of the assets, liabilities, financial position and the profit or loss of Royal Boskalis Westminster N.V. and all its business undertakings included in the consolidation and that the semi-annual report gives a fair view of the information required in accordance with Section 5:25d subsections 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Papendrecht / Sliedrecht, the Netherlands,
15 August 2018

Board of Management
dr. P.A.M. Berdowski, chairman
T.L. Baartmans
J.H. Kamps


Beach replenishment activities along the coast of the Dutch Wadden Island Texel.

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