Boskalis
Dredging & Marine Experts

ANNUAL REPORT 2017

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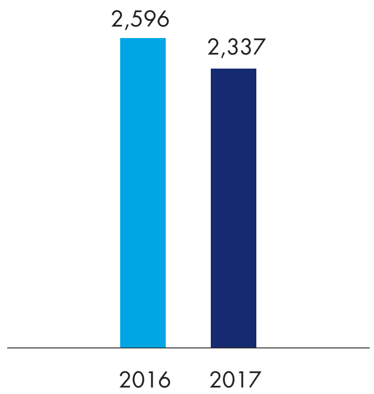
KEY FIGURES

(in EUR million, unless stated otherwise)	**2017**	2016
Revenue	**2,337**	2,596
Order book	**3,495**	2,924
EBITDA	**436.6**	660.5
Net result from joint ventures and associates	**31.0**	11.3
Depreciation and amortization	**251.6**	277.2
Operating result	**185.0**	384.6
Impairments	**0.0**	842.6
EBIT	**185.0**	-458.1
Net profit adjusted for impairments	**150.5**	276.4
Net profit (loss)	**150.5**	-563.7
Net group profit (loss)	**150.4**	-561.8
Cash flow	**402.0**	464.0
Shareholders' equity	**3,023**	3,121
RATIOS (IN PERCENTAGES)		
EBIT as % of revenue	**7.9**	14.8
Return on capital employed	**4.8**	9.1
Return on equity	**4.9**	8.1
Solvency	**62.9**	56.1
FIGURES PER SHARE (IN EUR)		
Profit	**1.15**	2.16
Dividend	**1.00**	1.00
Cash flow	**3.07**	3.62
NON-FINANCIAL INDICATORS		
Employees including associated companies	**10,732**	11,733
Employees in Boskalis majority owned entities	**5,772**	6,153
Ratio women/men within Boskalis' majority owned entities	**10/90**	11/89
Number of nationalities within Boskalis' majority owned entities	**64**	63
Lost Time Injuries (LTI)	**9**	15
Lost Time Injury Frequency (LTIF)	**0.06**	0.08
Total Recordable Injury Rate (TRIR)	**0.55**	0.66
Percentage of strategic suppliers having signed the Supplier Code of Conduct	**81**	76
CO_2 emissions scope 1+2 (MT ('000))	**1,223**	1,249

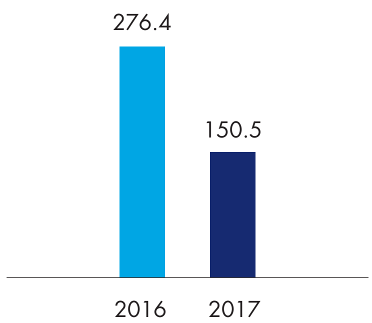
Please refer to the glossary for definitions of the terms used

Our share in the net result of the joint ventures and associated companies is included in EBIT(DA).
2016 EBITDA, operating result and net result from associates are presented excluding impairment charges.

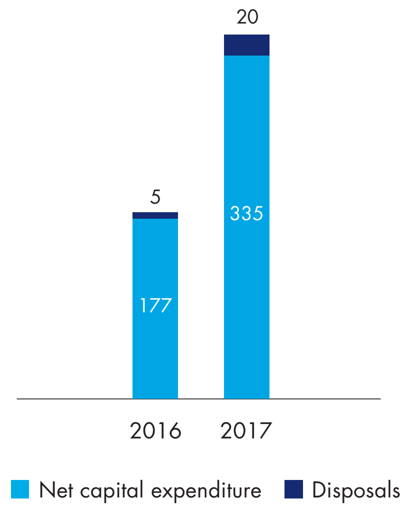
REVENUE (in EUR million)



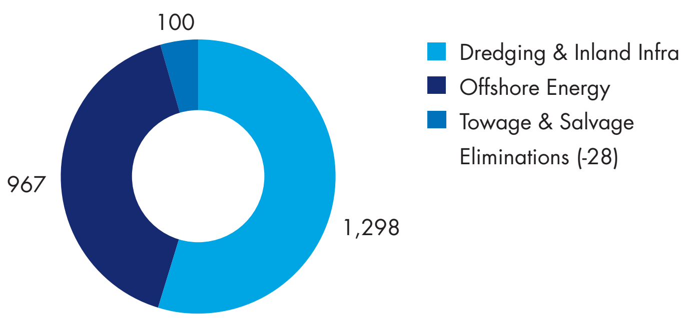
NET PROFIT (in EUR million)



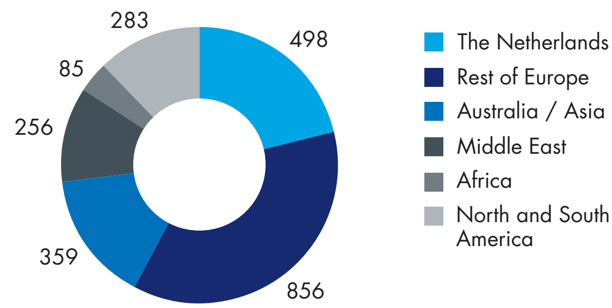
CAPITAL EXPENDITURE (in EUR million)



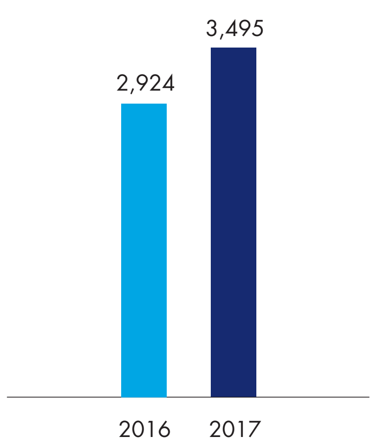
REVENUE BY SEGMENT (in EUR million)



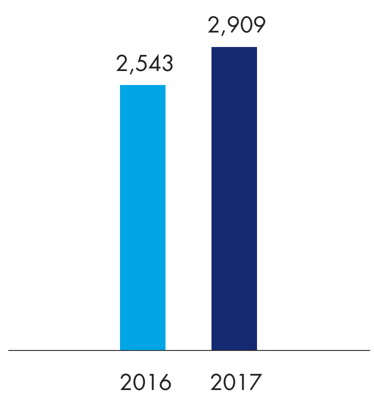
REVENUE BY GEOGRAPHICAL AREA (in EUR million)



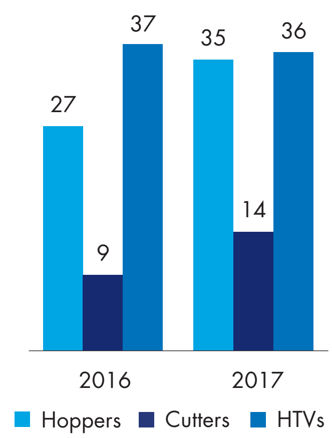
ORDER BOOK (in EUR million)



ACQUIRED ORDERS (in EUR million)



FLEET UTILIZATION (in weeks per year)



ANNUAL REPORT 2017

This annual 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 is under no obligation to update the statements contained in this annual report. Some of the projects referred to in this report were carried out in cooperation with other companies.

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The trailing suction hopper dredger Freeway carrying out beach replenishment work along the Dutch coast.

CHAIRMAN'S STATEMENT

At the beginning of 2017 we presented our new Corporate Business Plan for 2017-2019 in which we indicated that we did not expect to see a substantial recovery of our markets in this period. 2017 progressed in line with these expectations. In order to further align the company to these market conditions, we adjusted the organization at head office. We closed the year with revenue of EUR 2.3 billion and a net profit of EUR 150 million. A positive development was a rise in the order book to EUR 3.5 billion. Despite a decline in the result, we are still generating a healthy EBITDA of EUR 437 million. Together with our robust balance sheet, this has put us in a position to selectively invest counter-cyclically in strengthening our business portfolio for the medium term. Based on our strong balance sheet and healthy cash flow, we are proposing a dividend of EUR 1.00 per share, underlining our confidence in the future.

Our Corporate Business Plan for 2017-2019 is based on three pillars: Focus, Optimize and Expand. An important part of this plan is aimed at capturing opportunities that present themselves in the current challenging operating environment. After all, depressed maritime markets create opportunities for our selective reinforcement, also as a foundation for the medium term when markets are expected to recover. In August, we acquired the renowned British survey specialist Gardline. With its fleet of 15 survey vessels, Gardline provides a solid basis on which we will expand our subsea survey activities. Furthermore, we added two high-end twin-bell SAT diving support vessels to our fleet in late 2017. These additions make Boskalis one of the leaders in the North Sea subsea services market. In this way, we are filling in the blanks in our range of activities at attractive prices and preparing the company for the future.

DEVELOPMENTS IN CORE ACTIVITIES

DREDGING & INLAND INFRA

In 2017, we managed to increase the Dredging order book with a number of meaningful contract wins. In January we received a EUR 480 million LOI for the development of the port of Duqm in Oman. This regards an EPC contract to build a bulk liquid berth terminal, entailing a substantial volume of dredging and civil engineering work. As largest project in the portfolio, Duqm will keep our recently commissioned new mega cutter Helios busy in the coming year. In the course of 2017 we also secured a EUR 250 million contract with a partner for the expansion of Jawaharlal Nehru Port in Mumbai, India's largest container port, as well as a 10-year, EUR 260 million dredging maintenance contract in the Middle East.

In Brazil we successfully concluded the sizable expansion of the Porto do Açu Oil Transshipment Terminal along with many smaller international projects. In the Netherlands we were involved in high-profile projects such as the realization of the Marker Wadden nature area, the IJsseldelta Room for the River project, the Houtrib dike reinforcement and the completion of the impressive SAAone project. All-in-all, after a very lean 2016 we achieved some good successes in 2017, resulting in a higher utilization of the dredging fleet.

OFFSHORE ENERGY

Despite the difficult market conditions in the offshore sector, Boskalis acquired a healthy number of contracts in Offshore Energy. A major project over the coming two years is Nord Stream 2. The works are part of the construction of the planned twin 1,200 kilometer pipelines that will transport gas from Russia to Europe via the Baltic Sea.

Our offshore cable-laying business had a very successful year, both in terms of order wins and project execution. Acquired contracts included East Anglia ONE, Hohe See and Borssele Beta. As for project execution activities, VBMS was busy carrying out cabling work for the Galloper, Dudgeon, Rampion and Horns Rev 3 wind parks.

Highlight of the year for Dockwise came in December with the installation of the Aasta Hansteen topside. Earlier in the year the Vanguard transported the Aasta Hansteen SPAR platform from South Korea to Norway, whilst the White Marlin transported the topside. The subsequent unique catamaran topside float-over operation was carried out in a Norwegian fjord to the full satisfaction of Statoil. For the East Anglia ONE wind farm we are involved in three activities: transporting the jacket foundations, installing them and laying of cables.

At Offshore Energy we also executed several multi-disciplinary projects involving various Boskalis business units and vessels. A good example was the installation of the DolWin Gamma platform for TenneT in the German section of the North Sea. This involved a unique combination of seabed preparation using a trailing suction hopper dredger and a fallpipe vessel, subsea work using a diving support vessel, and transport and installation work using anchor handlers and a barge. It is precisely such combinations of activities and vessels that present us with opportunities in the market that set our company apart.

TOWAGE & SALVAGE

At Towage, Kotug Smit Towage made good progress with the organizational integration as well as the optimization and reallocation of its fleet in 2017. Saam Smit Towage started operating in two new ports in Brazil and commissioned new tugs in Canada and Brazil, partly as replacement but also as an expansion of the fleet. Smit Lamnalco successfully extended a number of sizable multi-year terminal services contracts. Salvage can look back on a reasonable year. In the absence of major wreck removal projects, activities were limited to many smaller emergency response jobs in the second half of the year. Examples include the high-profile emergency response activities for a 14,000 TEU container vessel which ran aground near the port of Antwerp and the refloating of the Glory Amsterdam bulk carrier near the German Wadden island of Langeoog.

SAFETY AND QUALITY

Safety is paramount at Boskalis. For an increasing number of projects, Boskalis works with partners including subcontractors and suppliers who each have their own approach to safety. To guarantee safety on such projects, special NINA (No Injuries, No Accidents) training and induction sessions were introduced for these partners and toolbox sessions were held during operations. The NINA program was also successfully rolled out at VBMS and our Offshore Wind business unit. A Boskalis-wide NINA portal was launched to enhance internal knowledge and information sharing.

In 2017, we also took an important step in the optimization of our organization with the introduction of our new quality management system: the Boskalis Way of Working (WoW). The system allows for an integrated business process and uniform customer approach, complementing existing processes, tools and certifications. WoW is a transparent and easy-to-apply approach accessible to every Boskalis employee. At the same time, it helps us present a single, recognizable face to our clients.

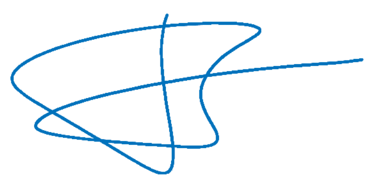
ONE BOSKALIS

2017 was a challenging year. We went through a difficult period with the head office reorganization, but we are convinced that we have a bright future ahead of us. With the acquisition of Gardline and the two diving support vessels, we added a number of important building blocks and more additions are set to follow. With WoW we have taken a major step towards bringing together the various business units, each with their unique background. Nevertheless, we believe further steps need to be taken to create a unified Boskalis in which we make optimum use of our combined capabilities and innovative power. Such unity is also needed to present ourselves to the market as a single company, offering a unique combination of people, vessels and activities. In the course of 2018, we will therefore transition to a single brand name for our activities: Boskalis.

OPPORTUNITIES

The current market conditions are expected to continue in the period covered by our 2017-2019 business plan. We do not expect a swift recovery of the market, but are also convinced that the medium-term will once again offer us plenty of opportunities. We are well-disciplined in targeting the opportunities that arise in the market by being selective, customer-oriented, creative and persistent. With this focus we are convinced that our unique offering, together with our financial discipline, will help us come out of the current downturn as a winner.

On behalf of the Board of Management I want to thank all colleagues for their contribution during the past year, as well as thank our clients, partners and shareholders for the trust and confidence they place in us.



Peter Berdowski

BOSKALIS AT A GLANCE

The Vanguard transporting the world's largest spar platform Aasta Hansteen from South Korea to Norway.


DOCKWISE

COMPANY PROFILE

Boskalis is a leading dredging & marine expert creating new horizons for all its stakeholders.

In addition to our traditional dredging activities we offer a broad range of maritime services for the offshore energy sector. Furthermore, we provide towage services as well as emergency response and salvage-related services.

As a partner we are able to realize complex infrastructural works for our clients within the chain of design, project management and execution on time, safely and within budget, even at vulnerable or remote locations around the world. We strive for sustainable design and realization of our solutions.

Demand for our services is driven by growth in global trade, growing energy consumption, growth in world population and climate change. Boskalis operates worldwide but concentrates on those regions that have the highest growth expectations. This spread gives us both a solid foundation and the flexibility to be able to secure a wide range of projects, as well as providing good prospects for balanced and sustained growth. Our main clients are governments, port and terminal operators, oil, gas and wind energy companies, mining companies and related EPC contractors and subcontractors, shipping companies, insurance companies and international project developers.

Royal Boskalis Westminster N.V. (Boskalis) has 10,700 employees, including associated companies. The safety of our employees and those of our subcontractors is paramount. Boskalis operates its progressive global safety program No Injuries No Accidents (NINA), which is held in high regard in the industry and by our clients. We operate on behalf of our clients in 90 countries across six continents. Our versatile fleet consists of more than 900 vessels and floating equipment, including associated companies. Our head office is based in the Dutch city of Papendrecht. Royal Boskalis Westminster N.V. shares have been listed on Euronext Amsterdam since 1971 and are included in the AEX-Index.

ACTIVITIES

Boskalis is renowned for its innovative approach and specialist knowledge of environmentally friendly techniques. With our great expertise, multidisciplinary approach, versatile state-of-the-art fleet and extensive experience in engineering and project management we have proven time and again that we are able to realize complex projects on time, safely and within budget, anywhere in the world.

DREDGING & INLAND INFRA

Traditionally, the core activity of Boskalis is dredging. This involves all activities required to remove silt, sand, clay and other layers from the sea- or riverbed and reusing it elsewhere where possible, for example for coastal protection or land reclamation. The services we provide also include the construction and maintenance of ports and waterways, and coastal defense and riverbank protection. In addition, Boskalis is active in the extraction of raw materials using dredging techniques and dry earthmoving.
In the Netherlands, Boskalis also operates as a contractor of dry infrastructure projects. This involves the design, preparation and execution of large-scale civil infra works, such as the construction of roads and railroads, bridges, aqueducts, viaducts and tunnels in addition to dike and riverbank related projects. In doing so, we also perform specialist works such as soil improvement and remediation.

OFFSHORE ENERGY

With its offshore contracting capabilities and services Boskalis supports the activities of the international energy sector, including oil and gas companies and providers of renewable energy such as wind power. We are 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 Boskalis 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, cable and rock installation. Our subsidiary VBMS is a leading player in the European market for offshore cable installation.

TOWAGE

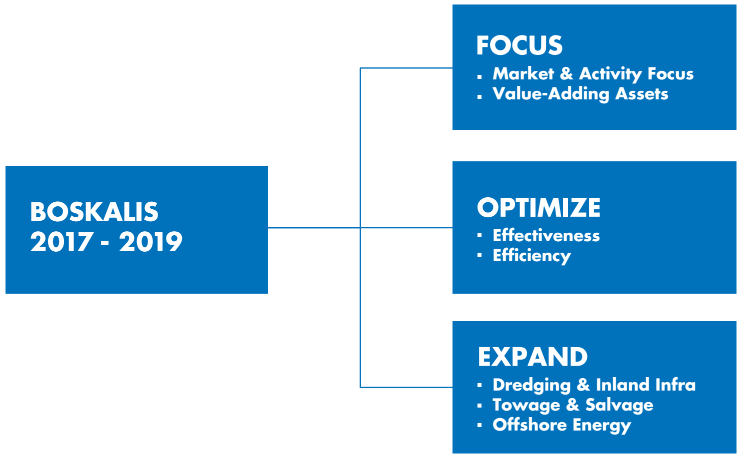
We provide assistance to incoming and outgoing oceangoing vessels in ports around the world through joint ventures with regional partners: Keppel Smit Towage in Asia, Saam Smit Towage in the Americas and Kotug Smit Towage in Northwest Europe.
In addition we offer a full range of services for the operation and management of onshore and offshore terminals through Smit Lamnalco. These services include assistance with the berthing and unberthing of tankers at oil and LNG terminals as well as additional support services such as pilotage, subsea inspection and maintenance, firefighting, and the coupling and uncoupling of terminal connections. With a versatile fleet of over 400 vessels we assist vessels in around 100 ports and terminal locations in 35 countries, including oil and chemical tankers, container ships, reefers, ro-ro vessels and mixed cargo ships.

SALVAGE

Boskalis provides services relating to marine salvage and wreck removal. We assist vessels in distress and are able to spring into action at any time and anywhere in the world. We are able to do so by operating out of four locations which are strategically situated along the main international shipping routes: Houston, Cape Town, Rotterdam and Singapore. The removal of shipwrecks or damaged offshore platforms almost always takes place at locations where the wreck forms an obstruction to traffic or presents an environmental hazard. We have the advanced technology and expertise needed to remove hazardous substances such as heavy fuel oil from wrecks and boast a successful track record in salvaging vessels and platforms under challenging circumstances.

STRATEGY

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



In the development of our strategy, which is driven by long-term trends, we focus on the creation of long-term value for our stakeholders.

Our strategy is elaborated in our three-year business plan. Following a review in early 2017 a new Corporate Business Plan based on three strategic pillars – Focus, Optimize and Expand – was formulated for the period 2017-2019. In the past year we have made good progress in realizing this plan.

MARKET DEVELOPMENTS

BUSINESS DRIVERS

The Corporate Business Plan 2017-2019 was formulated with a clear eye on the long-term megatrends that underpin the Boskalis business model. These business drivers are structural growth and rising prosperity of the global population, which in turn drives growth in global trade and demand for raw materials and energy.

Global warming also continues to create business opportunities for Boskalis, with a growing need for flood protection measures and land reclamation.

These macro trends are the key drivers of long-term growth for our activities, irrespective of unpredictable and potentially less favorable developments in the shorter term in some of the regions and markets where Boskalis is active.

	Dredging & Inland Infra	Offshore Energy	Towage & Salvage
Growing world trade	●	◐	●
Growing energy consumption	◐	●	●
Population growth	●	○	○
Climate change	●	○	○

Figure 2: Boskalis business drivers and related activities

A closer look at our business drivers

The world economy is forecast to grow at around 3-4% annually and current projections suggest that seaborne trade will continue to roughly keep pace. Boskalis is also benefiting from the trend towards larger vessels with deeper drafts. In ports these vessels require deeper access channels and larger and deeper berths and turning basins, creating primarily opportunities in the area of dredging.

Energy demand continues to increase and although part of this demand can be served from existing sources, new investments are required to meet future demand. While renewables are expected to see further growth as a result of the energy transition, the dependence on fossil fuels will remain significant with absolute volumes in this segment projected to grow. Against this backdrop, the share of offshore oil and gas in the energy mix is expected to remain stable and an associated increase in investments in exploration and production is being forecast. A large part of these investments will take place in regions with shallow water where development and production costs per barrel are more favorable.

Underpinning the aforementioned drivers is the growth in the global population, projected to rise to 8.5 billion by 2030. With half of the global population living within 60 kilometers of the coast and 75% of major cities worldwide located on the coast, the pressure on available land is huge. Furthermore, many of these coastal regions are at risk from our fourth business driver, climate change.

Climate change issues have risen up the agenda, partly as a result of the United Nations Paris Agreement (COP21) that came into force in November 2016 and the two subsequent COP Climate Change Conferences held in Marrakesh, Morocco and Bonn, Germany. The consequences of climate change can be observed frequently nowadays. The Caribbean and United States were hit by a string of tropical storms with hurricane Harvey causing extensive multi-billion dollar damage and severe flooding whilst Europe was also confronted with more extreme weather events. India, Pakistan, Nepal and Bangladesh suffered from more severe flooding and subsequent landslides during the annual rain season than witnessed in previous years. Climate change is compelling governments on several continents to take steps to protect their populations against flooding and rising sea levels. The World Bank and the Intergovernmental Panel on Climate Change (IPCC) have warned that huge investments are needed to mitigate against climate change. Opportunities for Boskalis in this area include potentially greater demand for coastal defense and riverbank protection projects.

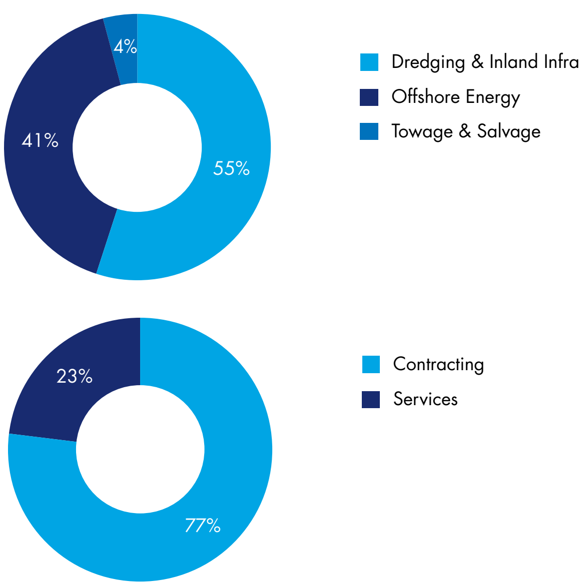


Figure 3: Revenue breakdown by activity and type of revenue

STRATEGIC FRAMEWORK

The Boskalis strategy is a logical progression from our mission and vision.

We are a leading dredging and marine contracting and services expert that creates new horizons for all our stakeholders. We do so by offering a unique combination of people, vessels and activities. We provide innovative and competitive solutions for our clients in the offshore industry, ports and coastal areas, always maintaining the highest standards of safety and sustainability.

The execution of our strategy is guided by our deeply rooted company culture, which is characterized by the core values: professionalism, entrepreneurship and teamwork.

Our current strategic framework is based on three pillars: Focus, Optimize and Expand.

FOCUS

The Focus pillar of our strategy is aimed at:
- Value-Adding Assets
- Specific market segments

Value-Adding Assets

Boskalis' strength lies in deploying its own assets combined with additional capabilities to add value for our clients. Boskalis will sustain its success as long as we use our broad range of equipment, staff and competencies to provide a balanced service to the various client groups both at the top and the lower end of the market. However, their requirements vary widely, both within and between the market segments.

We seek to achieve the optimum balance between margin maximization and fleet utilization by operating our assets at various points on the S curve (see figure 4). We have clients who need us to deliver integrated, innovative services or turnkey solutions. In order to meet these client requirements we need competencies that complement and reinforce one another, such as risk management and engineering. In addition, we need to be able to act as lead contractor, and project management experience is essential. In the contracting segment with its higher margin potential we expressly position ourselves towards the top of the S curve.

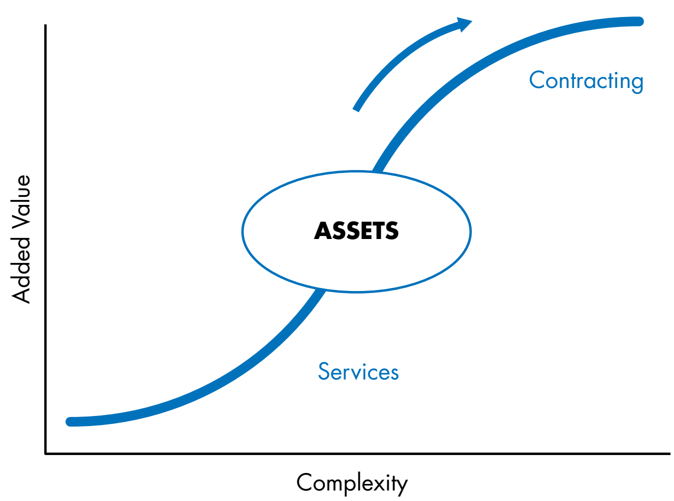


Figure 4: S curve – creating value with assets

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

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

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

OPTIMIZE

The Optimize pillar of our strategy is aimed at enhancing effectiveness and efficiency across the organization.

Effectiveness

Selective tendering and operational excellence
Setting priorities is crucial to effectively meet the requirements of our global client base. Specifically, we need to be critical and selective in the (pre)tender phase, devoting attention and resources to those tenders that are of greatest interest to Boskalis. Once a tender has been won, we must ensure we make the right choices. Forward planning is essential but we must also see to it that our project managers deliver precision work, following the brief. This means delivering what we promised the client. Within Towage we have successfully established regional joint ventures. Within and between these joint ventures, there is an opportunity to be gained through benchmarking the individual operations. By establishing benchmarks and sharing best practices we can improve the operational performance of our Towage business.

Organizational alignment
Over the previous business plan period good progress was made in streamlining the organization in order to reinforce the focus on the business. In light of the company's growth and ambitions in the


The cable-laying vessel Ndurance installing power cables for the Blyth offshore wind farm.

Offshore Energy division, further alignment of the structure is required. Specifically, in the course of 2018 Boskalis will form three clusters within the Offshore Energy division: a cluster for the Installation & Intervention activities, a Subsea cluster including Inspection, Repair and Maintenance (IRM) activities and cable laying services and a third cluster for the Transport & Marine Services activities.

Boskalis Way of Working
In 2017 Boskalis rolled out its new integrated quality management system: the Boskalis Way of Working (WoW). The overriding objective of our WoW system is to give our staff the best possible support in achieving operational excellence when concluding and executing commercial contracts. Operational excellence in this context means achieving compliance with the internal and external control requirements imposed on our primary project process with the minimum waste of time and effort. WoW reduces the complexity of our systems and operational processes, and helps us to understand client requirements better. The management system is compliant with the international OHSAS 18001, ISO 14001 and the new ISO 9001 standards and is assessed and certified by an independent external auditor. The implementation of WoW commenced mid-2017 and is being applied on all new projects around the world.

Efficiency

Rightsizing the company
In light of the deteriorated market conditions, Boskalis announced early 2016 the need to look at the size and composition of the fleet, staffing levels in the crewing and operational pool and the cost of the head office.

A fleet rationalization study was conducted in the first half of 2016 resulting in the decision to take 24 vessels out of service over a two year period. As per the end of 2017 this program was completed.

In order to maintain a cost-efficient business proposition we announced that we would be looking at ways of making our crewing model more flexible and variable without compromising safety and quality. In 2017 a more flexible crew-planning model was developed resulting in a consolidation of the number of crewing agencies Boskalis uses. This model increases the flexibility to deploy crews across a pool of vessels and the plan will be implemented in 2018.

A head office cost reduction program was carried out in the first half of 2017. The objective of this program was to reduce costs where possible but to also take the organization's growth ambitions into consideration. Boskalis is targeting total cost savings of approximately EUR 30 million, resulting in the loss of around 230 jobs and this will be fully implemented by the end of 2019. The reduction is being absorbed through attrition and redeployment where possible, but also included compulsory redundancies. As per the end of 2017, more than 160 jobs had been discontinued and approximately EUR 15 million of the cost reduction was realized.

EXPAND

The Expand pillar of our strategy applies to all three Boskalis divisions with an emphasis on Offshore Energy. While the short-term outlook for certain areas of the market remains challenging, we are confident that the tough market conditions will also create opportunities. Existing players may run into difficulties, creating opportunities that we can benefit from. There are various ways in which we can grow the business, and we will consider our options as and when opportunities arise. Ways of expanding include:

- building new assets, although this will only be considered for unique assets that cannot be purchased second-hand, or buying existing assets in the market;
- bolt-on acquisitions of players that hold an interesting market position and preferably bring a combination of assets and know-how;
- consolidation, an area where we are keen to play an active role. Consolidation would be focused on markets where we already hold a strong position. This category tends to be difficult to influence, and is the most opportunity-driven of the three.

Dredging & Inland Infra
Dredging & Inland Infra, the traditional core activity of the company, is focused on market segments with structural growth. The rate at which the market is expected to grow is modest, but the industry characteristics are compelling. Boskalis holds an important share of this heavily consolidated market and has a very strong global presence, putting it in a good position to take advantage of forthcoming prospects.

To position itself for these opportunities, Boskalis will make investments to maintain and where appropriate expand its market position.

Results:
In July 2017 the new mega cutter suction dredger Helios was commissioned and following a maiden project in the Port of Rotterdam, the vessel will be working on a large port development project in Duqm, Oman in 2018. The sister vessel to the Helios was ordered in the second half of 2017 with delivery planned for 2020.

Towage & Salvage
Towage is dependent on the rate of growth of seaborne trade and the number of vessel movements through ports. Over the last few years, the emphasis of Boskalis has been on the establishment of regional joint ventures, with the focus on an efficient cost and capital structure. With all the towage activities now having been transferred to these joint ventures, the next step will be the further expansion of our geographic footprint. Opportunities may be pursued by and through one of the regional joint ventures or by Boskalis directly. Such opportunities did not result in new developments in 2017.

The volume of work for Salvage is by its nature unpredictable. Nevertheless, Boskalis leverages its global footprint and permanent presence in ports around the world to grow its Emergency Response business. Furthermore we use our own assets and apply our expertise in both engineering and contract and risk management to secure wreck removal contracts.

Offshore Energy

The Expand pillar of our strategy remains strongly geared to Offshore Energy. Despite the sharp decline in the oil price and the cutback in capital expenditure by the offshore oil and gas industry over the last couple of years, specific segments in this market remain attractive for Boskalis.

Boskalis offers a broad range of capabilities, which can be subdivided into contracting-focused Installation & Intervention (I&I) activities, Subsea activities, including IRM, survey and cable laying and the more short-term-focused Transport & Marine Services (TMS) business. Given the nature of the contracting and subsea business, where we are expected to take on a broader responsibility with a higher reward potential, the I&I and Subsea activities are positioned higher on the S curve and are therefore an area where we want to pursue further development.

Installation & Intervention

The I&I market comprises installation and decommissioning of floating and fixed structures, landfalls and offshore wind-related activities. The competitive landscape for the installation and decommissioning of floating and fixed structures is highly fragmented, with the combined market share of traditional global Engineering, Procurement, Construction and Installation (EPCI) players estimated to be less than 40%. Many of the other players are active with just one or two key assets and due to the market downturn an increasing number of them are suffering from weak financial performance and overleveraged balance sheets. This presents us with an opportunity to step into this market and to position ourselves as an attractive independent player just below the EPCI contractors with a geographic focus on Northwest Europe, Africa and the Middle East.

The offshore wind market has taken off in earnest in recent years but despite an impressive drop in cost per kWh the economics of offshore wind remains dependent on government subsidies. The wind-related I&I market in Northwest Europe is not expected to grow substantially beyond the current annual EUR 1.5-1.7 billion in the coming years. Boskalis' share in this ranges from around 10% (foundations) to around 35% (cables) and the company is committed to maintaining a strong presence in the European market.

Results:

In 2017, the conversion of a former heavy transport vessel into the Bokalift 1, a 3,000 ton DP2 transport and installation crane vessel, was completed. Following a festive inauguration in Rotterdam in February 2018 the vessel will start in its first offshore wind farm jacket installation project. The multifunctional vessel is fit to be deployed for a variety of projects including the installation of wind turbine foundations, topsides and jackets and will also be suited for decommissioning activities as well as wreck removal projects. A firm decision on the conversion of another vessel into a crane vessel and determining the exact specifications is expected to take place in the course of 2018.
For the floating installation market, we intend to position ourselves higher on the S curve by adding contracting assets such as construction support vessels. This could be achieved by acquiring assets in the market or by acquiring a player in the fragmented installation market.

Subsea Solutions

Boskalis has over the years developed a modest but successful position in the subsea services market, focusing on survey and UXO clearance, diving and Inspection, Repair and Maintenance (IRM) work in shallow water regions in Northwest Europe, Africa and the Middle East. This is another highly fragmented market, with the vast majority of players operating just one or two survey and diving support vessels in a region. With numerous players also being financially stretched, we see opportunities for expanding our position in Northwest Europe, Africa and the Middle East by acquiring assets or by acquiring a player with assets.
The global shallow water SURF (Subsea, Umbilicals, Risers and Flowlines) market is also substantial in size. Based on the market outlook and Boskalis' existing subsea contracting capabilities, we want to look into a gradual expansion into the shallow water SURF market and will explore acquisition opportunities to achieve this.

Results:

In 2017, Boskalis acquired the renowned British survey specialist Gardline. With its fleet of 15 survey vessels, Gardline provides a solid basis on which we will expand our subsea survey activities. Furthermore, we added two high-end twin-bell SAT diving support vessels to our fleet in late 2017. These additions make Boskalis one of the leaders in the North Sea subsea services market. Both these steps fill in parts of our three year business plan at attractive prices and prepare the company for the future.

Transport

Boskalis has a global leading position in heavy marine transport and is also active in long-distance ocean towage. Demand in this market consisted of high-value long-term contracts requiring high-end engineering know-how, generally related to oil and gas production, complemented by straightforward short-term transport contracts for exploration rigs or ports and marine-related work. However, the sharp drop in the oil price has led to capital expenditure freezes by the oil majors resulting in a squeeze on the number of high-value long-term contracts as well as a decline in short-term contracts. The effect of this volume decline has been compounded by a further influx of new transport capacity. As a result, the low end of the heavy marine transport segment is suffering from a structural supply and demand imbalance.

In light of the above we are redefining our market position. At the high end of the market we can still offer a unique proposition with our Type 0 and I vessels. Our scale is also unparalleled in terms of number of transport assets and the combination of heavy marine transport with long-distance towage. Going forward, we will continue to market this value-adding proposition. However, following the aforementioned developments in the market the smaller heavy marine transport vessels are now considered to be commodity assets. In accordance with the S curve philosophy we are open to forms of collaboration and/or consolidation similar to initiatives seen in comparable maritime shipping markets.

IN CONCLUSION

Boskalis entered the 2017-2019 business plan period on a very solid basis, with a net debt-free balance sheet. Despite the challenging outlook our operating model based on our own assets means that we will continue to generate a healthy cash flow. In addition we have a strong global client base, highly committed and passionate employees and a state-of-the-art, versatile fleet.

While we expect the operating environment to remain challenging during the business plan period, we want to use this period to invest counter-cyclically – sowing the seeds so we can reap the benefits in the future. In the course of 2017, we took a number of these steps and looking ahead we will continue to invest prudently in the business. Total capital expenditure over the business plan period is projected at around EUR 250 million per annum, in line with depreciation. This amount excludes any asset acquisitions, bolt-on acquisitions or consolidation opportunities that may arise.

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

We remain committed to our shareholders and recognize the importance of a healthy dividend. Our policy is to distribute 40% to 50% of the net profit from ordinary operations as dividend but we also strive to achieve a stable development of the dividend in the longer term, taking into account both the company's desired balance sheet structure and the interests of shareholders. These considerations have led to the proposal to the Annual General Meeting of Shareholders to pay a dividend of EUR 1.00 per ordinary share resulting in a pay-out ratio of 87%. The dividend will be paid out in ordinary shares, unless shareholders opt to receive the dividend in cash.

SHAREHOLDER INFORMATION

We strive to inform our stakeholders as completely as possible and to provide insight into the strategic direction and performance of the company. These efforts should allow for an accurate valuation of the Boskalis share over time.

INVESTOR RELATIONS POLICY

Providing clear, transparent, accurate and timely information to our stakeholders is something we value highly. We consider our financial stakeholders to include existing and potential shareholders, other investors, banks and brokers as well as the media. Relevant information is equally and simultaneously provided to all interested parties and is made available through annual, semi-annual and quarterly updates, press releases, presentations to investors and the Boskalis website. To build and maintain long-term relationships with our stakeholders we organize roadshows, attend conferences and accommodate meeting requests and conference calls where feasible, while adhering to all legal disclosure regulations and obligations.

Bilateral meetings and conference calls with analysts and existing or potential shareholders are not held during 'closed periods'. Our policy of holding bilateral meetings with shareholders is set out in the Investor Relations section of our corporate website.

OPEN DIALOGUE

Following the publication of the annual and half-year results, we host comprehensive plenary analyst meetings which are also made available through a webcast. Following important announcements, we also contact shareholders proactively and we maintain regular contact with major investors and analysts, for example by providing the opportunity, where feasible, to visit a project or a vessel. At the beginning of the reporting year we presented our new Corporate Business Plan 2017-2019 which was a focal point of discussion in many investor meetings held in 2017.

In 2017 we again hosted a broad roadshow and investor conference program. We participated in conferences in the Netherlands, Belgium, France, Switzerland and the UK. Roadshows for institutional investors were organized in Canada, Denmark, Finland, France, Germany, Ireland, Luxemburg, the Netherlands, Japan, South Korea, Spain, Switzerland, Taiwan, the UK and the US. In addition, a large number of investor meetings took place at our head office in the Netherlands. In 2017 more than 300 meetings were held with investors.

Boskalis is covered by all the major Benelux brokers. We are in frequent contact with their analysts, who play a key role in distributing information to their clients about the markets in which Boskalis operates.

On 10 May 2017, we held our Annual General Meeting (AGM) of Shareholders. More information on the AGM can be found on our corporate website.

DIVIDEND

The main principle underlying the Boskalis dividend policy is to distribute 40% to 50% of the net profit from ordinary operations as dividend. At the same time Boskalis aims to achieve a stable development of the dividend in the longer term. The choice of dividend – in cash and/or entirely or partly in shares – takes into account both the company's desired balance sheet structure and the interests of shareholders.

On 10 May 2017, the AGM approved a proposal to pay out 46% of the 2016 adjusted net profit equivalent to EUR 1.00 per ordinary share. The dividend was paid in ordinary shares, unless shareholders opted to receive the dividend in cash.

ISSUE AND REPURCHASE OF SHARES

Seventy-seven per cent (77%) of the 2016 dividend was distributed in the form of stock. As a consequence, the issued share capital as at 10 June 2017 increased by 3,275,042 shares to 133,351,894 ordinary shares with voting rights.

Boskalis subsequently initiated a share buyback program to reduce the capital outstanding with the intention to neutralize the dilution resulting from the distribution of the 2016 stock dividend. As at 31 December 2017, 2,674,601 shares were repurchased for a total consideration including dividend tax of EUR 81.2 million. As at 31 December 2017, the issued share capital amounted to 133,351,894 ordinary shares of which 2,674,601 were repurchased shares held by Boskalis.

SHARES AND LISTINGS

Ordinary shares in Royal Boskalis Westminster N.V are listed on Euronext stock exchange in Amsterdam, the Netherlands (ticker BOKA.AS, ISIN code NL0000852580). Options on ordinary Boskalis shares are traded on the European Option Exchange in Amsterdam (Euronext.liffe). Boskalis shares are included in the AEX-Index as well as indices such as the Euronext Next 150 index, STOXX Europe 600 Index and the MSCI Europe Index.

The authorized capital amounts to EUR 4.8 million with 240 million ordinary shares and 80 million cumulative protective shares, with a respective nominal value per share of EUR 0.01 and EUR 0.03.

MAJOR SHAREHOLDERS

Under the Dutch Financial Markets Supervision Act, shareholdings of 3% or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM the following shareholders disclosed that they have a direct or indirect (potential) interest in Boskalis as at 31 December 2017:

HAL Investments B.V.: 35.71%
Sprucegrove Investment Management Limited: 5.16%
Blackrock Inc.: 4.87%
Marathon Asset Management: 3.57%
Oppenheimer Funds, Inc.: 3.07%
State Street Corporation: 3.01%

Besides these large shareholders, an estimated 15% of the shares are held by shareholders in the US, 7% in the UK, 4% in Canada and the remainder in mainly the Netherlands, Norway, Spain, Germany and France.

SHARE INFORMATION

In 2017, approximately 129 million Boskalis shares were traded on Euronext Amsterdam (2016: 126 million). The average daily trading volume in 2017 was more than 515,000 shares. In the course of the year, the share price reduced by 5% from EUR 32.99 to EUR 31.43. The market capitalization declined 2% compared to the end of 2016 to EUR 4.19 billion.

	Note	**2017**	2016	2015	2014	2013
High share price (in EUR)	(1)	**35.51**	37.60	49.21	47.18	38.58
Low share price (in EUR)	(1)	**27.08**	27.89	35.70	33.71	26.92
Share price at year-end (in EUR)	(1)	**31.43**	32.99	37.63	45.45	38.41
Average daily trading volume	(1)	**507,778**	492,136	466,526	351,191	336,999
Number of issued ordinary shares at year-end (x 1,000)	(2)	**133,352**	130,077	125,627	122,938	120,265
Average number of outstanding shares (x 1,000)		**131,097**	128,205	124,182	121,606	118,445
Market capitalization at year-end (in EUR billion)	(3)	**4.19**	4.29	4.73	5.59	4.62
Enterprise value at year-end (in EUR billion)	(4)	**4.31**	4.09	4.90	6.11	5.29
Profit per share (in EUR)		**1.15**	2.16 (5)	3.54	4.03	3.09
Cash flow per share (in EUR)		**3.07**	3.62	6.16	6.46	5.56
Dividend per share (in EUR)		**1.00**	1.00	1.60	1.60	1.24
Payout ratio %	(6)	**87%**	46%	45%	40%	40%
Dividend yield %	(7)	**3.2%**	3.0%	4.3%	3.5%	3.2%

Figures taken from the respective financial statements unless otherwise stated
(1) Nasdaq IR Insights
(2) Number of outstanding ordinary shares including the number of shares owned by the company as at 31 December
(3) Market capitalization: total number of outstanding ordinary shares x share price at year-end
(4) Enterprise value: market capitalization plus net debt
(5) Excluding impairments
(6) Payout ratio: dividend per share divided by profit per share
(7) Dividend yield: dividend per share divided by share price at year-end

Trailing suction hopper dredger Causeway.

FINANCIAL AGENDA 2018

8 March	Publication of 2017 annual results
9 May	Trading update on first quarter of 2018
9 May	Annual General Meeting of Shareholders
11 May	Ex-dividend date
14 May	Record date for dividend entitlement (after market close)
28 May	Final date for stating of dividend preference
31 May	Determination and publication of conversion rate for dividend based on the volume weighted average share price on 29, 30 and 31 May 2018 (after market close)
5 June	Date of dividend payment and delivery of shares
16 August	Publication of 2018 half-year results
9 November	Trading update on third quarter of 2018

REPORT OF THE SUPERVISORY BOARD

Beach replenishment activities near Heemskerk in the Netherlands.


CATERPILLAR

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board wishes to thank all employees and the Board of Management of Boskalis for the great efforts they have shown in 2017, especially considering the current market conditions.

In accordance with Article 26 of the Articles of Association of Royal Boskalis Westminster N.V., the Supervisory Board presents the 2017 annual report to the Annual General Meeting of Shareholders. The annual report, including the report of the Board of Management, the statement of directors' responsibilities and the financial statements, was drawn up by the Board of Management. The financial statements are accompanied by the report of the company's external auditor Ernst & Young Accountants LLP, which is included on pages 134 to 138 of this report.

We recommend the following to the Annual General Meeting of Shareholders:
- The adoption of the financial statements, including the proposed profit appropriation.
- The discharge of the members of the Board of Management in respect of their management activities during 2017.
- The discharge of the members of the Supervisory Board for their supervision of management during 2017.
- The distribution to shareholders of a dividend of EUR 1.00 per ordinary share to be paid in ordinary shares, unless the shareholder opts to receive a cash dividend.

COMPOSITION OF THE BOARD OF MANAGEMENT

The Board of Management consisted of three members in the 2017 reporting year. No changes to the composition of the Board of Management occurred during the year under review.

COMPOSITION OF THE SUPERVISORY BOARD

At the start of 2017 the Supervisory Board consisted of seven members. At the General Meeting of Shareholders on 10 May 2017 Mr. Niggebrugge stepped down as Supervisory Board member, due to the fulfilment of his last term. No further changes to the composition of the Supervisory Board occurred during the year under review. As a result as from 10 May 2017 the Supervisory Board consists of six members.

ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board held five regular meetings with the Board of Management and Group Management of the company. The attendance rate at the meetings of the Supervisory Board is for all Supervisory Board members 100%. The Supervisory Board also met several times without the Board of Management being present and there was regular telephone and one-on-one contact between the chairman of the Supervisory Board and the chairman of the Board of Management. Neither transactions with a (potential) conflict of interest, nor transactions with a majority shareholder, have occurred in the year under review. The Supervisory Board has discussed the acceptance of supervisory board positions by members of the Board of Management and members of the Supervisory Board.

The Supervisory Board held its meetings to discuss the annual and half-year results in the presence of the external auditor, Ernst & Young Accountants LLP.

Permanent items on the agenda of the Supervisory Board are the strategy, the development of the results, the balance sheet, the safety performance, and the industry and market developments.

At the onset of the year under review the Board of Management proposed a new Corporate Business Plan for the period 2017-2019. The Supervisory Board discussed this proposal in the context of the long-term value creation for the company, whereafter approval was given to the new strategy. The essential outline of the Corporate Business Plan 2017-2019 can be found on pages 10 to 15 of this report. At the beginning of 2018 the Supervisory Board received an update from the Board of Management on the implementation, execution, risks and opportunities of the Corporate Business Plan 2017-2019. Within the context of the Corporate Business Plan 2017-2019 the Board of Management presented the reorganization of the headquarters of the company to right-size the organization. The Supervisory Board considered this and the related reduction in workforce and informed itself on a regular basis regarding the execution of the reorganization by the Board of Management.
Within the context of the market developments the order book and potential large projects as well as the status of important contracted projects were discussed. During the year under review subjects addressed included among others the impact of the low oil price and the continuing uncertain market conditions on the company. The Supervisory Board discussed the contracting of large projects such as the award of the Duqm liquid bulk berth project in Oman, the Hartel Tank Terminal in Rotterdam, the Nord Stream 2 rock installation in the Baltic Sea, the JNPT project in Mumbai, India, the deepening of the Martin Garcia channel in Uruguay as well as the installation of export cables for the Borssele 3 and 4 offshore wind farms in the Netherlands. The Supervisory Board also informed themselves on the execution of projects such as the Aasta Hansteen topside float-over installation in Norway, the SAAone road construction project in the Netherlands, the Pluit project in Indonesia and the Wikinger offshore wind farm project in Germany. In discussing these projects the Supervisory Board devoted attention to the various operational, geopolitical, societal, environmental and financial risks, and, where applicable, judged provisions made by the Board of Management.

Other topics under scrutiny in 2017 included the corporate budget, liquidity, the share price development and relations with shareholders, acquisition and investment/divestment proposals, the organizational structure and the staffing policies. Specific attention was paid to the company's policy on safety, health and the environment and the societal aspects of doing business. The Supervisory Board gave consideration to the investment of the company in a second newbuild mega cutter dredger as well as the addition of two diving support vessels to the fleet.

The Supervisory Board received presentations by senior managers within the company to inform themselves on the developments in the areas of Dredging & Inland Infra in the region Europe, the cable-laying activities of VBMS, the new company-wide quality system: the Boskalis Way of Working and the Design, Tender and Engineering Department.

Attention was also paid to corporate social responsibility, with a comprehensive discussion by the Supervisory Board of the Boskalis Corporate Social Responsibility report. In the beginning of 2018 the General Code of Business Conduct, the Supplier Code of Conduct and the Whistleblower Policy with the therein embodied values, and their execution and compliance were discussed. The Supervisory Board also addressed the policy and relevant developments in relation to anti-corruption and integrity.

The Audit Committee regularly assessed the structure and operation of the internal risk management and control systems associated with the strategy and discussed these with the Supervisory Board.
No significant changes to the internal risk management and control systems were made during the year under review. Further information about the company's risk management can be found on pages 52 to 58 of this annual report.

In 2017, the Supervisory Board gave consideration to the acquisition of the subsea survey company Gardline and the divestment of the remaining interest in Fugro N.V.

During the year under review the share buyback program, proposed by the Board of Management to acquire its shares in the company, was also discussed by the Supervisory Board.

The Supervisory Board paid a working visit to projects in the Netherlands during the year under review. During this visit the Supervisory Board familiarized itself with the activities of Boskalis Nederland. In the course of doing so extensive attention was paid to the market trends, tender procedures and possible new projects in the region. In addition, the Supervisory Board visited the Isala Delta Project in Kampen, which forms part of the Room for the River project in the Netherlands as well as the Marker Wadden, which is a project aiming to restore nature in the Markermeer lake.

A number of Supervisory Board members met with the Works Council to discuss the results, the corporate strategy, the conduct and culture of the company, the market developments, the execution of the fleet rationalization program and the reorganization of the headquarters including the reduction of related workforce.

The Supervisory Board has three core committees – the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. The committees performed their tasks as follows:

AUDIT COMMITTEE

Members of the Audit Committee

In 2017 the Audit Committee consisted of three members: Mr. Niggebrugge (chairman), Mr. Van Wiechen and Ms. Haaijer. On 10 May 2017 Mr. Niggebrugge stepped down as chairman and member of the Audit Committee and was succeeded by Mr. Hazewinkel, who fulfills the role of financial expert in the Audit Committee. More than half of the members of the Audit Committee is independent in accordance with the Code.

Duties and responsibilities of the Audit Committee

The duties of the Audit Committee include:

- Informing the Supervisory Board of the company of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of the financial reporting and what the role of the Audit Committee has been in that process.
- Monitoring the financial reporting process and submitting proposals to ensure its integrity.
- Monitoring the effectiveness of the internal control system, the internal audit function and the risk management system regarding the financial reporting of the company.
- Monitoring the statutory audit of the financial statements and the consolidated annual accounts, in particular the execution thereof taking into account the assessment of the AFM in accordance with article 26, sub clause 6 of the EU Directive 537/2014.
- Assessing and monitoring the independence of the external auditor, specifically taking into account the provision of ancillary services to the company.
- Determining the procedure for the selection of the external auditor and the nomination for the engagement to carry out the statutory audit in accordance with article 16 of EU directive 537/2014.
- Advising the Supervisory Board on the approval of the appointment and the dismissal of the internal auditor.
- Providing its opinion on the performance of the internal audit function.
- Advising on the annual internal audit plan.

Activities during 2017

The Audit Committee met on three occasions during 2017. The attendance rate for the meetings of the Audit Committee was 100% for Mr. Niggebrugge (for the part of his tenure), 100% for Mr. Hazewinkel (for the part of his tenure), 100% for Ms. Haaijer and 100% for Mr. Van Wiechen.

Regular topics discussed during these meetings included: the 2016 financial statements, the (interim) financial reporting for the 2017 financial year, the results relating to large projects and operating activities, developments in IFRS regulations, developments in the order book, cost control, share price developments, and the financing and liquidity of the company.

The Audit Committee discussed with the Board of Management the internal risk management and control systems and assessed the

The cutter head of the new cutter suction dredger Helios.

effectiveness of the design and the operation thereof by evaluating the systems with the Board of Management, the internal and external auditor and senior management. The Audit Committee reported hereon to the Supervisory Board.

Other topics of discussion included the impact of the situation on the financial markets, insurance matters, the company's tax policies, tax position and relevant tax developments, the administrative organization, the provision of adequate information within the company, the relevant legislation and legal proceedings.

In addition, the Audit Committee focused more specifically on the framework of the financial reporting on the recognition in the accounts of the impairments regarding goodwill and assets as related to the 2016 financial statements, the repayment of the USPP as entered into in 2013, the restructuring costs, the share buyback program and the acquisition of Gardline.

In the Audit Committee the activities performed by the internal auditor during 2017 as well as the internal Audit Plan for 2018 have been discussed with the internal auditor. Other topics of discussion included a review of the scope of the internal audit function.

In addition to the chairman of the Board of Management and the Chief Financial Officer, the Group Controller and the external auditor were also present at the meetings of the Audit Committee. The internal auditor joined the meetings of the Audit Committee for the topics relevant to the internal audit function.

The Audit Committee discussed with the external auditor the audit plan as well as the audit fees. The scope and materiality of the audit plan and the principal risks of the annual reporting, as well as the findings and outcome of control process of the financial statements and management letter, was given consideration by the Audit Committee, whereby the Audit Committee received information on the most important topics of discussion with the external auditor related to the drafts of the Management Letter and the audit report. The workings of the external and internal audit functions were assessed by means of discussions with the Board of Management, the internal and external auditor as well as senior management. The Audit Committee informed the external auditor of the main elements regarding its performance. The Audit Committee also established the independence of the external auditor. The Audit Committee reported its findings on the performance of and the relationship with the external auditor to the Supervisory Board. During the year under review meetings were also held with the external auditor without the company's Board of Management being present.

Reports and findings of the meetings of the Audit Committee were presented to the entire Supervisory Board.

REMUNERATION COMMITTEE

Members of the Remuneration Committee

In 2017 the Remuneration Committee consisted of two members, with Mr. Van Woudenberg as chairman and Mr. Niggebrugge as a member. On 10 May 2017 Mr. Niggebrugge stepped down as member of the Remuneration Committee and was succeeded by Mr. Van der Veer.

Duties and responsibilities of the Remuneration Committee
It is the role of the Remuneration Committee to advise the Supervisory Board on:

- The submission of a clear and understandable proposal concerning the remuneration policy to be pursued for members of the Board of Management with focus on long-term value creation for the company and the business connected with it and shall take into account the internal pay ratios within the business. The Remuneration Committee shall consider and include all matters required by law and the Corporate Governance Code 2016 (the "Code"). The Supervisory Board shall present the policy to the General Meeting of Shareholders for adoption.
- The submission of a proposal concerning the remuneration of individual members of the Board of Management. The proposal shall be drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios with the company and its affiliated enterprise. When formulating the proposal for remuneration of the Board of Management, the Remuneration Committee shall take note of the views of the individual members of the Board of Management with regard to the amount and structure of their remuneration.
- The preparation of the report on the remuneration policy implemented in the past financial year. The Remuneration Committee shall consider and include all matters required by law and the Code. The Supervisory Board's remuneration report is available on the company's website.

Activities during 2017

The Remuneration Committee met three times during 2017. The attendance rate for the meetings of the Remuneration Committee was 100% for Mr. Van Woudenberg, 100% for Mr. Niggebrugge (for the part of his tenure) and 100% for Mr. Van der Veer (for the part of his tenure). The Committee also held regular consultations outside these meetings.

Reports and findings of the meetings of the Remuneration Committee were presented to the entire Supervisory Board. For an overview of the activities of the Remuneration Committee reference is made to the Remuneration report 2017 as published on the website of the company (www.boskalis.com).

Remuneration policy for the Board of Management

The remuneration policy for the Board of Management was adopted by the Extraordinary General Meeting of Shareholders on 21 January 2011. The remuneration policy is consistent with the strategy and core values of Boskalis, which are centered on long-term orientation and continuity and take into account the interests of Boskalis' shareholders, clients, employees as well as the 'wider environment'. In 2017 the remuneration policy was applied in accordance with the remuneration policy as last adopted by the Extraordinary General Meeting of Shareholders on 21 January 2011. The full text of the remuneration policy can be found on the Boskalis website.

Remuneration policy for the Supervisory Board
The remuneration policy for the Supervisory Board was adopted by the General Meeting of Shareholders on 10 May 2012. In 2017 the remuneration was applied in accordance with the remuneration policy as adopted.

SELECTION AND APPOINTMENT COMMITTEE

Members of the Selection and Appointment Committee
In 2017 the Selection and Appointment Committee consisted of three members, with Mr. Hessels acting as chairman and Mr. Van Wiechen and Mr. Van der Veer as members. More than half of the members of the Remuneration Committee is independent in accordance with the Code.

Duties and responsibilities of the Selection and Appointment Committee
It is the role of the Selection and Appointment Committee to advise the Supervisory Board on:

- Drawing up selection criteria and nomination procedures with respect to members of the Supervisory Board and members of the Board of Management of the company.
- The periodic assessment of the size and composition of the Supervisory Board and the Board of Management and submission for a profile of the Supervisory Board.
- The periodic assessment of the performance of individual members of the Supervisory Board and Board of Management and reporting thereon to the Supervisory Board.
- Drawing up a plan for the succession with respect to members of the Supervisory Board and the members of the Board of Management.
- Proposing appointments and re-appointments.
- Supervising the policy of the Board of Management with respect to selection criteria and appointment procedures for the senior management of the company.

Activities during 2017
In 2017, the Selection and Appointment Committee held two meetings. The attendance rate for the meetings of the Selection and Appointment Committee was 100% for Mr. Hessels, 100% for Mr. Van Wiechen and 100% for Mr. Van der Veer.
In addition, the members consulted by telephone on several occasions outside these meetings.

During the year under review, the Selection and Appointment Committee discussed the plan for the balanced composition and succession of the Board of Management and the composition and size of the Supervisory Board, bearing in mind the profile, retirement rota, and the evaluation of the performance of the Board of Management collectively and its members individually. In the year under review no appointments or re-appointments were due for the Supervisory Board and Board of Management.

The company arranged an induction program for Ms. Haaijer in January 2017 to familiarize her with the general affairs of the company regarding financial, social and legal matters, the workings of the Supervisory Board, the markets Boskalis is operating in, its culture and the works council. No further training needs have been identified for the Supervisory Board or the Board of Management in the year under review.

Reports and findings of the meetings of the Selection and Appointment Committee were presented to the entire Supervisory Board.

DUTCH CORPORATE GOVERNANCE CODE

Since the introduction of the Dutch Corporate Governance Code (the "Code") in 2004, the principles of proper corporate governance and best practice provisions set out in the Code have regularly been discussed at Supervisory Board meetings. In the year under review the Supervisory Board has extensively discussed the revised Code and the impact thereof on the corporate governance of the company in general as well as the amendments required in the corporate governance documentation. These amendments in the corporate governance of the company shall be listed as a separate agenda item on the agenda of the General Meeting of Shareholders, to be held on 9 May 2018. The principal points of the Boskalis Corporate Governance policy can be found on pages 62 and 63 of this annual report.

In the opinion of the Supervisory Board, the provisions of the Code regarding the independence of the members of the Supervisory Board have been complied with. The Supervisory Board considers Mr. Van Wiechen not to be independent in light of the Code, due to the fact that he fulfills the position of director at HAL Investments B.V., which company holds as at 31 December 2017 a major interest of 35.71% in the share capital of Boskalis.

Outside the presence of the Board of Management the Supervisory Board discussed the performance of the Board of Management. It also discussed the performance of the Supervisory Board, the chairman of the Supervisory Board, the three committees and the individual members of the Supervisory Board. This evaluation was conducted by means of a questionnaire as well as through collective and bilateral discussions between the members of the Supervisory Board, the chairman of the Supervisory Board and the chairman of the Board of Management. In its opinion the Supervisory Board is functioning well.

The Supervisory Board wishes to thank the employees and the Board of Management of Boskalis for the great efforts they have shown in 2017, especially considering the current market conditions.

Papendrecht / Sliedrecht, 7 March 2018

Supervisory Board

Mr. J.M. Hessels, chairman
Mr. H.J. Hazewinkel, deputy chairman
Ms. I. Haaijer
Mr. J. van der Veer
Mr. J.N. van Wiechen
Mr. C. van Woudenberg

UNIQUE INSTALLATION OF THE WORLD'S LARGEST SPAR-FPSO TOPSIDE

Boskalis was responsible for both the transportation of the Aasta Hansteen SPAR substructure and topside from South Korea to Norway and the topside installation. In this remarkable project the company transported the heaviest SPAR-FPSO ever, carried out the largest catamaran barge construction and topside float-over, and worked more than 100,000 hours without a single lost time injury.

"To provide some background first. The Aasta Hansteen SPAR-FPSO is a gas production and storage platform, which will be operated at the Aasta Hansteen field, approximately 300 kilometers off the coast of Norway, above the Arctic Circle in depths of more than 1,300 meters. The SPAR consists of the hull/substructure and a topside", says Project Director Bas Polkamp. "Hyundai Heavy Industries (HHI) contracted Dockwise to carry out the transport of the SPAR hull from the fabrication yard in Ulsan, South Korea, to a fjord near Stavanger in Norway. As such, a 'relatively straightforward' part of the operation, even though it is a huge structure. Just the hull alone is an enormous cylindrical buoy with a diameter of 50 meters, length of 198 meters and weight of 46,000 tons. The hull was transported horizontally on our semi-submersible heavy transport vessel Vanguard via the Cape of Good Hope in 59 days, arriving in Norway at the end of June. Subsequently, we

Topside float-over installation with the tip of the SPAR hull above the waterline in between the S-class vessels.

transported the 24,300-ton topside from Ulsan. This operation was carried out with the White Marlin, the newest and second largest vessel in the Dockwise fleet. In addition to transporting the two main platform components to Norway we were also tasked with the installation of the topside on the substructure. Following its arrival in Norway the SPAR was offloaded from the Vanguard and moved into an upright position and submerged at a safe and sheltered position in the fjord by a third party. Here the substructure was waiting for the installation of the topside."

TOPSIDE INSTALLATION

Once the White Marlin arrived in Norway, the topside was transferred onto two S-class vessels. After accurately positioning these two smaller transport vessels on either side of the White Marlin, they started de-ballasting whilst the White Marlin ballasted down and maneuvered out from underneath. "The result was a 'catamaran barge structure' with the topside linking the two hulls," explains Polkamp. "Then the catamaran barge configuration had to go to the 'mating location' where the topside was installed onto the substructure. At this stage there were four tugs alongside and one deployed for contingency purposes. With this marine spread, we travelled to the mating location in the fjord 16 nautical miles away. The catamaran barge with the topside was safely towed out to the vertical SPAR hull. The float-over process started with the 'entry operation', where the topside was positioned above the substructure. We used the tugs and then used the mooring-mating wires to further fine-tune the positioning. Once the topside was in the right position the mating operation commenced: the substructure was de-ballasted and the catamaran barge was ballasted down. In other words, another load transfer, yet this time from the catamaran barge to the substructure."

PREPARATION

"Preparing for this final operation alone represents more than two years of detailed engineering," explains Polkamp. "In the last four weeks of the project, we established an office on-site with more than 50 people based there, including representatives from the owner Statoil and our client HHI. We mobilized the core team on 22 November and successfully completed the dual float-over on 14 December – in just three weeks!"

BIGGEST CHALLENGE

"Executing this operation in the Norwegian wintertime was for sure the biggest challenge", said Polkamp. "The project was extremely weather sensitive, with very strict limits on the maximum current and wind speed that could be handled. And at this time of the year, there was a low pressure front coming every few days. We had to have many go/no-go meetings to decide whether it was safe to carry out the operations in the next time window. There are big storms at that time of the year, with gusts of up to 40 knots. In fact, we had to wait four days on one occasion for a suitable weather window. We employed a dedicated meteorologist who was providing a presentation to the team every four hours and outlining whether we could proceed to the next stage."

COMMUNICATION AND TEAMWORK

"Communication was absolutely crucial. The team had all worked together in the simulation exercises carried out at Maritime Research Institute Netherlands (MARIN), and this showed as it worked perfectly well. The maneuvering with the tugs, de-ballasting the SPAR substructure and ballasting the two vessels had all been simulated extremely realistically - as it happened in the field. It was vital to have the same team and great, dedicated operational people. Of course we have the right assets – the White Marlin, the Vanguard, the tugs, but the most important thing is the people; it is all about teamwork!"

REPORT OF THE BOARD OF MANAGEMENT

Beach replenishment activities near the Oosterscheldekering, the largest storm surge barrier of the Dutch Delta Works.

FINANCIAL PERFORMANCE

Royal Boskalis Westminster N.V. achieved a net profit of EUR 150 million in 2017, in line with expectations. This compares to a net loss of EUR 564 million in 2016 as a result of EUR 840 million of non-cash impairment charges.

Revenue declined by 10 per cent to EUR 2.34 billion (2016: EUR 2.60 billion). Adjusted for consolidation, deconsolidation and currency effects, revenue was down 15 per cent.

EBITDA amounted to EUR 437 million and the operating result (EBIT) was EUR 185 million (2016 EBITDA: EUR 660 million and EBIT: EUR 385 million, both adjusted for impairment charges).

Dredging & Inland Infra had a relatively busy year after an exceptionally weak 2016. Both revenue and the fleet utilization rose, fueled by a number of large projects in progress in Brazil, Indonesia, India and Oman. The results from ongoing dredging projects were lower than in previous years while projects that were technically completed previously once again made a positive contribution to the result.

Revenue and the segment result at Offshore Energy declined further compared to previous years, due in part to the poor market conditions in the oil and gas industry. The various activities nevertheless made a reasonable to good contribution to the result.

The result at Towage & Salvage declined compared to last year, mainly as a result of weak market conditions and one-off charges at Towage. Following a very quiet start to the year, Salvage ended 2017 well with a few large emergency response contracts.

Boskalis' financial position remains strong with a solvency ratio of 63% and a limited net debt of EUR 120 million.

The order book increased to EUR 3.50 billion (end-2016: EUR 2.92 billion).

The trailing suction hopper dredger Oranje in the Guanabara Bay in Rio de Janeiro, Brazil sailing close to one of Gardline's survey vessels.

OPERATIONAL AND FINANCIAL DEVELOPMENTS

REVENUE

During the past year revenue decreased by 10% to EUR 2.337 billion (2016: EUR 2.596 billion). Adjusted for consolidation, deconsolidation and currency effects, revenue declined by 15%. This decrease is mainly a consequence of the continuing challenging market conditions, in particular in the offshore energy sector.

In line with the first half of 2017 Dredging & Inland Infra was busier than last year, with revenues up 11% on the back of higher vessel utilization rates. The biggest revenue growth was realized outside of Europe, with large projects under execution in Brazil, Oman, Indonesia, India and the United Arab Emirates.

The revenue decline within Offshore Energy is a result of the low activity levels in the oil and gas industry. Furthermore, the contribution from offshore wind foundation transportation & installation projects was limited compared to a very busy 2016, when two large projects were under execution. The survey activities of Gardline, acquired mid-2017, made a modest revenue contribution in the second half of the year.

Revenue within the Towage & Salvage division declined as a consequence of the deconsolidation of the European harbor towage activities as per the second quarter of 2016. Following an unusually quiet first half of the year Salvage had a very busy second half year, with numerous emergency response contracts.

RESULT

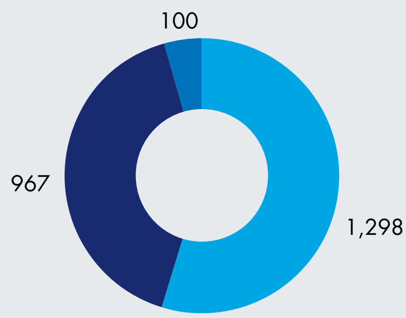
In 2017, the operating result before interest, taxes, depreciation, amortization and impairment charges (EBITDA) totaled EUR 436.6 million (2016: EUR 660.5 million). EBITDA includes the contribution from our share in the net result of joint ventures and associated companies.

EBIT amounted to EUR 185.0 million. This result includes our share in the net result of joint ventures and associated companies, which on balance amounted to EUR 31.0 million. 2016 EBIT, corrected for pre-tax impairment charges of EUR 842.6 million, amounted to EUR 384.6 million.

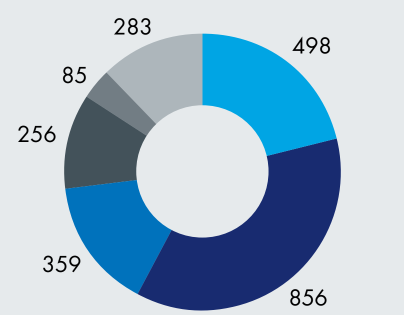
For Dredging & Inland Infra the operating results amounted to EUR 110.5 million (2016: EUR 119.7 million). Margins on dredging projects executed in 2017 were generally at lower levels than in previous years. Settlements on projects technically completed in previous years contributed again positively to the result.

Offshore Energy earnings were in line with the first half of 2017, with an operating results for the full year of EUR 85.0 million (2016: 209.5 million). The decline relative to last year reflects the poor market conditions in the oil and gas industry. Furthermore, the contribution from offshore wind projects was limited compared to 2016, when two large projects were under execution. Gardline, the survey company acquired mid-August of 2017, contributed EUR 15.0 million, which was fully attributable to a net badwill gain.

REVENUE BY SEGMENT	2017	2016
(in EUR million)		
Dredging & Inland Infra	**1,298.3**	1,164.5
Offshore Energy	**966.7**	1,333.7
Towage & Salvage	**100.5**	121.4
Eliminations	**-28.3**	-23.2
Total	**2,337.2**	2,596.3



REVENUE BY GEOGRAPHICAL AREA	2017	2016
(in EUR million)		
The Netherlands	**497.8**	552.2
Rest of Europe	**856.5**	1,078.6
Australia / Asia	**359.0**	283.7
Middle East	**256.4**	134.6
Africa	**84.8**	232.6
North and South America	**282.7**	314.6
Total	**2,337.2**	2,596.3



Towage & Salvage closed the year with an operating result of EUR 32.8 million (2016: EUR 48.8 million). This decline was a consequence of the deconsolidation of the European harbor towage activities, a lower result from several joint ventures and associated companies, and a lower contribution from Salvage.

Non-allocated group income and expenses amounted to minus EUR 43.3 million and relate primarily to the usual non-allocated head-office costs. In addition, an amount of EUR 14.9 million is included, associated with the head-office reorganization conducted in 2017. In 2016, the non-allocated group income and expenses amounted to a positive EUR 6.5 million, which included substantial book profits on various transactions.

RESULT BY SEGMENT (EBIT)	2017	2016
(in EUR million)		
Dredging & Inland Infra	**110.5**	119.7
Offshore Energy	**85.0**	209.5
Towage & Salvage	**32.8**	48.8
Non-allocated group (costs) result	**-43.3**	6.5
Operating Result	**185.0**	384.6
Impairment charges	**-**	-842.6
EBIT	**185.0**	-458.1

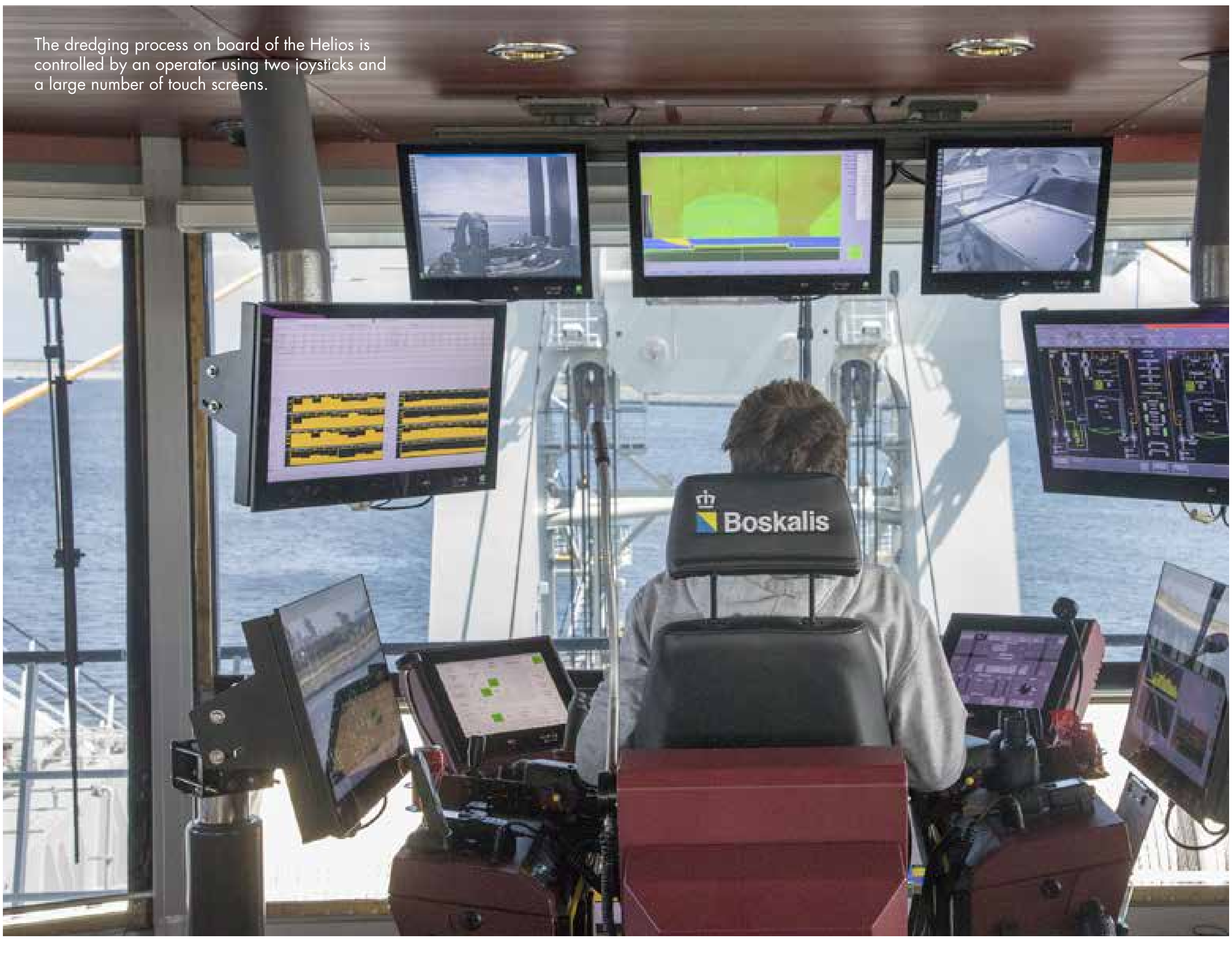
NET PROFIT

Total consolidated EBIT amounted to EUR 185.0 million (2016: 384,6 before impairment charges). After on balance financing expenses of EUR 12.9 million, profit before taxation amounted to EUR 172.1 million. The after tax profit attributable to shareholders was EUR 150.5 million, compared to a net loss of EUR 563.7 million in 2016.

ORDER BOOK

In 2017 Boskalis acquired, on balance, EUR 2,909 million worth of new contracts. At the end of the year the order book, excluding our share in the order books of joint ventures and associated companies, stood at EUR 3,495 million (end-2016: EUR 2,924 million).

ORDER BOOK	2017	2016
(in EUR million)		
Dredging & Inland Infra	**2,477.4**	1,892.5
Offshore Energy	**1,011.1**	1,023.9
Towage & Salvage	**6.7**	7.5
Total	**3,495.2**	2,923.9



The dredging process on board of the Helios is controlled by an operator using two joysticks and a large number of touch screens.

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	2017	2016
(in EUR million)		
Revenue	**1,298.3**	1,164.5
EBITDA	**219.1**	223.0
Net result from JVs and associates	**3.6**	3.6
Operating result	**110.5**	119.7
Order book at year-end	**2,477.4**	1,892.5

EBITDA and operating result include our share in the net result of the joint ventures and associated companies.
2016 EBITDA and Operating result are presented excluding impairment charges.

REVENUE

Revenue in the Dredging & Inland Infra segment amounted to EUR 1,298 million (2016: EUR 1,165 million).

REVENUE BY MARKET	2017	2016
(in EUR million)		
The Netherlands	**473.2**	465.9
Rest of Europe	**253.7**	272.7
Rest of the world	**571.5**	425.9
Total	**1,298.3**	1,164.5

The Netherlands
In 2017 revenue in the Dutch market was stable at EUR 473.2 million. A lot of work was performed on the Buitenring Parkstad Limburg and SAAone (A1-A6 motorway) projects. SAAone was successfully completed in the course of the second half of the year. The Wadden Sea dike reinforcement on the island of Texel, as well as work related to the Room for the River projects contributed to the revenue, in addition to the second phase of the construction of the Marker Wadden nature reserve islands.

Rest of Europe
Revenue in the rest of Europe amounted to EUR 253.7 million. The largest contribution came from the UK market, including the completion of the Portsmouth channel and inner harbor dredging project, the deepening of Peterhead harbor and the redevelopment of the Dover Western Docks. In the other European home markets (Germany, Sweden and Finland) numerous port-related capital and maintenance projects were executed.

Rest of the world
Outside of Europe, revenue increased strongly to EUR 571.5 million. Important projects under execution included the expansion of the Porto do Açu Oil Transshipment Terminal (Brazil), reclamation activities in Makassar (Indonesia), the deepening of the access channel to the Jawaharlal Nehru Port in Mumbai (India), the development of the port of Duqm (Oman) and pipeline trenching work in Abu Dhabi (UAE). Activities related to the Pluit project in Jakarta Bay (Indonesia) that were suspended in early 2016 are not expected to recommence before the end of 2018.

FLEET DEVELOPMENTS

Utilization of the hopper and cutter fleet was considerably higher than in 2016. The hopper fleet had an effective annual utilization rate of 35 weeks (2016: 27 weeks), with the cutter fleet utilization rate at 14 weeks (2016: 9 weeks).

The new mega cutter Helios was named and christened on 1 July and its maiden project was on the construction of the Offshore Center Maasvlakte 2 in the port of Rotterdam, the Netherlands. The Helios was subsequently mobilized to Oman, where the vessel will work on the Duqm port development project. The Helios is the largest and most powerful cutter suction dredger in the fleet with a total installed power of almost 24,000 kW, a total pumping capacity of 15,600 kW and a maximum cutter power of 7,000 kW. In 2017 Boskalis ordered a sister vessel of the Helios at IHC, which is expected to be taken into service in the course of 2020.

SEGMENT RESULT

Dredging & Inland Infra achieved an EBITDA of EUR 219.1 million, with an operating result of EUR 110.5 million (2016: EUR 223.0 million and EUR 119.7 million, respectively). The project results were a reflection of the challenging market conditions. Margins on dredging projects executed in 2017 were generally at lower levels than in previous years. Settlements on projects technically completed in previous years contributed again positively to the result. Such settlements are not uncommon, although size and timing is unpredictable. The Dutch Inland Infra activities delivered a positive contribution to the result.

The segment result includes our share in the net result of joint ventures and associated companies. The contribution from these activities was EUR 3.6 million (2016: EUR 3.6 million).

ORDER BOOK

At the end of the year, the order book stood at EUR 2,477 million (end-2016: EUR 1,893 million). The order book for the Rest of the World increased significantly with the most noteworthy contract wins being the development of the port of Duqm (Oman), a multi-year maintenance contract in the Middle East and the deepening of the access channel to Jawaharlal Nehru Port in Mumbai (India). Other contract wins include port related contracts in Angola, Australia, Brazil, Nigeria, Uruguay and Mexico, in addition to variation orders on existing contracts. On balance EUR 1,883 million of new work was acquired during the course of the year.

After the close of the year, Boskalis was awarded a large multi-year dredging project for the Tuas Terminal Phase II port development in Singapore. This project will be executed in a consortium with Hyundai and Penta Ocean.

ORDER BOOK BY MARKET	2017	2016
(in EUR million)		
The Netherlands	**604.4**	723.5
Rest of Europe	**557.6**	590.4
Rest of the world	**1,315.4**	578.6
Total	**2,477.4**	1,892.5

OFFSHORE ENERGY

Offshore dredging and rock installation projects, heavy transport, lift and installation work, survey, 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	2017	2016
(in EUR million)		
Revenue	**966.7**	1,333.7
EBITDA	**221.1**	374.7
Net result from JVs and associates	**0.3**	2.2
Operating result	**85.0**	209.5
Order book at year-end	**1,011.1**	1,023.9

EBITDA and operating result include our share in the net result of the joint ventures and associated companies.
2016 EBITDA and operating result are presented excluding impairment charges.

REVENUE

Revenue in the Offshore Energy segment amounted to EUR 966.7 million with just over 50% being contracting related, and the balance coming from services. (2016: EUR 1,333.7 million).

Offshore Services includes transport and marine services, logistical management, subsea services and survey. In 2017, the successful completion of the Aasta Hansteen transport and topside float-over installation made an important contribution, besides projects like Mariner and the transport of Statoil CAT J rigs. Following the completion of these projects, that were acquired under much better market conditions, the dependence on the very competitive spot market, characterized by strong pressure on both utilization and prices, will further increase.
Utilization levels remained stable at Subsea Services, with an important contribution from work in the Middle East and 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.
Revenues and results of Gardline have been consolidated since mid-August 2017. The period since the date of acquisition has mainly been used to restructure and to prepare the business for the 2018 season on the North Sea. The revenue contribution from Gardline was EUR 24.9 million.

Offshore Contracting includes the installation of floating and fixed structures, seabed interventions, offshore wind and cable-laying related activities. The largest Installation & Intervention projects under execution in 2017 were the installation of the DolWin3 power platform and the installation of a gas pipeline for Gasco in Abu Dhabi (UAE). The largest revenue contribution from offshore wind projects came from the Aberdeen OWF project. The sizable Veja Mate and Wikinger projects made major contributions in 2016, with a limited contribution in 2017. VBMS had a busy year with the Galloper, Walney, Dudgeon, Rampion and East Anglia projects being the most noteworthy.

FLEET DEVELOPMENTS

In 2017, the heavy transport vessels (HTV) achieved a utilization rate of 69% (2016: 71%). Following the 2016 fleet rationalization study, two HTVs were taken out of service in 2017, the Finesse was converted into a crane vessel and renamed Bokalift 1 and two Type II vessels were laid up. In the course of 2017, one Type II vessel was taken out of layup for a logistical management project in the Middle East.

The cable-laying vessels, diving support vessels and the Rockpiper (fallpipe vessel) all saw reasonable to good utilization levels in 2017.

The conversion of the former Finesse type II heavy transport vessel into the Bokalift 1 crane vessel was largely completed in 2017. The outfitting of DP2 and additional accommodation was completed in Singapore and the rotating mast crane with a lifting capacity of 3,000 tons was installed in China. Following a festive reception in Rotterdam in February 2018, the vessel started its first assignment on the North Sea. The vessel will be deployable on transport and installation activities in the offshore wind sector, oil and gas industry, as well as on decommissioning and salvage projects.

In the fourth quarter, Boskalis acquired the DSV Constructor by exercising a purchase option on this leased vessel, which had been part of the fleet for some considerable time. Boskalis also reached an agreement with the bondholders of two former Harkand vessels, under which it has acquired the DSV BOKA Atlantis and has signed a three-year bareboat charter for her sister vessel Da Vinci along with a right of first refusal in the event of a sale. The vessels, which were taken into service in 2011, are equipped with two bells for saturation diving work to a depth of 300 meters and provide accommodation for 120 crew.

SEGMENT RESULTS

The EBITDA for the Offshore Energy segment amounted to EUR 221.1 million, with an operating result of EUR 85.0 million (2016: EUR 374.7 million and EUR 209.5 million, respectively).

The survey activities of Gardline contributed EUR 18.7 million to EBITDA and EUR 15.0 million to the operating result. This result includes a EUR 15.0 million net badwill gain resulting from the purchase price allocation carried out as a result of the acquisition. This gain reflects the net positive difference in the assessed value of the acquired net assets relative to the consideration paid and the restructuring costs incurred following the acquisition.

The bad market conditions in the oil and gas sector predominantly impacted results in the services related business units, with the short-term wet towage and short-term heavy marine transport activities under most pressure. The operating result contribution from the services related business units was negligible in the second half of the year. Within contracting, a further earnings decline in offshore wind foundation installation was partly offset by a strong year in the cable-laying business unit, project settlements and a number of smaller Installation & Intervention projects. Excluding the net badwill gain on Gardline, more than 60% of the operating result contribution came from contracting with the balance coming from the services business.

The segment result includes our share in the net result of joint ventures and associated companies. The contribution from these activities was EUR 0.3 million (2016: EUR 2.2 million). The Asian Lift joint venture in Singapore benefitted from a high utilization of the new floating crane, the Asian Hercules III. This was offset by an additional depreciation on an old floating sheerleg crane which is going to be divested.

ORDER BOOK

At the end of 2017, the order book, excluding our share in the order books of joint ventures and associates, stood at EUR 1,011.1 million (end-2016: EUR 1,023.9 million).

On balance, EUR 953.9 million of new work was acquired during the year. A major project for the coming two years is Nord Stream 2. The works are part of the construction of the planned twin 1,200 kilometer pipelines that will transport gas from Russia to Europe via the Baltic Sea. Earlier in the year, a transport contract for West White Rose (Canada) was acquired and a logistical management contract for a petrochemical plant in the Middle East. A number of cable-laying contracts were acquired, including the East Anglia ONE, Borssele Beta and Hohe See contracts, as well as a contract for subsea survey and identification of unexploded ordnance in the Borssele Offshore Wind Farm Zone.

Furthermore, VBMS was nominated as preferred cable-lay supplier on Triton Knoll and Moray Offshore Windfarm East. Both projects are expected to reach financial close in the first half of 2018.

Installation of an export power cable connecting a wind farm to an onshore power grid.

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	**2017**	2016
(in EUR million)		
Revenue	**100.5**	121.4
EBITDA	**35.1**	55.1
Net result from JVs and associates	**26.1**	35.5
Operating result	**32.8**	48.8
Order book at year-end	**6.7**	7.5

EBITDA and operating result include our share in the net result of the joint ventures and associated companies.
2016 EBITDA, operating result and net result from JVs and associates are presented excluding impairment charges.

REVENUE

Revenue within the Towage & Salvage segment declined to EUR 100.5 million (2016: EUR 121.4 million). This decline is the result of the further implementation of the Towage strategy to transfer all the harbor towage activities into joint ventures with third parties. The last remaining fully owned towage activities were transferred into a joint venture with KOTUG, combining both partners' European harbor towage activities and became effective at the beginning of April 2016.

SMIT Salvage had a very quiet start to the year but ended 2017 with a number of sizable emergency response contracts and a wreck removal project, bringing the revenues to a slightly higher level than the previous year. Noteworthy projects included the salvage of tug boat Bertolini CXX in Brazil, a loading buoy in Congo, the USS McCain and the wreck removal of the Cabrera.

SEGMENT RESULT

EBITDA generated within the Towage & Salvage segment totaled EUR 35.1 million, with an operating result of EUR 32.8 million (2016: EUR 55.1 million and EUR 48.8 million, respectively).

The Salvage result included financial settlements from projects that were executed in previous years, albeit to a lower extent than in 2016. Such settlements are a common part of the salvage business, but the size and timing thereof are unpredictable.

The segment result includes our share in the net result from joint ventures and associated companies, particularly Smit Lamnalco, Keppel Smit Towage, Saam Smit Towage and Kotug Smit Towage. The contribution from these activities was EUR 26.1 million (2016: EUR 35.5 million). In most of the joint ventures results were

A SMIT Salvage crew member shortly after being dropped on board of the grounded bulk carrier Glory Amsterdam.

under pressure, in various combinations and to varying degrees, as a result of pricing pressure in the container sector, volume and pricing pressure in oil & gas related activities and costs of restructuring and new market penetration.

ORDER BOOK

At end-2017, the order book, excluding our share in the order books of joint ventures and associated companies, stood at EUR 6.7 million (end-2016: EUR 7.5 million). The order book relates solely to the Salvage business unit.

HOLDING AND ELIMINATIONS

Non-allocated head office activities.

HOLDING AND ELIMINATIONS	2017	2016
(in EUR million)		
Revenue eliminations	**-28.3**	-23.2
EBITDA	**-38.7**	7.7
Net result from JVs and associates	**1.1**	-30.1
Operating result	**-43.3**	6.5

EBITDA and operating result include our share in the net result of the joint ventures and associated companies.
2016 EBITDA and operating result are presented excluding impairment charges.

SEGMENT RESULT

The operating result mainly includes the usual non-allocated head office costs, as well as various non-allocated (in many cases non-recurring) income and expenses. The 2017 result of minus EUR 43.3 million includes EUR 14.9 million of expenses associated with the head-office reorganization. The implementation of this cost-reduction program is well on track with annual cost savings of around EUR 30 million to be fully realized by the end of 2018.

In 2016, the operating result amounted to a positive EUR 6.5 million. Besides a negative result of EUR 30.1 million related to Fugro, book profits with a combined value in excess of EUR 80 million, related to various transactions, were included.

On 28 February 2017, Boskalis sold its remaining investment in Fugro. In total 7.9 million certificates of shares in Fugro were placed with institutional investors at EUR 14.50 per share.

OTHER FINANCIAL INFORMATION

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

Depreciation and amortization expenses amounted to EUR 251.6 million (2016: EUR 277.2 million). There were no impairment charges in 2017, whilst in 2016 there were EUR 842.6 million pre-tax (EUR 840.1 million post tax) non-cash impairment charges related mainly to the services part of Boskalis' offshore oil and gas activities. This charge was a result of the strongly deteriorated market conditions and outlook in the offshore energy sector, including those within joint ventures and associates.

INCOME FROM JOINT VENTURES AND ASSOCIATES

Our share in the net result from joint ventures and associates was EUR 31.0 million (2016: EUR 11.3 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. The 2016 result was negatively impacted by the result on our investment in Fugro (EUR 30.1 million).

TAX

The tax charge declined to EUR 21.7 million (2016: EUR 32.4 million) with an effective tax rate of 12.6%. Excluding our share in the net results of joint ventures and associates and the net badwill gain related to Gardline, which is non-taxable, the effective tax rate was 18.4%. The effective rate in 2016, adjusted for impairment charges, was 11.1%. The effective rate in 2016 adjusted for the net result from joint ventures and associates and the book profits on the Kotug Smit, VBMS and Smit Amandla transactions was 17.0%.

CAPITAL EXPENDITURE AND BALANCE SHEET

In 2017, a total amount of EUR 354.7 million was invested in property, plant and equipment (2016: EUR 182.1 million). Excluding the acquisition of the second-hand DSV's Constructor and BOKA Atlantis, towards the end of the year, capital expenditure amounted to EUR 266.7 million, in line with earlier expectations. Within Dredging, the construction of the new mega cutter Helios was the largest investment in 2017, in addition to the first construction installments on the sister vessel of the Helios. Investments within the Offshore Energy segment included the conversion of the Finesse heavy transport vessel into the Bokalift 1 crane vessel.

In 2017, divestments were made totaling EUR 20.1 million.

Capital expenditure commitments at the end of the year were EUR 120 million (end-2016: EUR 62 million). These commitments relate to the aforementioned sister vessel of the Helios.

In 2017, Boskalis used EUR 29.5 million cash for payments of the dividend related to the 2016 financial year (2016: EUR 55.8 million), for those shareholders who opted to receive a cash dividend. This represented around 23% of the dividend, with the remaining 77% being distributed in the form of 3,275,042 new ordinary shares. As a consequence, the issued share capital increased to 133,351,894.

In August 2017, Boskalis initiated a share buyback program to neutralize the dilution resulting from the distribution of the 2016 stock dividend. As at 31 December 2017, 2,674,601 shares were repurchased, for a total consideration, including additional dividend tax, of EUR 81.2 million. As at 31 December 2017, the issued share capital amounted to 133,351,894 ordinary shares, of which 2,674,601 were shares repurchased and held by Boskalis.

The cash flow amounted to EUR 402.0 million (2016: EUR 464.0 million).

On 28 February 2017, Boskalis sold its remaining investment in Fugro N.V. The shares were sold through an accelerated bookbuild, via which 7.9 million (9.4%) certificates of shares in Fugro were placed with institutional investors at EUR 14.50 per share. The total proceeds amounted to EUR 115.0 million.

On 15 August 2017, Boskalis acquired all shares of the Gardline Group. With the acquisition Boskalis strengthens its existing survey activities and becomes a specialist provider of subsea geophysical and geotechnical surveys, with an exposure to the renewables market and the early cyclical part of the oil and gas market. The consideration paid including assumed debt amounted to EUR 52.2 million.

The working capital position at year-end was EUR 386 million negative (year-end 2016: EUR 781 million negative). Movements in working capital are strongly influenced by (the payment conditions on) large projects, amongst others in the renewables market. The large outflow in 2017 is to a large extent explained by the completion of a number of large projects with favorable payment conditions, including substantial prepayments. As these projects were completed in 2017 and not replaced by similar large projects with similar payment conditions, this resulted in a large outflow of working capital.

The cash position at the end of the year was EUR 192.0 million (year-end 2016: EUR 965.3 million). The solvency ratio remained high, at 62.9% (year-end 2016: 56.1%). The reduction in the cash position at the end of the year in comparison with the beginning of the year is mainly due to the repayment at the beginning of the year of the 2010 US Private Placement (EUR 393 million) and the working capital outflow explained above.

The interest-bearing debt totaled EUR 311.7 million at year-end. The resulting net debt position was therefore EUR 119.7. At the end of 2016 the debt position was EUR 762.6 million, with a net cash position of EUR 202.7 million.

The remaining interest-bearing debt position relates to a long-term US Private Placement of USD 325 million (EUR 269.4 million as at 31 December 2017). This 2013 US Private Placement matures in six years (2023). Furthermore, Boskalis has a EUR 600 million syndicated bank facility at its disposal, which was undrawn as at 31 December 2017.

Boskalis must comply with a number of covenants as agreed with the syndicate of banks and the USPP investors. These covenants were comfortably met as at end-2017. 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 31 December 2017 the net debt : EBITDA ratio stood at 0.5 and the EBITDA : net interest ratio at 32.

DIVIDEND PROPOSAL

The main principle underlying the Boskalis dividend policy is to distribute 40% to 50% of the net profit from ordinary operations as dividend, while pursuing a stable long-term development of dividend. The choice of dividend form (in cash and/or fully or partly in shares) takes into account the company's desired balance sheet structure as well as the interests and wishes of the shareholders.

In view of the importance that our shareholders attach to a stable dividend and our healthy cash flow and robust balance sheet, Boskalis will propose to the Annual General Meeting of Shareholders to be held on 9 May 2018 that an unchanged dividend of EUR 1.00 per share be distributed, equal to 87% of net profit. The dividend will be distributed in the form of ordinary shares, unless the shareholder opts to receive a cash dividend. The dividend will be made payable from 5 June 2018.

The new Bokalift 1 crane vessel off
the coast of Cape Town, South Africa.

PERFECT TEAMWORK REQUIRED FOR SIZABLE DUQM PROJECT

Boskalis is currently executing the sizable Duqm Liquid Bulk Berths Project in Oman. "This is a multi-faceted project involving a range of Boskalis disciplines," says project director Bart Pröpper. "Given the size and complexity, the success of the project depends on perfect teamwork."

"Boskalis has built up good relations in Oman. In recent years, we have been involved on projects including The Wave and Salam Yiti in the port city of Muscat," says Pröpper. "The current project is part of a master plan for port development in Oman, with the port of Muscat being adapted to accommodate cruise vessels and the port of Salalah focusing on container handling. Duqm's port is centrally located in an industrial free-trade area, where a modern port complex, shipyards and extensive dry dock facilities have been built in recent years. The master plan includes the construction of a new bulk liquid berth terminal and a large oil refinery in Duqm. The port will provide employment for more than 16,000 people, who will be housed in the port area. The principal is SEZAD (the Special Economic Zone Authority Duqm), for whom we are executing a EUR 480 million EPC (engineering, procurement, construction) contract consisting of a large number of dredging and civil-engineering activities. We are responsible for the land reclamation and compaction, the construction of a kilometer-long quay wall, two jetties, stone work and deepening the port basin to -18 meters. The civil-engineering work is executed under our responsibility by a subcontractor."

BUND

"After a long tender period, our design teams started drawing up the first plans for the civil-engineering work in close consultation with our subcontractor end-2016. We knew we had to work fast. The first part of the quay wall and the port area behind it will have to be completed by the end of Q1 2018 because that is when the construction work starts on the tank terminal located on the part of the port built by us," explains Pröpper. Soil drilling and soil surveys began in the spring of 2017 as a basis for the definitive designs. "We decided at an early stage to build a heavy ring dike – a bund – of sand that contains a large, eighteen-meter-deep construction pit where we are building the quay and the two jetties," he explains.

SAND SUPPLIES

Work began on bringing in the sand for the bund in June 2017. The mega hopper Queen of the Netherlands was deployed first, and the work was taken over in July by the Prins der Nederlanden. "We were taking the sand from a borrow area about twenty miles offshore," says Pröpper. "The trailing suction hopper dredgers sailed three times a day from the borrow area to the connection point, where it pumped more than 30,000 cubic meters of sand through a floating pipe to the location. Obviously, we took the prevailing environmental requirements relating to turbidity into account during this operation. In addition, we put procedures in place to ensure that we didn't disturb the colony of whales living in the area. The client was represented by mammal observers on the trailing suction hopper dredger."

COORDINATION

"For the dry excavation of the pit we drew on the equipment and expertise of our colleagues from Boskalis Nederland," continues Pröpper. "Some of the subsurface was rocky ground and you couldn't just spoon that out. Some of the excavated material will be used for the construction of the terminal and the jetties." The project includes a large number of activities requiring precise coordination. "Large concrete blocks are needed for the construction of the quay wall and they are being produced elsewhere in the port area," is one example that Pröpper brings forward. "The land reclamation operations are progressing in line with the construction of the quay wall. To execute all the different tasks, perfect coordination between all disciplines is required. Keeping all the balls in the air is the main challenge on this project."

COMPACTION

To comply with the stringent demands for the compaction of reclaimed land Boskalis subsidiary Cofra was called in. "Cofra set up a special testing area to study the best possible approach to compaction," says Pröpper. "Boskalis Nederland is also involved in the construction of the rock slope next to the quay wall and the two large jetties, which we will be covering with geotextile and rock. Some of the rock will come from the current breakwater, which will form one edge of the port area. We will be removing rock from the inside of the breakwater before putting in the sand."

NEXT PHASE

The next phase of the project involves the removal of the bund and deepening the port to -18 meters. "We started on that work in December," says Pröpper. "That will involve dredging a total of 24 million cubic meters for which we are deploying our new mega cutter Helios amongst others." Project completion is expected in the second half of 2019.

ORGANIZATIONAL DEVELOPMENTS

TSHDs Willem van Oranje, Prins der Nederlanden and Oranje executing dredging work for the T-Oil project in Brazil.

SAFETY

Safety is one of our organization's core values and a top priority in everything we undertake. Our No Injuries No Accidents (NINA) safety program reflects our objective of ensuring that our employees return from work safely each day. NINA aims to embed the desired safety culture in our organization and makes safety a fully integrated part of working behavior. The five NINA values and five rules have been specifically developed to provide guidance to all employees, including those of subcontractors, both with regard to expected behavior and operational risk management.

NINA makes employees aware of their own responsibility towards their safety and stimulates a working environment in which safety, responsibilities and potentially hazardous situations are openly discussed and reported. The NINA values and rules are not only about procedures, but mostly promote ownership and a safety-driven mindset. NINA has not only become an inextricable part of our culture, it has stimulated the way in which we work with each other: in open dialogue and collaboration to achieve operational excellence. Our clients too are increasingly embracing NINA as best practice and are enthusiastic to participate in our interactive NINA training.

The NINA program was successfully introduced in 2017 at VBMS and our Offshore Wind business unit. In addition, a Boskalis-wide NINA plaza was launched: a portal environment in which activities, experiences, training material and suggestions for improvement are shared.

In 2017, the number of incidents per 200,000 hours worked resulting in absence from work (Lost Time Injury Frequency) showed a further decrease to 0.06 (2016: 0.08). As from 2015, we also report on Medical Treatment Cases and Restricted Work Cases to further improve our safety performance. By aiming for a reduction in all three categories (together known as TRIR - Total Recordable Injury Rate) we expect to achieve a further decline in the number of incidents resulting in injury. The TRIR decreased from 0.66 in 2016 to 0.55 in 2017.

Safety and accident prevention improves significantly if people are fully aware of the potential risks of the task at hand. In order to improve safety awareness, NINA encourages employees to report dangerous situations using Safety Hazard Observation Cards (SHOCs). The number of SHOCs in 2017 was 11,445 (2016: 7,354).

For detailed reporting on our safety policy and safety performance, please refer to our CSR report.

QUALITY MANAGEMENT

With the company-wide implementation in 2017 of our integrated quality management system - the Boskalis Way of Working (WoW) - Boskalis introduced a uniform approach for our projects and services. CSR is embedded in WoW as it enables us to, where possible, take project leadership and align sustainable design and execution. WoW's clear business process and uniform client approach encourages us to achieve operational excellence and execute our projects in compliance with legislation and with full consideration of stakeholder concerns and requirements. This is crucial because Boskalis' range of operations is wider than ever before, the complexity of our operating processes has increased, and our clients and other stakeholders are becoming more and more demanding.

An important part of the WoW program is aimed at an improved dialogue, not only with the client, but also between colleagues. All aspects of our work processes - from approaching clients and the tender process to the execution and completion of the job, including all safety aspects - are included in WoW. The Boskalis Way of Working management system is compliant with the international OHSAS 18001, ISO 14001 and ISO 9001 standards and is assessed and certified by an independent external auditor.

HUMAN CAPITAL

DEVELOPMENTS IN 2017

In the wake of deteriorated market conditions the head office cost base was reviewed in 2017. Following a careful process and in close consultation with the Dutch Works Council, a reorganization plan was drawn up. In the interest of all employees, we managed to limit the period of uncertainty by creating clarity as to which positions were affected by mid-2017. The initial plan assumed a loss of 230 FTEs at the Papendrecht head office. However, as a result of internal mobility, voluntary turnover and retirement, the total number of compulsory redundancies was limited to approximately 120. The second half of the year was spent moving forward and focusing on engaging with our workforce and strengthening the organization in anticipation of selective growth.

Retaining and attracting talented professionals has become challenging over the last twelve months. On the one hand, we have been adapting the organization in line with the challenging business environment in our end markets, as reflected in an overall headcount reduction. On the other hand, the labor market has noticeably tightened due to the general recovery of the economy in Northwest Europe.

TALENT MANAGEMENT

Talented, enterprising and skilled employees remain the key to our success. Talent management encompasses all activities in the areas of recruitment, performance management, training and development, and compensation and benefits. Our efforts are focused on supporting and stimulating employees' talents so that they remain the experts in their field: able to offer innovative solutions that excel those of our competitors. Next to providing mandatory trainings, we aim to create a culture in which informal and on-the-job-learning, and the sharing of innovative ideas are stimulated. The role of leadership - at all management levels in Boskalis - is key to creating a strong learning landscape that stimulates innovation.

TRAINING AND DEVELOPMENT

Blended Learning

Two so-called blended learning programs on Effective Communication and Personal Effectiveness were launched as pilot programs in 2017. Blended learning combines traditional with online learning and on-the-job training. Participants are continuously triggered to reflect on their learning goals in work situations. The results of the pilots have been very positive.

Trainee Program for Young Talent

As a leading international company that carries out high-profile projects, we hold a great attraction for young people. Ensuring we continue to attract young, high-potentials is essential for the future of our company. We offer a trainee program for graduates and professionals with up to two years' work experience, with a technical or finance background. Under supervision of a mentor, trainees learn all about our business activities, discovering the diversity of our projects and the versatility of the required roles. A group of 23 trainees embarked on the program this year. Trainees rotate between the three divisions over a period of 18 months, assigned to multiple projects.

Young Professional Programs

In order to develop the skills and knowledge of our young professionals, we offer competency development programs in the areas of planning, calculation, risk management and contract management. We also take on young professionals with up to five years' work experience from outside Boskalis.

In 2017, a group of young professionals, with a background in cost engineering, embarked on a one-and-half-year post-bachelor Cost Engineer Program developed by Boskalis in collaboration with the Dutch Association of Cost Engineers, and approved by the International Cost Engineering Council.
A Boskalis Surveyor Graduate Program was attended by a group of young survey professionals. The program is geared towards introducing participants to the diversity of Boskalis projects and work scope and preparing them to be able to operate independently and safely on-site at projects worldwide.

Management Development Programs
Leadership and personal development are ongoing points of attention within our organization. Developing personal leadership, building an internal network and encouraging innovation and entrepreneurship are important core values in our management development programs. Middle management should prioritize the learning and development of employees, creating a culture that stimulates open idea sharing. The new, one-year Boskalis Operational Development Program kicked off in March 2017. A group of twenty project managers from all three divisions worked on improving hard and soft leadership skills, safety, professional development and on stimulating company-wide knowledge sharing.

Employee Engagement and Enhanced Employability
An engaged workforce is key to achieving our ambitions. In a labor market where it is becoming more difficult to attract certain specialists and where a proper work/life balance is increasingly valued as important, engagement is paramount.

In order to remain successful in an increasingly competitive market, a four-day Contractual Awareness course has been developed in collaboration with TSM Business School. This course is focused on our project-driven business for people operating at the very frontline. The participants are coached to overcome challenges faced by them in the increasingly competitive and innovation driven marketplace. The course was given twice in 2017, with participants from throughout Boskalis.
In addition, both the Dredging as well as the Offshore Energy divisions launched a Commercial Awareness program to improve competencies in this area. The Commercial Awareness training will be offered to a large number of colleagues in 2018.

We refer to our CSR report for further information on social and personnel matters (including diversity) and our policies, outcome of these policies, risks, how these risks are managed and related non-performance indicators.

FLEET DEVELOPMENTS

Boskalis makes targeted investments in new build and existing vessels to retain or expand our market position. At the same time, old or non-strategic vessels are taken out of service.

In 2017, the following major developments took place:

Dredging
- The self-propelled mega cutter Helios was taken into service in July 2017. With a total installed power of almost 24,000 kW, a total pumping capacity of 15,600 kW and a maximum cutter power of 7,000 kW, the Helios is one of the most powerful cutter suction dredgers in the industry and the largest ever developed by Boskalis. The Helios is being deployed on the Duqm port development project in Oman.
- In 2017 the decision was taken to build a sister vessel of the Helios. This cutter suction dredger is expected to be taken into service in the course of 2020.
- 2017 saw the environmentally responsible dismantling of the trailing suction hopper dredger Meerval and the crane barge Schorpioen. The trailing suction hopper dredgers Flevo and WD Mersey as well as the multicat BKM101 were sold.

Offshore Energy
- In February 2018 the transport and installation crane vessel Bokalift 1 was taken into service. This converted heavy transport vessel is equipped with a 3,000 tons capacity pedestal crane, dynamic positioning (DP2) and accommodation for up to 150 people.
- We strengthened our subsea services proposition in the area of inspection, repair and maintenance of subsea offshore installation, pipelines and cables with the addition of two large DSVs, the Atlantis and the Da Vinci. The vessels are equipped with two bells for saturation diving work to a depth of 300 meters and provide accommodation for 120 crew.
- Furthermore, through the acquisition of Gardline, Boskalis acquired 15 survey related vessels in addition to 25 smaller vessels including crew transfer vessels and survey catamarans.
- As announced previously the heavy transport vessel Tern, the floating sheerleg crane Taklift 6 and the offshore support vessel Smit Orca were dismantled environmentally responsibly in the course of 2017. At the end of 2017 the anchor handling tug President Hubert was taken out of service to be dismantled.

REDUCTION OF EMISSIONS FROM FLEET

Boskalis measures and reports on the fleet's total CO_2 emissions based on fuel consumption. In 2017 total emissions of the group amounted to 1.23 million tons of CO_2 (2016: 1.25 million tons).

With a large global fleet, Boskalis is constantly on the lookout for ways to reduce our dependence on fossil fuels and means to reduce emissions. We continually monitor and anticipate changes in national and international legislation and create the right conditions for rapid implementation of new technologies where required.

In 2017, we followed up on the biofuel pilot program by operating one of our dredging vessels on a biofuel blend on the Marker Wadden project in the Netherlands. The biofuel pilot program was launched in 2015 in consortium with GoodFuels and Wärtsilä and was targeted at developing biofuels that meet the most stringent sustainability standards and offer substantial reductions in emissions.

Early 2018, the biofuel initiative was stepped up by signing a five-year biofuel supply contract with GoodFuels. The biofuel feedstock is highly sustainable and has a drop-in quality allowing in tank blending with conventional diesel or marine gas oil. Boskalis will initially be applying and offering the biofuel blend on projects in the Netherlands with a CO_2 reduction potential of 30% or more. Early 2018, a 30% biofuel blend was used by our trailing suction hopper dredger Causeway, during operations at the Hartel Tank Terminal project in the Port of Rotterdam.

RESEARCH AND DEVELOPMENT

Boskalis continues to innovate and look for more efficient and more sustainable equipment and working methods. Innovation is an important way for us to continue to set ourselves apart. In 2017, we worked on numerous innovations and submitted or prepared a large number of patent applications. Innovations relate to all activities of Boskalis' divisions. A noteworthy example is the 3D printing of artificial reefs, which have been installed in the Larvotto Marine Reserve in Monaco to promote the development of benthic habitat and provide shelter for marine life. Other examples relate to the installation of structures for offshore wind energy, decommissioning of obsolete offshore structures and technology development for detection and clearance of unexploded ordnance on the seabed.

For the third year in a row, Boskalis participated in the so-called Port Innovation Accelerator (PortXL), in partnership with the Port of Rotterdam Authority, various internationally operating companies and the Erasmus University Centre for Entrepreneurship. Supporting innovation in this way, enables us to get in touch with young, innovative and dynamic companies and to support, streamline and bring to market breakthrough technologies. Conversely, we learn from start-ups as to how to identify and support innovative ideas, within our own organization. In 2017, a breakthrough technology developed within the PortXL accelerator was successfully tested on the trailing suction hopper dredgers Strandway and Barent Zanen. This concerned a digital application called Medassist.online. The application provides support for medical care on board when there is no doctor nearby. Medassist.online will be made available on 50 Boskalis vessels in 2018.

ICT

In line with the Boskalis strategic objective of operational excellence, much effort was given this past year in optimizing processes throughout the organization. Optimized systems enable improved productivity, lower costs and minimizes risks. As part of the optimization strategy, it was decided to outsource specific non-strategic IT-related activities. The outsourcing will be implemented in the course of 2018.

As an integral part of the Boskalis Way of Working a new IT platform was launched in 2017. The platform has been designed to provide maximum project transparency. A special financial control framework was built that integrates fully with the Way of Working. It enables tender managers to check potential financial risks and enable them to take timely action to mitigate these.

Work continued on the rolling out of the new Enterprise Resource Planning system (ERP) at the Boskalis head office in Papendrecht, in part of the Salvage organization and part of the international Dredging division. The ERP system has improved the integration of our processes in the area of finance, logistics and project management. It has also optimized our planning and procurement methods and provides an immediate overview of the administrative and financial processing of all our internal resources. In addition, planning and operational deployment of operational staff in the Netherlands have been significantly improved thanks to the ERP system.

Diving Support Vessel Constructor executing subsea installation works with divers at a platform in the North Sea.

CORPORATE SOCIAL RESPONSIBILITY

The principal strategic objective of Boskalis is the creation of long-term sustainable profitability. Systematic execution of the corporate strategy, that is reviewed regularly in light of relevant market developments, is key to our success. Our CSR strategy is derived from the corporate business strategy, and ongoing interaction and dialogue with our stakeholders. We aim to create new horizons for our clients and stakeholders based on sustainable profitability.

In our separate CSR report we account in detail for material and relevant non-financial aspects of our performance arising from our strategy and core activities. We report in accordance with the international guidelines set out in the Global Reporting Initiative (GRI) standard.

INPUT

IMPACT ON LOCAL COMMUNITIES
- Stakeholder engagement
- Community investments
- Social Impact Program
- Operating in 90 countries

IMPACT ON THE ENVIRONMENT
- Natural resources
- Energy
- Environmental expertise

CARE FOR HUMAN CAPITAL
- NINA
- Talent management
- 10,700 employees
- Engineering expertise

BUSINESS CONDUCT
- Codes of Conduct
- Business principles
- Boskalis Way of Working

FINANCIAL CAPITAL
- 900 vessels
- Strong balance sheet
- Funding (shareholder equity & debt)

BOSKALIS BUSINESS

MISSION
Leading dredging and marine experts

STRATEGY
Focus
Optimize
Expand

OUTCOME

IMPACT ON LOCAL COMMUNITIES
- Local development
- Long-term relationships
- Partnerships

IMPACT ON THE ENVIRONMENT
- Biodiversity and ecosystems
- Emissions
- Climate change adaptation

CARE FOR HUMAN CAPITAL
- Health & Safety
- Sustainable employability
- Fair labor practices

BUSINESS CONDUCT
- Responsible business conduct
- Responsible sourcing

FINANCIAL CAPITAL
- Dividend
- Taxes
- Market capitalization

MACRO DRIVERS

GROWTH IN TRADE	GROWING DEMAND FOR ENERGY	GROWING GLOBAL POPULATION	CLIMATE CHANGE

For a focused strategic approach, aimed at a healthy balance between stakeholder expectations and business aspirations, we identify and assess which material topics are most relevant in relation to our activities. To this end, we use a materiality analysis to gain insight into the relevance and importance of topics for Boskalis on the one hand, and for our various stakeholder groups on the other. In 2017, we once again engaged with our stakeholders to re-assess the most important material CSR themes. By actively engaging with relevant stakeholders at all levels within and outside of our company, we align our strategy to guide both our business and CSR objectives. More than 70 stakeholders from 5 stakeholder groups – employees; clients; suppliers & subcontractors; NGOs and civil society organizations; and investors – were consulted for our materiality analysis, the outcome of which is presented below and reflected in more detail in our CSR report.

The Boskalis value creation model

THE BOSKALIS VALUE CREATION MODEL

The Boskalis value creation model gives a schematic overview of the value we create over time, based on our four material themes and financial capital. This **input** is in the execution of our strategy and the fulfillment of our mission to create new horizons for our stakeholders, now and in the future.

The **Boskalis business** comprises three market-facing divisions: Dredging & Inland Infra, Offshore Energy and Towage & Salvage. Within these divisions, the execution of our strategy is guided by our company culture and its core values: professionalism, entrepreneurship and teamwork. Boskalis' unique offering of specialist knowledge, a multidisciplinary approach and a versatile state-of-the-art fleet, enables us to minimize and mitigate risks. It also allows us to take advantage of the opportunities provided by the macro-economic drivers that underpin our business model. In this way, we transform inputs into valuable outcomes that are aimed at having the most beneficial impact possible.

Those topics that are considered to be most relevant by Boskalis and its stakeholders – as also reflected in the outcome of the materiality analysis – correspond with the **outcome** of our business model. How the material themes are embedded in our operations and the results thereof is described in detail in our 2017 CSR report.

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations adopted a plan for achieving a better future for all, based on 17 Sustainable Development Goals (SDGs). We endorse all these SDGs, but due to the nature of our business our impact per goal varies. A number of SDGs is closely related to our material themes, giving us the means to monitor and communicate our progress and achievements on them. These are: Good Health & Well-being (SDG3), Affordable & Clean Energy (SDG7), Decent Work & Economic Growth (SDG8), Industry, Innovation & Infrastructure (SDG9), Climate Action SDG13) and Life Below Water (SDG14).

We refer to our CSR report for further information on environmental matters and our policies, outcome of these policies, risks and how these risks are managed and related non-performance indicators.

BUSINESS PRINCIPLES

GENERAL CODE OF BUSINESS CONDUCT

Integrity, reliability and responsibility are key elements for building trust between Boskalis and its stakeholders. These intrinsic values are reinforced by establishing guidelines and principles for responsible business conduct, and ensuring these are maintained.

Boskalis has a General Code of Business Conduct, which is based on international guidelines, including the Universal Declaration of Human Rights. We endorse the principles of the International Labour Organization, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Boskalis accepts responsibility for matters which lie within its sphere of influence. In the countries where Boskalis operates, we are subject to national legislation and regulations. Boskalis refrains from cultural judgments and conducts itself as a good citizen or guest. We adhere to relevant international and national sanctions. Boskalis reviews its Code at least once every two years, most recently at the beginning of 2018.

The full text of our General Code of Business Conduct is available on our corporate website.

SUPPLIER CODE OF CONDUCT

Boskalis has a Supplier Code of Conduct, which mirrors our own internal General Code of Business Conduct. Besides considering quality, delivery reliability and price, we also select our suppliers based on sustainability criteria. The Supplier Code of Conduct is an integral part of all Procurement contracts. By entering into a contract, suppliers commit themselves to the Boskalis Supplier Code of Conduct. This commitment is also applicable to their own suppliers. In 2017 81% of our strategic suppliers endorsed the Supplier Code of Conduct, compared to 76% in 2016.

Each year, we conduct an implementation scan at a cross section at approximately 10% of our strategic suppliers. Suppliers that do not meet our standards are given the chance to improve under our supervision. In the absence of sufficient progress, we will eventually terminate our relationship with these suppliers. More details of this risk matrix assessment and the results over the past years is described in detail in our CSR report, which also includes the related non-performance indicators on amongst others human rights.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Boskalis anti-bribery and anti-corruption policy is enshrined in the General Code of Business Conduct. The General Code of Business Conduct states that Boskalis shall not offer, pay, request or accept bribes or other favors for the purpose of acquiring or bestowing any improper business, financial or personal advantage. The General Code of Business Conduct forms part of the employment contracts of Boskalis staff, having been incorporated in the accompanying employee manual. Boskalis employees are provided with targeted information and are monitored with regard to regulations and legislation concerning bribery and corruption.

Boskalis has a Whistleblower Policy in place that offers employees the possibility to report suspected misconduct within the company. This includes any subject of a general, financial or operational nature which is not in line with the General Code of Business Conduct. A confidential independent counselor has been appointed for the purposes of the Whistleblower Policy. The counselor shall take the reported suspected misconduct immediately into consideration and gain information in relation thereto. Based on this information the counselor shall decide which actions are appropriate and necessary, including a possible investigation on the reported misconduct. The employee who has in good faith reported the suspected misconduct to the counselor, in accordance with the Whistleblower Policy, shall not suffer any detriment as a consequence of this notification. The Whistleblower Policy was revised at the beginning of 2016 and can be found on the corporate website.

Furthermore the principle that no bribes or other favors shall be offered, paid, requested or accepted for the purpose of acquiring or bestowing any improper business, financial or personal advantage has also been incorporated in the Supplier Code of Conduct, which is part of the contractual relationship between Boskalis and its suppliers. Suppliers are obliged to select their own suppliers in accordance with the Boskalis Supplier Code of Conduct. In many countries where Boskalis operates it is impossible to conduct activities without a local partner or sponsor. The guidelines for collaborating with such a partner are set out in a contract, which also specifically includes the principle from the General Code of Business Conduct as described above. Local contacts may be maintained by an agent, who also assists in the efficient setting up and execution of projects. Control of integrity risks and compliance with the procedures for concluding agent contracts are part of the internal audits.

TAX PRINCIPLES

Boskalis has adopted the following tax principles. We believe these principles illustrate good corporate practice in the area of tax management and tax transparency, balancing the interests of our various stakeholders, including clients, investors and the governments and communities in the countries in which we operate.

COMPLIANCE

We act at all times in accordance with applicable laws and are guided by relevant international standards, for example OECD Guidelines. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards such as IFRS.

BUSINESS RATIONALE

Tax follows the business, meaning that transactions must have a business rationale. Boskalis does not seek to avoid taxes through ‘artificial’ structures in tax haven jurisdictions.

RELATIONSHIP WITH TAX AUTHORITIES

Boskalis seeks to develop strong, mutually respectful relationships with tax authorities.

RISK MANAGEMENT

Effective management of both risks and opportunities is essential for the successful realization of the group's strategy and plans. The proper identification, assessment and management of risks and opportunities – notably with respect to tendering, preparation and execution of projects – is therefore an integral part of our management approach.

Our tolerance or appetite for risks is documented in the Group's guidelines, policies, procedures and instructions. Examples include the General Code of Business Conduct and the Supplier Code of Conduct, safety and quality policies and procedures, vendor selection criteria, project risk classification system, contracting guidelines, authorization limits, treasury policies, management planning and control systems, financial control framework, crisis management plans, information security and access management policies.

During the year under review we have made considerable progress with implementing a new, group-wide quality management system. We refer to this quality management system as the Boskalis Way of Working (WoW). The overriding objective of our WoW-system is to give our staff the best possible support in achieving operational excellence when concluding and executing projects. Operational excellence in this context means achieving compliance with the internal and external control requirements imposed on our primary project process whilst minimizing failure costs. Expectedly, WoW will be fully implemented by the end of 2018.

Below sets out an overview of what we currently consider to be the most important strategic, operational, compliance, financial (reporting) and other risks we face in pursuing our business objectives. This overview is not exhaustive and risks have not been ranked in order of importance. There may be other risks which we currently do not consider to be significant but which at a later stage may manifest themselves as such. Where possible, we have indicated the specific measures in place to help mitigate these risks.

STRATEGIC AND MARKET RISKS

The Boskalis markets are heterogeneous and often develop disparately. Our main (end) customer groups are national, regional and local governments, or associated institutions such as port authorities, private port operators and major international oil and gas companies and wind energy companies (operators as well as contractors). Other customer types are (container) shipping companies, insurance companies, mining companies and (infrastructure and real estate) project developers.

Notwithstanding the positive long-term growth prospects for our markets they can be – certainly in the short and medium term – negatively impacted by factors outside our control. Such factors include for example general or regional geopolitical developments, such as energy policies, political unrest, piracy, government-imposed trade barriers and volatility in the energy and commodities markets.

Boskalis aims to respond as effectively as possible to both positive and negative developments in individual markets, through a global spread of its activities, an extensive and versatile fleet operating out of various international locations, and strong positions in its core markets. Moreover, our activities are largely focused on the development, construction, installation and maintenance of infrastructure, which means that longer-term developments will generally outweigh short-term economic fluctuations.

Contracts are not included in our order book until agreement has been reached with the client. Although experience shows that once agreement has been reached, cancellations, postponements or substantial reductions in the scope or size of contracts are quite rare, they do occur, certainly in markets that are under severe pressure. Consequently, if such a cancellation or substantial reduction occurs, losses may arise from the unwinding or settlement of financial derivatives which were taken out to hedge related currency risks and/or fuel price risks, but for which the underlying transaction or cash flows will no longer be realized.

Boskalis deals with a variety of competitors in the various markets and submarkets in which it operates. Such competitors vary from large, internationally operating companies to more regional and local companies.

A large part of our revenue is derived from contracts awarded through public or private tender procedures, with competition often being predominately price-based. However, other factors – such as the assurance of adequate safety, social and environmental practices as well as the financial resilience of the contractor – are also regularly taken into consideration when awarding contracts. Proper decision-making processes have been put in place for the submission of tenders to ensure that the risks associated with the execution of a specific project are systematically identified and assessed.

Almost all Boskalis' activities are capital-intensive which means that prices in these markets are largely influenced by the utilization rate of the relevant equipment at a given time. This implies that a broad international presence along with a leadership position in terms of type and quality of equipment and cost competitiveness are key success factors. Boskalis places a great deal of emphasis on these, both as a critical point of attention in operational management and in its capital allocation decisions. Consequently, individual investment proposals are subjected to a thorough evaluation and approval process.

In the course of executing its strategy, Boskalis also regularly acquires companies. To achieve the anticipated results, Boskalis attaches great importance to integrating such acquisitions with care. Creating value for our stakeholders and retaining key personnel are important elements in this process.

OPERATIONAL RISKS

CONTRACTING AND EXECUTION RISKS

The main operational risks for Boskalis are related to the contracting and execution of projects. For most of our contracting activities the most common type of contract is fixed price/lump sum. Under this type of contract, the contractor's price must reflect virtually all the operational risks as well as the (cost) risks associated with the procurement of materials and subcontractor services. In most cases, it is not possible to charge clients for any unforeseen costs. Furthermore, many contracts include milestones and associated penalty clauses for if the milestones are not achieved on time. That is why great emphasis is placed on identifying, analyzing and quantifying such delay risks and the associated operating costs during the tendering process and the preparation and execution phase of a project.

The Mighty Servant 1 loading the drilling rig Olinda Star in Brazil.

Operational risks mainly relate to variable weather or working conditions, technical suitability and availability of the equipment, unexpected soil and settlement conditions, wear and tear of equipment (especially dredging equipment), damage to third-party equipment and property, the performance of subcontractors and suppliers, and the timely availability of cargo or services provided by the client in case of heavy marine transport and/or installation activities.

The following measures are taken systematically to manage the aforementioned risks in the tender, preparation and/or execution phase of a contract:

- During the tendering procedure and the contracting phase of projects much emphasis is placed on identifying, analyzing and quantifying execution, cost and delay risks. Contracts are classified based on their size and risk profile. This classification determines the subsequent course of the tender process and the requirements for authorization of the tender price and conditions. Above a certain level of risk, tender commitments require authorization at Board of Management/Group Management level.
- In the preparation phase of a project tender and depending on the nature and risk classification of the project, we gain insight by conducting surveys and soil investigations, by consulting readily accessible databases containing historical data and by applying extensive risk analysis techniques. The results of the risk analysis are then used in the process of costing the project and in setting the commercial and contractual terms and conditions for the offer to be issued to the client.
- Risks related to price developments on the procurement elements of a project, such as costs of materials and services, subcontracting costs and fuel prices, as well as the cost of labor, are all considered when calculating cost prices. Wherever possible, and especially on projects with a long execution time, cost indexation clauses are included in the contract terms and conditions, particularly regarding labor and fuel costs.
- When a contract is awarded, an updated risk analysis is part of the project preparation phase, based upon which measures are taken to mitigate the risks identified.
- In addition, much attention is devoted to the education and training of staff, appropriate project planning and project management, the execution and implementation of certified quality, safety and environmental systems, and the optimal maintenance of equipment.

Within the Towage & Salvage division, the towage activities are characterized by a broad geographical spread of the activities, which are conducted by autonomous strategic joint ventures with third party partners. Towage contracts are often carried out under long-term contracts, with fees that are reviewed annually. This means that the risks in terms of local wage cost developments, fuel price developments and the available capacity of the equipment must be considered. Terminal services, which have been incorporated in the Smit Lamnalco strategic joint venture, are to a substantial extent performed under long-term contracts corresponding to the client's requirements and specifications. Most of these contracts include some form of price indexation.

Salvage activities relating to vessels in distress – Emergency Response – are often carried out under great time pressure and without an extensive tendering procedure and associated preparation activities. Such contracts are regularly concluded based on the standard Lloyd's Open Form (LOF). This means that compensation is based on a valuation mechanism related to various factors, including the salvage value of the vessel and its cargo, the technical complexity of the salvage operation, environmental risks and the use of own equipment and subcontractors. This valuation results in a lump sum, which is finalized through negotiations with the client or through an arbitration process. Experience shows that the company is usually able to make a reasonably accurate estimate of this income. Should it transpire during a salvage operation that the final salvage fee may not be sufficient to cover the costs

The Fairmount Summit towing the drilling rig Atwood Condor from Corpus Christi, US to Singapore.

incurred, then the choice can be made to convert the LOF into a contract based on a daily hire fee, thus limiting the financial risks. Contracts for salvaging sunken vessels (wrecks) are usually carried out on a lump sum basis. The contracting and execution of such projects, which in many cases do involve a tendering procedure, are subject to the customary procedures for contracting and execution activities applicable within the company.

Some of the equipment within the Offshore Energy division, as well as in some of the strategic joint ventures, is chartered out for relatively short periods (spot markets), mainly subject to standard conditions. The challenging conditions in the oil and gas sectors have reduced the volume of work under long-term contracts and resulted in an increased share of the spot market activities. Although the operational risks involved in such activities are generally relatively limited, they do result in increased utilization and pricing risk, which we aim to mitigate through adequate capacity and strict cost control management.

ENVIRONMENTAL AND SOCIAL RISKS

To gain insight into the relevance and importance of environmental and social topics, Boskalis engages with its stakeholders and regularly conducts a materiality analysis. The outcome of this engagement is reflected in our CSR report in a materiality matrix. The nature of most of our activities implies that we have an impact on society and the environment. In most cases this impact will be positive, for example when we are involved in creating infrastructure, making land safer or facilitating the transition to renewable energy sources such as offshore wind. However, a potential negative impact during the execution of projects cannot be ruled out. Environmental risks include the impact on biodiversity in vulnerable ecosystems and the emissions produced by our vessels. Boskalis has developed the innovative Building with Nature program and has an in-house engineering department to address ecological aspects from the early tender stage through to monitoring during execution. CO_2 emissions are measured and reported and Boskalis is seeking means by which it can reduce its emissions footprint.

Social risks include the impact of projects on local communities. The extent to which our activities have a social impact is highly dependent on the type and/or location of a project. Where relevant, we implement a social impact program and work with our clients to mitigate the impact and where possible make a positive contribution to communities affected by our activities.

ICT RISKS

Like most companies, Boskalis is faced with an increase in ICT security risks and more sophisticated levels of computer crime. Successful cyberattacks can result in significant costs as well as other negative consequences, such as loss of revenue, reputational damage, remediation costs and other liabilities to stakeholders. Furthermore, enhanced protection measures place additional financial and operational burdens on the business. To help mitigate these risks Boskalis has developed information security policies and practices based on the international Code of Practice for Information Security Management. During the year under review we continued the monitoring of suspicious activity on our ICT infrastructure and new initiatives were taken to enhance awareness of information security risks among our staff and prompt an appropriate response to any unusual activity.

LOCAL WORKING CONDITIONS RISKS

Local management on projects and operations must have a proper understanding of the local (working) conditions. The scale of local operations is often too small to warrant a full-fledged organization, including extensive support services and staff departments. This is addressed through regular visits by responsible managers and employees from the relevant business units and support from central staff departments at head office as well as by involving (local) external advisors.

FINANCIAL RISKS

POLITICAL AND CREDIT RISKS

These include risks related to unrest or disruption due to political developments and violence, and the risk of non-payment by clients. Boskalis operates strict acceptance, credit and hedging policies with respect to political and payment risks. Other than in the case of very strong, creditworthy clients with an undisputed credit history, all substantial credit risks are normally covered by means of credit insurance, bank guarantees and/or advance payments. Revenues and earnings are only recognized in the accounts where there is sufficient certainty that they will be realized.

LIQUIDITY AND FUNDING RISKS

As is customary for a contractor, Boskalis also has significant obligations outstanding in the form of guarantees from banks and insurance companies, mainly in favor of clients. Given that the availability of sufficient credit and bank guarantee facilities is essential to the continuity of the business, Boskalis' funding policy is aimed at maintaining a strong financial position. Solid balance sheet ratios and the use of diversified sources of funding provide for ample capacity to absorb liquidity risks and the constant creation of adequate borrowing capacity and guarantee facilities. The company has ample credit and bank guarantee facilities at its disposal and operates well within the agreed covenants under its financing agreements.

CURRENCY RISKS

The functional currency of Boskalis is the euro. Several business units, especially in Heavy Marine Transport, as well as several substantial strategic joint ventures (Smit Lamnalco, Keppel Smit Towage, Asian Lift, Saam Smit Towage) use other functional currencies. The most important of these is the US dollar, followed by the Singapore dollar. The revenues and expenses of these entities are largely or entirely based on these non-euro currencies. Our holdings in these entities are viewed from a long-term perspective. Exchange rate risks related to these entities are not hedged as it is assumed that currency fluctuations and developments in interest rates and inflation will offset each other in the long term.

A large proportion of the activities of the group companies that have the euro as their functional currency are not contracted in euros. This particularly applies to the group companies that are involved in dredging and related projects. The costs of these entities, however, are largely incurred in euros. Generally, the net cash flows in non-euro currencies within these entities are fully hedged, usually by means of forward exchange contracts.
The US dollar exchange rate in relation to the euro is particularly relevant in this context. A large proportion of the projects is contracted in US dollars or in currencies that are to a greater or lesser extent linked to the US dollar.

Most of our major international competitors in the dredging industry also have cost structures largely based on the euro. This implies that exchange rate fluctuations do not have a material impact on our relative competitive position. In several market segments, particularly in Offshore Energy, there is competition from parties whose cost structures are not based on the euro, meaning that the competitive impact of currency fluctuations in these market segments is greater. However, on balance, exchange rate fluctuations only have limited impact on the company's competitive position in these activities.

TAX RISKS

Because of the (constantly changing) mix of project and operational results in a large number of countries and entities, various kinds of taxes, such as income tax, wage tax, VAT and import duties, are assessed and then paid in various countries. Profits are attributed to countries where value is created in accordance with national and international rules and standards, which can be extremely complex. Knowledge in this domain, along with related compliance and application, are embedded in procedures within the Tax Management function. In cases where insufficient knowledge is available in-house, external advisors are used.

INTEREST RATE RISKS

Our long-term financial liabilities are predominantly based on fixed long-term interest rates, meaning that our exposure to interest rate fluctuations on these is limited.

FUEL PRICE RISKS

In a substantial part of its activities, Boskalis is exposed to risks arising from changes in fuel prices. Fuel costs are hedged in a number of different ways. Where possible, contracts include fuel price variation clauses. Also, contracts are sometimes based on fuel being supplied by the client. In other cases, where the fuel price presents a substantial risk, exposure can be hedged by means of financial instruments, such as forward contracts or fixed fuel supply contracts.

DERIVATIVES

Financial derivatives are only used to hedge underlying currency risks, fuel cost risks or other risks where there is a physical underlying transaction. There is, however, a risk of losses arising from the unwinding or settlement of such financial derivatives due to cancellation of a contract or substantial reduction in the scope of a contract.

Beach replenishment work near Heemskerk in the Netherlands.

OTHER RISKS

COMPLIANCE WITH LEGISLATION AND REGULATIONS

As an international dredging and marine contracting and services expert Boskalis is active in numerous countries, and therefore must deal with a wide range of diverse legislation and regulations. Some of the activities are managed by Boskalis local management, but in many countries intermediaries and/or local representatives are used in securing and executing projects. This combination of factors results in a heightened risk that relevant (local) legislation and regulations may not be fully complied with. Events of non-compliance can result in regulatory investigations, litigations and/or sanctions. These risks are as much as possible mitigated by the company's internal risk management and control systems that include a General Code of Business Conduct as well as a Supplier Code of Conduct, which are reviewed and evaluated regularly. Intermediaries and/or local representatives are also contractually bound to comply with our codes of conduct. Entering into contracts with local intermediaries and/or representatives is subject to clearly defined procedures. Furthermore, Boskalis has a whistleblower policy in place and a counselor to whom employees can report any suspected misconduct.

PROPERTY DAMAGE AND THIRD-PARTY LIABILITIES

Boskalis has taken out a broad package of insurances to cover against risks with respect to damage to its properties as well as third-party properties and potential other third-party liabilities.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

The internal risk management and control systems of Boskalis are based on the principles of effective management control at various levels in the organization and are tailored to the day-to-day working environment in which the company operates worldwide. One of the main foundations for risk management is the internal culture of the company, which is characterized by a high degree of transparency regarding the timely identification, evaluation and reporting of risks and a remuneration system that is geared to avoiding potentially perverse incentives. In addition to the specific risk mitigation measures mentioned above, our internal risk management and control systems include the following main components:

- In the daily operations, the operational risk management and control is largely supported by a comprehensive system of quality assurance rules, procedures and systems, particularly regarding the acquisition and execution of projects.
- In addition to audits by external certification bodies, Boskalis also performs regular internal audits under the auspices of the SHE-Q department to review the design and operational effectiveness of this system. SHE-Q is discussed at the quarterly meetings between the Board of Management and the management of the business units, with the management of the SHE-Q department also being present.
- The daily management of the organization is based on short lines of communication and command. Speed, know-how and decisiveness are of the essence, both in the tendering phase and in project execution. Daily management is hands-on.
- The progress and development of the operating results and the financial position of individual projects and business units and the Company as a whole, as well as the operational and financial risks, are monitored by means of structured periodical reporting, analysis of the financial results and performance reviews at Board of Management and senior management levels.

RISKS REGARDING FINANCIAL REPORTING

FINANCIAL REPORTING STRUCTURE

Financial reporting at Boskalis is structured within a tight framework of budgeting, reporting and forecasting. A distinction is made between reports for internal and external use. External reporting at group level consists of an annual report, including financial statements audited by the external auditor, as well as a half-year report, containing summarized financial information, both consolidated and segmented. The external reports are based on the internal financial reporting, in accordance with EU-IFRS.

Internal financial reporting consists of extensive consolidated quarterly reports in which current developments are compared to the quarterly (cumulative) budgets and previous forecasts. In addition, each quarter we reiterate or update our forecast for the annual results, including the cash flow and balance sheet positions at the end of the financial year. The quarterly budgets are part of the annual group budget, which is prepared every year by the Board of Management and approved by the Supervisory Board. Internal financial reporting has a layered structure – in accordance with the internal allocation of management responsibilities – with consolidation taking place at successive levels, starting with the projects, through the business units and divisions, and resulting in consolidated group reports. The financial and operating results are analyzed and clarified at each of these levels. Project and contract managers are responsible for budgets, income statements and balance sheets for their projects or contracts, and these are drawn up in accordance with the applicable guidelines and instructions. In turn, business unit managers are responsible for the financial reporting of their respective business units.

Boskalis holds substantial investments in joint ventures and associated companies and these holdings are intensively monitored. Shareholder and/or board meetings are held regularly, with Boskalis being represented in line with the size of its interest. Clear shareholder agreements have been concluded with the co-shareholders in such joint ventures regarding topics such as board and management representation, filling of management positions, strategy and policy, budget, financial reporting, the appointment of auditors, investments and financing. The policy is that such joint ventures are in principle financed without guarantees from the shareholders.

The Board of Management discusses the quarterly reports with the relevant business unit managers in formal quarterly meetings. These meetings are minuted. The consolidated group reports are discussed with the Supervisory Board on a quarterly basis.

The most important aspects of our financial reporting systems are set out in manuals, guidelines and procedures, all of which are available electronically. Staff are trained in how to apply accounting standards, guidelines and procedures. Internal audits to monitor and improve quality and discipline are conducted based on an annual audit plan and ad hoc examinations. Moreover, the quality of the financial control systems is evaluated regularly in the context of the activities of the external auditor. Findings concerning the quality of the financial control systems identified during the audit of the financial statements are reported by the external auditor in the Management Letter.

During 2017 we completed a review of our controls over financial (reporting) risks. Consequently, the control requirements regarding these financial (reporting) risks have been defined and collated in our Financial Control Framework (FCF). Furthermore, many of the applicable policies, procedures, instructions and internal control descriptions have been (re-)defined and documented. In doing so, the updated COSO internal control framework has been used as a standard of reference. A gap-analysis was performed to compare actual controls with these minimum control requirements. The new electronic platform containing the FCF-documentation has been made to match that of our WoW-system, thus further enhancing its user-friendliness for our staff. We aim to have our new FCF fully implemented by the end of 2018.

INTERNAL AUDIT FUNCTION

In addition to the internal audits performed under auspicious of the SHE-Q department, Boskalis has an internal audit function that mainly focusses on the company's management and financial reporting processes. It is guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics as published by The Institute of Internal Auditors.

The internal audit manager is accountable to the Board of Management, represented by the Chief Executive Officer for day to day operations and to the Audit Committee as part of its oversight role. Appointment and dismissal of the internal audit manager will be submitted to the Supervisory Board for approval, along with a recommendation by the Audit Committee.

On an annual basis the internal audit manager submits to the Board of Management and the Audit Committee a report on the activities performed in the year past, including the main findings, as well as a risk based internal audit plan for the next year for their review and approval.

Based on the internal audit plan, the internal audit manager agrees with the Board of Management the specific audit subjects, the detailed scope of work and the allocation of resources. The internal audit function's performance relative to its plan are regularly communicated and discussed between the Internal Audit Manager and the Board of Management, represented by the Chief Financial Officer.

The internal audit function also periodically interacts with the company's external financial auditor to share information on audit planning and progress as well as key findings and observations. The internal audit function's final reports are made available to the external auditor and management letters of the external auditor will be shared with the internal audit manager.

EVALUATION OF INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

During the year under review, the Board of Management has initiated a so-called Corporate Risk Assessment to systematically evaluate the risks inherent to the Group's strategic business objectives as well as the related risk management and control activities. For this purpose, a comprehensive risk classification system was created that contains pertinent information for each of the risk categories identified. This includes examples of - and contributing factors to - possible risk manifestations as well as current risk management and control activities to help mitigate these risks.

The risk categories identified were evaluated based on the likelihood of their occurrence; their potential impact on strategic objectives as well as the potential for improving their related risk management and control activities. Compared to recent years, this evaluation did not identify significant shifts in the Company's overall risk profile and its main results have been included in the preceding overview of the main risks we face in pursuing our business objectives.

The structure and functioning of our risk management and internal control systems are discussed annually with the Supervisory Board.

No matter how much care is taken in setting up risk management and internal control systems, they are unable to provide absolute certainty with regard to realizing the company's objectives, nor can they preclude material mistakes, losses, fraud, or infringements of legislation and regulations.

STATEMENTS REGARDING INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

With due consideration of the aforementioned inherent limitations and scope for improvement, the Board of Management is of the opinion that:

- the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.


CAUSEWAY

SMIT SALVAGE: EMERGENCY RESPONSE OPERATION LEADS TO WRECK REMOVAL

SMIT Salvage employees work on an average of fifty emergency response operations every year. In some cases this leads to follow-up projects for wreck removal. An example in 2017 was the removal of the stern of the cargo vessel Cabrera in Greek waters.

On Christmas Eve of 2016, SMIT Salvage was asked to conduct a salvage operation on the north shore of the Greek island of Andros, where the 100-meter-long cargo ship Cabrera had grounded on the rocks. The vessel was on its way from the Greek port of Larymna to Tornio in Finland with a valuable cargo of 1600 tons of ferronickel.

“Initially, we were called in to remove about 70 tons of oil from the vessel,” says Thijs van der Jagt, global salvage operations manager. “We went to work immediately with a Greek partner.” The poor weather conditions meant that the salvage operation had to be suspended almost immediately. The storm subsided only a few days later. When the team returned, the vessel had already sunk. “Our surveys showed that the ship was in pieces on the sea floor at a depth of about 34 meters,” says Van der Jagt. “Our divers then started work immediately on removing the remaining oil using the hot tap method. We were also asked to remove the cargo of ferronickel from the hold. We managed to complete that work using grabs and suction equipment,” he continues.

The Taklift 4 removing the stern of the Cabrera from the seabed in Greece.

ACTION PLAN

The Greek authorities then issued a tender for the removal of the stern from the sea floor. The stern weighed approximately 1,450 tons and it included machine and engine parts, as well as the accommodation for the crew. “The immediate reason for the wreck removal was to prevent environmental damage,” explains Van der Jagt. “In addition, the government wanted to make sure that parts of the accommodation, including personal belongings, wouldn’t escape from the stern in time.” Various additional bathymetric surveys were conducted so that the Salvage team had a clear picture of the local conditions. That allowed them to submit a detailed plan of action for the wreck removal, which was conducted in the fall of 2017 following the contract award earlier that year. “An important factor was that we knew we could use the Taklift 4, a Boskalis floating sheerleg crane, that was working at another place in the Mediterranean,” says Van der Jagt. “The fact that we can use the expertise and the versatile Boskalis fleet worldwide is an advantage on salvage projects. Of course, on projects like this, we try to use our own equipment as much as possible.”

CONTROLLED LIFTING

“With a lifting capacity of 2,200 tons, the Taklift 4 was ideal for this wreck removal,” continues Van der Jagt. “The Taklift 4 is also equipped with four lifting blocks and that factor above all was crucial for the approach we adopted. It meant we could complete the lifting operation very precisely and in a controlled manner.” The stern was listing on the sea floor at an angle of about 25 degrees. For safety reasons, the team wanted to keep the wreck at the same angle and raise it onto a barge. “After we had positioned the lifting chains under the wreck, we were able to use the lifting blocks to adjust the strain on the lifting chains precisely. As a result, the operation went exactly according to plan,” says Van der Jagt.

ENVIRONMENTAL BARRIER

Prior to the lifting operation, the team fitted out the barge with an environmental barrier, a large steel container welded onto the deck of the barge. “We had already removed the fuel from the wreck,” says Van der Jagt, “but if you place such a huge stern in its entirety on a barge, there is always a risk of pollutants being spilled. The environmental barrier made sure that those substances didn’t pollute the seawater.” The stern was positioned precisely on a layer of cribbing wood which was installed first to protect the deck. The barge was then ballasted. “After we had seafastened the wreck, we towed the barge to a nearby yard where the stern will be recycled in a controlled manner,” concludes Van der Jagt.

CORPORATE GOVERNANCE

APPLICATION AT BOSKALIS

Boskalis operates a two-tier board model, which means that management and supervision are segregated.

The Board of Management is responsible for the day-to-day management of the business, the continuity of the company and for setting out and realizing the company's strategy for the long-term value creation as well as for the culture, opportunities and risks and the results of the company. The Board of Management is responsible for establishing the company's objectives, implementing its business policies and for the resulting performance. The Board of Management is accountable to the Supervisory Board and the General Meeting of Shareholders. In performing its tasks, the Board of Management is guided by the interests of the company and its activities, the markets the company is operating in, and takes into account any relevant interests of parties involved with the company.

The Supervisory Board is responsible for supervising the Board of Management on the formulation and implementation of the strategy for the realization of the long-term value creation. Furthermore, the Supervisory Board is responsible for supervising management performance regarding the general affairs of the company and advising the Board of Management. In doing so the Supervisory Board also focuses on the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Board is supported in its work by three so-called core committees: the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. For a summary of the activities of the Supervisory Board and its committees in 2017, please refer to pages 22 to 26 of this annual report.

At Boskalis there is close collaboration between the Supervisory Board and its committees, the Board of Management and the stakeholders. The Board of Management and the Supervisory Board are jointly responsible for looking after the interests of our stakeholders, which includes creating long-term value creation.

The company has a Group Management, consisting of the members of the Board of Management and the Group Directors. The Group Management meets on a regular basis in order for the Board of Management to obtain a full overview of the activities in the divisions of the company, to align the day-to-day management across the company and to ensure optimal exchange of information between the divisions.

Our stakeholders are those groups and individuals that directly or indirectly influence the company's activities, or are influenced by them. They include the employees, shareholders and other financiers, suppliers, clients, government bodies, educational and knowledge institutes, industry and society associations (including NGOs) and the communities in which Boskalis operates.

At least one General Meeting of Shareholders takes place every year. Its tasks include the adoption of financial statements and it holds authority with regard to the appointment and dismissal of Supervisory Board members and the members of the Board of Management.

The interests of employees are promoted by the Works Council, which provides ongoing employee representation as required under the Dutch Works Councils Act. It is the task of the Works Council to ensure that management objectives correspond to those of the employees.

The general standards and values relating to our business activities are set out in the General Code of Business Conduct and the Supplier Code of Conduct. In these codes the main principles are laid down on how employees and suppliers of Boskalis should conduct themselves with regard to, for example, legislation and regulations, human rights, anti-corruption, competition, the environment, staff and quality. Both codes can be found on the company's website. The General Code of Business Conduct and the Supplier Code of Conduct were revised in early 2018 in line with the periodical evaluation as set out in these documents. In addition, the core values and rules for safety at work are set out in our safety program NINA (No Injuries No Accidents). The Board of Management regularly stresses the importance of complying with the General Code of Business Conduct and the NINA principles. The Board of Management also provides employees with the opportunity to report any suspected misconduct within Boskalis of a general, financial, operational and employment nature which is not in line with the General Code of Business Conduct to an independent counselor, without jeopardizing their legal position. This Whistleblower Policy can also be found on the company's website.

ARTICLES OF ASSOCIATION

The Articles of Association of Boskalis set forth aspects of the governing principles regarding the company related among others to the seat, the objects, the capital and shares of the company as well as its governing bodies, the financial year, the annual accounts and loss and profit. The text of the Articles of Association is available at www.boskalis.com

COMPLIANCE

The Dutch Corporate Governance Code (the "Code") applies to all Dutch companies listed on the stock exchange and comprises a code of conduct for governance best practice. This Code includes both specific principles and best practice provisions, as well as guidelines for their proper supervision.

Boskalis subscribes to the notion that a sound and transparent system of checks and balances is key to maintaining confidence in companies operating on the capital market. Boskalis believes clarity and openness in accountability and supervision are the cornerstones of good management and entrepreneurship.

The Code has recently been revised by the Monitoring Committee Corporate Governance and has entered into force on 1 January 2017 with a transitional period for the implementation of the required changes in the corporate governance documentation of the company until 31 December 2017 (the "Revised Code').

Boskalis has amended the regulations of the Supervisory Board and its committees as well as the profile of the Supervisory Board to align them with the principles and best practices of the Revised Code, These regulations and the profile of the Supervisory Board are published on the company's website (www.boskalis.com).

Furthermore a Diversity Policy has been formulated explaining the company's broad view on diversity. Boskalis operates a strict equal opportunities policy for all employees, the Board of Management and the Supervisory Board, regardless of race, nationality, ethnic background, age , religion, gender, sexual orientation or disability, whereby the principle of the best person for the job is leading. The Diversity Policy is also available on www.boskalis.com

As described in the Diversity Policy, the composition and size of the Board of Management are based on the profile and strategy of the company. The expertise, experience and various competencies of the members of the Board of Management should contribute to this profile and strategy. The goal for the composition of the Board of Management is to aim as much as possible for a diverse composition, where possible in age and gender, taking into account the statutory requirements and the requirements related to education and experience as contained in the Diversity Policy. In the year under review the combination of these elements resulted in the three members of the current Board of Management being male, meaning that the Board of Management, partly due to the nature of the company, is a reflection of the majority of the company's employee population. In 2017 no new appointments were made for the Board of Management. When drafting the profile for new members of the Board of Management emphasis will be placed on diversity in view of the objective of achieving a balanced representation on the Board of Management.

The composition and size of the Supervisory Board are also based on the company's profile and strategy. As stated in the profile of the Supervisory Board and the Diversity Policy, the expertise, experience and various competencies of members of the Supervisory Board should contribute to proper supervision of the company's management and general performance. The goal for the composition of the Supervisory Board is to aim as much as possible for a diverse composition, where possible in age and gender, taking into account the statutory requirements and the requirements related to education and experience contained in the Diversity Policy. Per ultimo 2017 this resulted in five members of the Supervisory Board being male and one member being female. In the year under review no new appointments were made for the Supervisory Board. When drafting the profile for new members of the Supervisory Board emphasis will be placed on diversity in view of the objective of achieving a balanced representation on the Supervisory Board.

In accordance with the Code, Boskalis publishes a 'Comply or Explain' report that sets out how the principles and best practice provisions are applied at Boskalis. This report is available on the website and copies can also be requested from the company. This 'Comply and Explain' report has also been reviewed in the financial year and has been brought in accordance with the Revised Code.

Boskalis subscribes to and applies all the principles and best practice provisions contained in the Corporate Governance Code, with the exception of best practice 4.3.3. In deviation of this best practice, according to the Articles of Association, the General Meeting of Shareholders may pass a resolution to deprive the binding nature of a nomination for the appointment or a resolution for dismissal of a member of the Board of Management or a member of the Supervisory Board by a majority of at least two/third of the votes cast representing more than one-half of the company's issued share capital. The deviation of this best practice provision is justified in view of the long-term value creation. Maintaining continuity at both the Board of Management and the Supervisory Board is essential for delivering such long-term value. The company is protecting its stakeholders against a sudden change in management and supervision by maintaining the qualified majority and voting quorum requirement, which is in accordance with Dutch law.

The Corporate Governance Declaration can be found on the website www.boskalis.com/corporategovernance.

OUTLOOK

As stated in our corporate business plan the market picture for the next two years will be characterized by continued lower volumes of work and pressure on both utilization levels and margins. At Dredging & Inland Infra we see a reasonable volume of work in the market in the short term. The emphasis for Boskalis is on maintaining utilization at a responsible level of project risk. The current size of the order book means that a good part of the fleet will be utilized in 2018, albeit at lower margins than in previous years. The picture for the Offshore Energy market has not changed. Past contracts at Heavy Marine Transport are being completed and we are increasingly dependent on the highly competitive spot market. Where necessary transport vessels at the lower end of the market will be laid up. At Offshore Installation & Intervention the order book is filled better and we expect a reasonable year. Market volumes in the Towage activities are relatively stable, although competition in some ports has increased, resulting in lower margins.

The project-based nature of a significant part of our activities, in addition to the uncertain market conditions, makes it difficult to provide a specific quantitative forecast with regard to the 2018 full-year result early on in the year. However, knowing what we know now it appears that it will be a challenge to match the 2017 net result.

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 comfortably meets its financial covenants.

Construction of a port and breakwater in Lekki, Nigeria.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Management of Royal Boskalis Westminster N.V. hereby declares, in accordance with article 5:25c of the Dutch Financial Supervision Act, that to the best of its knowledge:

1) the financial statements, which have been prepared in accordance with the applicable standards for preparing financial statements and as included on pages 67 to 133 of the Annual Report, provide a true and fair view of the assets, liabilities and financial position as at 31 December 2017 as well as the profit or loss of Royal Boskalis Westminster N.V. and all the business undertakings included in the consolidation;
2) the Report of the Board of Management provides a true and fair view of the condition, the business performance during the financial year of Royal Boskalis Westminster N.V. and the companies associated with it whose details are included in the financial statements, as at the balance sheet date of 31 December 2017;
3) the Report of the Board of Management provides a description of the material risks faced by the company.

Papendrecht / Sliedrecht, 7 March 2018

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


Cofra
1988

BOSKALIS FINANCIAL STATEMENTS 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Consolidated Income statement)

(in thousands of EUR)	Note	2017	2016
OPERATING INCOME			
Revenue	[6]	**2,337,205**	2,596,326
Other income	[5/7]	**32,152**	59,226
		2,369,357	2,655,552
OPERATING EXPENSES			
Raw materials, consumables, services and subcontracted work	[8]	**- 1,515,904**	- 1,593,083
Personnel expenses	[9]	**- 446,286**	- 451,455
Depreciation and amortization	[15/16]	**- 251,563**	- 277,244
Impairment losses	[10]	**-**	- 748,486
Other expenses	[7]	**- 1,579**	- 316
		- 2,215,332	- 3,070,584
Share in result of joint ventures and associated companies	[17]	**31,020**	- 82,882
Revaluation of investment in joint venture VBMS Holding B.V. prior to business combination	[5.4]	**-**	39,839
RESULTS FROM OPERATING ACTIVITIES (EBIT)		**185,045**	- 458,075
FINANCE EXPENSES			
Finance income	[11]	**433**	1,001
Expenses prepayment US private placements		**-**	- 40,264
Interest and other finance expenses		**- 13,358**	- 32,052
Finance expenses	[11]	**- 13,358**	- 72,316
		- 12,925	- 71,315
Profit/loss (-) before taxation		**172,120**	- 529,390
Income tax expenses	[12]	**- 21,677**	- 32,360
NET GROUP PROFIT/LOSS (-)		**150,443**	- 561,750
NET GROUP PROFIT/LOSS (-) ATTRIBUTABLE TO:			
Shareholders		**150,469**	- 563,730
Non-controlling interests		**- 26**	1,980
		150,443	- 561,750
Average number of shares	[23.5]	**131,097,477**	128,204,536
Earnings per share	[23.5]	**EUR 1.15**	EUR -4.40
Earnings per share, excluding impairment losses	[10/23.5]	**EUR 1.15**	EUR 2.16
Diluted earnings per share	[23.5]	**EUR 1.15**	EUR -4.40

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Consolidated Statement of Recognized and Unrecognized Income and Expenses)

(in thousands of EUR)	*Note*	**2017**	2016
Net Group profit/loss (-)		**150,443**	- 561,750
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO THE STATEMENT OF PROFIT OR LOSS			
Actuarial gains and losses and asset limitation on defined benefit pension plans	*[25.1]*	**- 9,272**	- 4,520
Income tax on unrecognized income and expenses not to be reclassified to statement of profit or loss (-)	*[14]*	**1,504**	1,080
Share in other comprehensive income of joint ventures and associated companies, after tax		**-**	- 6,202
Total unrecognized income and expenses for the period that will not be reclassified to statement of profit or loss (-), net of income tax		**- 7,768**	- 9,642
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO THE STATEMENT OF PROFIT OR LOSS			
Movement in fair value of investment in Fugro N.V.	*[18.2]*	**- 357**	357
Currency translation differences from joint ventures and associated companies, after tax		**496**	- 1,818
Currency translation differences on foreign operations		**- 139,700**	25,874
Reclassification of foreign currency differences and hedge reserve to statement of profit or loss		**-**	720
Movement in fair value of cash flow hedges	*[28.2]*	**21,043**	13,261
Income tax on unrecognized income and expenses that are or may be reclassified subsequently to statement of profit or loss	*[14]*	**- 3,257**	- 2,034
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax	*[28.2]*	**- 8,415**	75
Total unrecognized income and expenses for the period which are or may be reclassified to statement of profit or loss (-)		**- 130,190**	36,435
UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD, AFTER INCOME TAX		**- 137,958**	26,793
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		**12,485**	- 534,957
ATTRIBUTABLE TO:			
Shareholders		**12,474**	- 537,378
Non-controlling interests		**11**	2,421
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		**12,485**	- 534,957

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Consolidated Balance Sheet)

		31 DECEMBER	
(in thousands of EUR)	*Note*	**2017**	2016
NON-CURRENT ASSETS			
Intangible assets	*[15]*	**277,430**	287,520
Property, plant and equipment	*[16]*	**2,538,063**	2,484,068
Joint ventures and associated companies	*[17]*	**776,935**	827,044
Non-current financial assets	*[18]*	**1,249**	116,440
Derivatives	*[28]*	**9,904**	4,110
Deferred income tax assets	*[14]*	**9,510**	10,505
		3,613,091	3,729,687
CURRENT ASSETS			
Inventories	*[19]*	**88,166**	90,049
Due from customers	*[20]*	**123,457**	87,194
Trade and other receivables	*[21]*	**759,139**	597,928
Derivatives	*[28]*	**19,972**	76,694
Income tax receivable	*[13]*	**17,705**	7,495
Cash and cash equivalents	*[22]*	**191,948**	965,331
Assets of disposal groups	*[5]*	**-**	9,627
		1,200,387	1,834,318
TOTAL ASSETS		**4,813,478**	5,564,005
GROUP EQUITY			
Issued capital	*[23]*	**1,334**	1,301
Share premium reserve	*[23]*	**636,988**	637,006
Other reserves	*[23]*	**507,353**	637,822
Retained earnings	*[23]*	**1,877,263**	1,845,044
SHAREHOLDERS' EQUITY		**3,022,938**	3,121,173
NON-CONTROLLING INTERESTS		**2,375**	2,031
TOTAL GROUP EQUITY	*[23]*	**3,025,313**	3,123,204
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	*[24]*	**270,567**	308,287
Employee benefits	*[25]*	**34,442**	30,334
Deferred income tax liabilities	*[14]*	**11,683**	23,374
Provisions	*[26]*	**21,593**	31,435
Derivatives	*[28]*	**27**	818
		338,312	394,248
CURRENT LIABILITIES			
Due to customers	*[20]*	**230,651**	315,632
Interest-bearing borrowings	*[24]*	**297**	453,144
Bank overdrafts	*[22]*	**40,794**	1,188
Income tax payable	*[13]*	**148,488**	152,331
Trade and other payables	*[27]*	**1,011,629**	1,085,684
Provisions	*[26]*	**15,763**	22,027
Derivatives	*[28]*	**2,231**	8,838
Liabilities of disposal groups	*[5]*	**-**	7,709
		1,449,853	2,046,553
TOTAL LIABILITIES		**1,788,165**	2,440,801
TOTAL GROUP EQUITY AND LIABILITIES		**4,813,478**	5,564,005

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of EUR)	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Group profit / loss (-)		**150,443**	- 561,750
Depreciation, amortization and impairment losses intangible assets and property, plant and equipment	*[10/15/16]*	**251,563**	1,025,730
Cash flow		**402,006**	463,980
Adjustments for:			
Finance income and expenses	*[11]*	**12,925**	71,315
Income tax expenses	*[12]*	**21,677**	32,360
Results from disposals / divestments	*[7]*	**- 7,359**	- 47,927
Movement in provisions and employee benefits		**- 21,249**	17,180
Movement in inventories		**2,015**	- 10,791
Movement in trade and other receivables		**- 147,344**	272,069
Movement in trade and other payables		**- 59,640**	- 313,385
Movement due from and due to customers		**- 112,757**	- 46,356
Share in result of joint ventures and associated companies, including share in impairments	*[17]*	**- 31,020**	82,882
Result of revaluation of investment in VBMS Holding B.V.		**-**	- 39,839
Gain on acquisition of STRABAG business		**-**	- 10,983
Gain on acquisition of Gardline	*[5.1]*	**- 24,133**	-
Cash generated from operating activities		**35,121**	470,505
Dividends received	*[17]*	**27,045**	42,572
Interest received	*[11]*	**433**	1,001
Interest paid		**- 20,895**	- 30,059
Income tax paid		**- 44,995**	- 70,580
Net cash from operating activities		**- 3,291**	413,439
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment, excluding capitalized borrowing costs	*[16]*	**- 371,864**	- 164,898
Proceeds from disposals of property, plant and equipment		**26,001**	9,743
Investment in business combinations, net of cash acquired	*[5]*	**- 35,979**	- 149,328
Reduction / divestment of Fugro N.V.	*[17/18.2]*	**114,102**	236,982
Investment in and issued loans to other associated companies and/or joint ventures	*[17]*	**- 17,934**	- 422
Disposal of (a part of) group companies, net of cash disposed	*[5.3]*	**- 5,465**	124,660
Repayment of loans or share premium by associated company and/or joint venture	*[17]*	**452**	9,326
Net cash used from / (in) investing activities		**- 290,687**	66,063
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing borrowings, including make-whole payments	*[24]*	**- 445,751**	-
Net proceeds from settlement of hedges on early repayment of borrowings	*[24]*	**52,539**	-
Repayment of loans	*[24]*	**- 17,619**	- 217,123
Purchase of own shares	*[23]*	**- 81,176**	-
Dividend paid to shareholders	*[23]*	**- 29,533**	- 55,762
Dividend paid to non-controlling interests		**-**	- 771
Net cash used from / (in) financing activities		**- 521,540**	- 273,656
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**- 815,518**	205,846
Net cash and cash equivalents as at 1 January	*[22]*	**969,749**	766,696
Net increase / (decrease) in cash and cash equivalents		**- 815,518**	205,846
Currency translation differences		**- 3,077**	- 2,793
MOVEMENT IN NET CASH AND CASH EQUIVALENTS		**- 818,595**	203,053
NET CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	*[22]*	**151,154**	969,749

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of EUR)	ISSUED CAPITAL	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL GROUP EQUITY
Note	*[23.1]*	*[23.2]*	*[23.6]*	*[23.3]*			
Balance as at 1 January 2017	**1,301**	**637,006**	**637,822**	**1,845,044**	**3,121,173**	**2,031**	**3,123,204**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							
Net Group profit/loss (-)				**150,469**	**150,469**	**- 26**	**150,443**
Other comprehensive income for the period							
Defined benefit plan actuarial gains/losses (-) and asset limitation, after income tax			**- 7,768**	**-**	**- 7,768**	**-**	**- 7,768**
Foreign currency translation differences for foreign operations, after income tax			**- 139,737**	**-**	**- 139,737**	**37**	**- 139,700**
Effective cash flow hedges, after income tax			**17,786**	**-**	**17,786**	**-**	**17,786**
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax			**- 8,415**	**-**	**- 8,415**	**-**	**- 8,415**
Currency translation differences from joint ventures and associated companies, after tax			**496**	**-**	**496**	**-**	**496**
Recycling of revaluation of stake in Fugro N.V.			**-**	**- 357**	**- 357**	**-**	**- 357**
Other movements			**- 462**	**462**	**-**	**-**	**-**
Total other comprehensive income for the period			**- 138,100**	**105**	**- 137,995**	**37**	**- 137,958**
Total comprehensive income for the period			**- 138,100**	**150,574**	**12,474**	**11**	**12,485**
OTHER RESERVES							
Changes in other reserves			**7,631**	**- 7,631**	**-**	**-**	**-**
Transactions with shareholders, recognized directly in equity							
Purchase own shares	**-**	**-**	**-**	**- 81,176**	**- 81,176**	**-**	**- 81,176**
Distributions to shareholders							
Cash dividend	**-**	**-**	**-**	**- 29,533**	**- 29,533**	**-**	**- 29,533**
Stock dividend	**33**	**- 18**	**-**	**- 15**	**-**	**-**	**-**
Movements in interests in subsidiaries							
Acquisition of Gardline						**333**	**333**
Balance as at 31 December 2017	**1,334**	**636,988**	**507,353**	**1,877,263**	**3,022,938**	**2,375**	**3,025,313**

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

(in thousands of EUR)	ISSUED CAPITAL	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL GROUP EQUITY
Note	*[23.1]*	*[23.2]*	*[23.6]*	*[23.3]*			
Balance as at 1 January 2016	**100,501**	**535,807**	**621,775**	**2,456,230**	**3,714,313**	**7,593**	**3,721,906**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							
Net Group profit/loss (-)				- 563,730	- 563,730	1,980	- 561,750
Other comprehensive income for the period							
Defined benefit plan actuarial gains/losses (-) and asset limitation, after income tax			- 3,440	-	- 3,440	-	- 3,440
Share of other comprehensive income of associated companies and joint ventures			- 6,202	-	- 6,202		- 6,202
Foreign currency translation differences for foreign operations, after income tax			25,433	-	25,433	441	25,874
Effective cash flow hedges, after income tax			11,227	-	11,227	-	11,227
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax			75	-	75	-	75
Currency translation differences from joint ventures and associated companies, after tax			- 1,818	-	- 1,818	-	- 1,818
Revaluation of stake in Fugro N.V.			-	357	357	-	357
Reclassification of foreign currency differences and hedge reserve to statement of profit or loss			720	-	720	-	720
Total other comprehensive income for the period			25,995	357	26,352	441	26,793
Total comprehensive income for the period			25,995	- 563,373	- 537,378	2,421	- 534,957
OTHER RESERVES							
Changes in other reserves			- 9,948	9,948	-	-	-
TRANSACTIONS WITH SHAREHOLDERS, RECOGNIZED DIRECTLY IN EQUITY							
Reduction nominal value (refer to note 23.1)	- 102,760	102,760	-	-	-	-	-
Distributions to shareholders							
Cash dividend	-	-	-	- 55,762	- 55,762	- 771	- 56,533
Stock dividend	3,560	- 1,561	-	- 1,999	-	-	-
MOVEMENTS IN INTERESTS IN SUBSIDIARIES							
Sale of SMIT Amandla Marine						- 7,212	- 7,212
Balance as at 31 December 2016	**1,301**	**637,006**	**637,822**	**1,845,044**	**3,121,173**	**2,031**	**3,123,204**

The notes on pages 76 to 126 are an integral part of these consolidated financial statements.

EXPLANATORY NOTES TO THE 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, 3356 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 consolidated financial statements of Royal Boskalis Westminster N.V. for 2017 include the Company and group companies (hereinafter referred to jointly as the 'Group' and individually as the 'Group companies') and the interests of the Group in associated companies and entities over which it has joint control. The consolidated financial statements were prepared by the Board of Management and were signed on 7 March 2018. The financial statements for 2017 will be submitted for approval to the Annual General Meeting of Shareholders on 9 May 2018.

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 COMPLIANCE STATEMENT

The consolidated financial statements and the accompanying explanatory notes have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and with Part 9 of Book 2 of the Dutch Civil Code.

2.2 ADOPTED NEW AND REVISED STANDARDS

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 consolidated financial statements in prior years. The following amendment is effective for 2017 and has been adopted by the European Union for 2017, however, it has no impact on the equity, results of and/or presentation by the Group.

Amendments to IAS 7 'Statement of Cash Flows'

The Group has applied the amendments to IAS 7 'Statement of Cash Flows' as of 1 January 2017 and as a result has included a movement schedule of interest-bearing borrowings (see note 24).

2.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations, were not effective in 2017 and / or not yet adopted by the European Union. As a consequence, these new standards, amendments and interpretations have not been applied in these consolidated financial statements. The Group does not adopt these standards and interpretations early and the exact extent of the possible impact has not been determined. The most important possible changes for the Group can be summarized as follows:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. This new standard replaces the guidance provided in IAS 39. The Group has assessed IFRS 9 'Financial Instruments' and it is expected that the effect of implementation of this standard on the Group's Statement of Profit or Loss and Statement of Financial Position and equity will be limited. This new standard does not change hedge accounting and allows more hedges to qualify for hedge accounting. The introduction of the required expected credit loss model may result in a non-material increase in the allowance for receivables at implementation and the changed accounting for modifications in fixed-rate financial instruments may affect the investment in joint ventures and associated companies. IFRS 9 is not expected to materially impact the results of the Group in subsequent periods. Quantitative analysis will be finished in the first half of 2018 and will be included in our 2018 half-year report. This new standard was endorsed by the European Union in the second half of 2016 and will be effective as of 1 January 2018.

- IFRS 15 'Revenue from Contracts with Customers' provides a framework for the recognition of income and will replace the current standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The Standard was endorsed by the European Union in the second half of 2016 and will be effective as of 1 January 2018. The effects of IFRS 15 include changing the thresholds for the recognition of variation orders and variable considerations, such as claims and incentives. The Group has assessed the possible effects. The impact is not expected to be material. Also, this standard requires additional internal documentation and additional disclosures, including disclosures regarding the order book. The Group intends to apply the fully retrospective approach and considers using certain practical expedients facilitated by IFRS 15 for the transition towards this new standard. The impact can therefore only be quantified from the effective date of 1 January 2018. Preparations for quantitative analysis commenced in the second half of 2017 and will be finished in the first half of 2018. This quantitative analysis will be included in our 2018 half-year report.

- 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. This new standard relates to changes in accounting for operational lease commitments of the Group (see note 29). Including these leases in the Consolidated Balance Sheet would result in an increase of less than 2% of the Consolidated Balance Sheet total, amongst other effects. The standard was issued in January 2016 and will be effective as of 1 January 2019. The European Union endorsed the 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. The interpretation as included in IFRIC 23 is to be applied to the determination of taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. The European Union has not yet endorsed this interpretation.

3. PRINCIPLES OF FINANCIAL REPORTING

The principles for financial reporting subsequently disclosed are applied consistently for all periods included in these consolidated financial statements and have been applied consistently by the Group companies.

3.1 FORMAT AND VALUATION

The consolidated financial statements are presented in euros, the Group's presentation currency. The consolidated financial statements are based upon historical cost to the extent that IFRS does not prescribe another accounting method for specific items. Preparing financial statements means that estimates and assumptions made by management partially determine the amounts recognized under assets, liabilities, revenue and costs. The estimates and assumptions are mainly related to the measurement of intangible assets (including goodwill), property, plant and equipment, joint ventures and associated companies, expected results on the completion of projects, pension liabilities, taxation, provisions and financial instruments. Judgements made by management within the application of IFRS which have a material effect on the financial statements are the qualifications of investments as Group companies, joint operations, joint ventures or associated companies. Details are incorporated in the explanatory notes to these items. Other than the elements already explained in the explanatory notes to the financial statements, no critical valuation judgements relating to the application of the principles need further explanation. The estimates made and the related assumptions are based on management's experience and understanding and the development of external factors that can be considered reasonable under the given circumstances. Estimates and assumptions are subject to alterations as a result of changes in facts and insights and may have different outcomes in different reporting periods. Any differences are recognized in the Statement of Financial Position, or the Statement of Profit or Loss, or the Statement of Other Comprehensive Income, depending on the nature of the item. Actual results may deviate from results reported previously on the basis of estimates and assumptions. Unless stated otherwise, all amounts in the notes to these financial statements are stated in thousands of euros.

3.2 CONSOLIDATION

The Group consolidates companies over which control is exercised when the Group is exposed or has the right to variable returns from its involvement with the investee and has the ability to affect such returns. Subsidiaries are included in the consolidation for 100%, taking into account any minority interests. For joint operations the Group accounts for its specific rights and obligations. Strategic investments (i.e. joint ventures and associated companies) are accounted for using the equity method.

3.2.1 SUBSIDIARIES

Subsidiaries are included in the consolidation for 100% on the basis of existing control, taking into account any minority interests. The figures of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists if the Group has:
- the ability to direct relevant activities through its voting power;
- the right to variable returns from its involvement with the investee; and
- the ability to use its power to affect such returns.

In assessing whether the Group has acquired control, and whether such control exists in the sense that it has power over the investee, the Group takes into consideration voting rights, or similar rights in an entity, potential voting rights that are currently exercisable, and all other relevant facts and circumstances.

If and when the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and any components of equity related to the subsidiary. Any resulting gain or loss is recognized in the statement of profit or loss. If the Group retains any stake in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

3.2.2 JOINT OPERATIONS

If the Group has joint control over and is entitled to the rights to the assets and is liable for the liabilities of the partnership, the partnership is classified as a joint operation. Such a joint control has been laid down in a contract and strategic decisions on financial and operational policy are taken by unanimous agreement. Joint operations mainly relate to project driven construction consortiums.

Joint operations are included in the consolidated financial statements on a pro rata basis in accordance with the participation interest of the Group in the joint operation, also referred to as proportionate consolidation.

3.2.3 JOINT VENTURES AND ASSOCIATED COMPANIES

The Group divides strategic investments into joint ventures and associated companies based on the type and degree of influence.

Joint ventures are those entities over which the Group has joint control. Such joint control is laid down in a contract and strategic decisions on financial and operational policy are taken by unanimous agreement. The Group is only entitled to the net assets of the joint ventures.

Shareholdings other than subsidiaries and joint ventures, where there is significant influence on the financial and operating policy, are recognized under associated companies. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of another entity.

The consolidated financial statements include the Group's share in the result of associated companies, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases to exist (see note 3.8).

If the ownership in a joint venture or associated company is reduced, but joint control or significant influence is retained, dilution gains and losses arising from joint ventures and associated companies are recognized in the statement of profit or loss and only a proportionate share of the amount previously recognized in the statement of other comprehensive income is recycled to the consolidated statement of profit or loss, where appropriate.

If the Group loses significant influence over or joint control of a strategic investment, it derecognizes the carrying amount of the strategic investment (including any goodwill included in the carrying amount) and recognizes any resulting gain or loss, including the recycling of amounts previously recognized in the statement of other comprehensive income, from this event in the consolidated statement of profit or loss. Any investment retained is recognized at fair value as a financial instrument available for sale.

3.2.4 ELIMINATION OF TRANSACTION UPON CONSOLIDATION

Intragroup receivables and payables, as well as intragroup transactions, finance income and expenses and unrealized results within the Group are eliminated in the preparation of the consolidated financial statements. The Group recognizes its share in the results on transactions that transfer assets and liabilities between the Company and its strategic investments or between its strategic investments, to the extent these are considered realized as transactions with third parties and its joint venture partners, using proportionate elimination.

3.2.5 BUSINESS COMBINATION AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree (refer also note to 3.8); less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If the excess is negative (bargain purchase), the Group reassesses the correctness and completeness of the identified assets acquired and liabilities assumed, and the appropriateness of underlying assumptions and measurement approaches applied for valuation purposes. After such reassessment, the determined gain on a bargain purchase is immediately recognized in the statement of profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in the statement of profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

A newly acquired non-controlling interest is valued at either the fair value or the proportionate share of the fair value of the acquired asset and liabilities, determined per transaction.

Accounting for acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions.

3.3 FOREIGN CURRENCIES

The assets and liabilities of foreign Group companies and joint ventures that are denominated in functional currencies other than the euro are translated at the exchange rates as at the end of the reporting period. The statement of profit or loss items of the foreign Group companies and joint operations concerned have been translated at average exchange rates, which approximate the applicable exchange rates at transaction settlement date. Resulting currency translation differences are added or charged directly to the currency translation reserve in group equity. Exchange rate differences as a result of operational transactions are included in the consolidated statement of profit or loss of the reporting period. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences on non-current receivables (including those related to financing), loans and other borrowings are recognized as finance income and expenses, except for the foreign currency differences on loans which are part of a net investment hedge which are recognized in other comprehensive income and other foreign currency differences as a result of transactions are recognized in the related items within the operating result.

Joint ventures and associated companies with a functional currency other than the presentation currency of the Group are translated according to the aforementioned method, taking into account that assets and liabilities of these interests are not consolidated.

3.4 DERIVATIVES AND HEDGING

It is the policy of the Group to use cash flow hedges to cover all operational currency risks that mainly relate to future cash flows from contracts which are denominated in currencies other than the relevant functional currency and if it is highly probable that they will be realized. Fuel price risks and interest rate risks in future cash flows can be hedged from time to time using specific derivatives.

Hedge accounting is applied to the majority of cash flow hedges as follows. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80 - 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and present an exposure to variations in cash flows that could ultimately affect reported net income.

The application of hedge accounting means that movements in the market value of cash flow hedges not yet settled – including results realized on the 'rolling forward' of existing hedges as a result of differences between the duration of the hedges concerned and the underlying cash flows – will be directly added or charged to the hedging reserve in group equity, taking into account the applicable taxation. If a cash flow hedge either expires, is closed or is settled, or the hedge relation with the underlying cash flows can no longer be considered effective, the accumulated result will continue to be recognized in group equity as long as the underlying cash flow is still expected to take place. If and when the underlying cash flow actually takes place, the accumulated result is included directly in the statement of profit or loss. Movements in the market value of cash flow hedges to which no hedge accounting is applied (ineffective cash flow hedges and the ineffective portion of effective cash flow hedges) are included in the statement of profit or loss for the reporting period. Results from settled cash flow hedges and movements in the market value of ineffective cash flow hedges insofar these relate to non-current receivables, loans and other borrowings are recognized as finance income and finance expenses and otherwise in the related items within operating result. The purchase or sale of financial instruments is generally recorded at transaction rate. Derivatives are stated at fair value; attributable transaction costs are recognized in the Statement of Profit or Loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described.

3.5 IMPAIRMENT

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If an indication of impairment exists, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with an indefinite useful life are tested annually for impairment.

The recoverable amount of an asset or cash-generating unit (or group of units) is the higher of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects the current market assessments, the time value of money and the risks specific to the asset or the cash-generating unit.

An impairment loss is recognized when the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and, if required, subsequently to reduce the carrying amounts of the other assets (of the cash-generating units) on a pro rata basis.

An impairment loss on goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For financial assets measured at amortized cost the Group considers evidence of impairment at both an individual asset and a collective level. Assets that are not individually significant are assessed for impairment on an aggregated basis.

An impairment loss for financial assets is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in the statement of profit or loss and are reflected in an allowance account. If the amount of an impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through the statement of profit or loss.

An impairment loss in respect of a strategic investment (accounted for using the equity method) is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in the statement of profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.6 INTANGIBLE ASSETS

Goodwill arises upon acquiring Group companies and joint operations and is calculated as the difference between the acquisition price and the fair value of the assets acquired and liabilities assumed, according to the accounting principles of the Company. Goodwill is allocated to the relevant cash-generating unit. These cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and not exceeding the level of the Group's operational segments. Goodwill and other intangible assets are presented net of accumulated amortization and accumulated impairment losses.

Amortization of trademarks valued at acquisition takes place over 10 years, while the amortization of customer portfolios and contracts valued at acquisition takes place over the remaining useful life (at acquisition date, determined to be between 7 and 22 years). Methods for determining amortization and useful life are reassessed at the end of each financial year and amended if necessary.

Goodwill and intangible assets with an indefinite useful life are not amortized, but are tested for impairment every year or in case of an indication of impairment (see note 3.5). In respect of strategic investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets acquired in a business combination are capitalized only when it is probable that future economic benefits embodied in an asset, will flow to the Group and the cost of the asset can be reliably measured. Other intangible assets with a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation calculated from the date of commissioning and accumulated impairment losses. The cost price is based on the purchase price and/or the internally generated cost based on directly attributable expenses. The depreciation, taking into account an assumed residual value, is calculated over the estimated remaining useful lives assigned to the various categories of assets. Modifications and capacity enhancing investments are also capitalized at cost and amortized over the remaining life of the asset. Property, plant and equipment under construction are included in the Statement of Financial Position on the basis of installments paid, including interest during construction. In the event that property, plant and equipment consists of components with different useful lives, such components are accounted for as separate items.

Buildings are depreciated over periods ranging from 10 to 30 years. The depreciation periods for components of the majority of the floating and other construction materials range from 5 to 30 years. Furniture and other fixed assets are depreciated over a period between 3 and 10 years. Land is not depreciated. The wear of dredging equipment is highly dependent on unpredictable project-specific combinations of soil conditions, material to be processed, maritime circumstances, and the intensity of the deployment of the equipment. As a result of these erratic and time-independent patterns, the maintenance and repair expenses to keep the assets in their operational condition are charged to the Statement of Profit or Loss.

Methods for determining depreciation, useful life and residual value are reassessed at the end of each financial year and amended if necessary.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is classified as a tangible fixed asset and is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases which are not recognized in the Group's consolidated statement of financial position and are disclosed as part of the other commitments and contingent liabilities.

3.8 STRATEGIC INVESTMENTS

Strategic investments are initially recognized at cost including the goodwill determined at acquisition date. Subsequently strategic investments are accounted for using the equity method, adjusted for differences with the accounting principles of the Group, less any accumulated impairment losses. If the Group's share of losses exceeds the carrying amount of the strategic investments, the carrying amount is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the strategic investments. Strategic investments also include the amounts invested by the Group in joint ventures and associated companies by means of interest-bearing loans.

3.9 NON-CURRENT RECEIVABLES

Non-current receivables are held on a long-term basis and/or until maturity and are carried at amortized cost. Accumulated impairment losses are deducted from the carrying amount.

3.10 FINANCIAL INSTRUMENTS AVAILABLE FOR SALE

Financial instruments available for sale include equity investments (certificates on shares) and are recognized initially at fair value increased with transaction costs. After first recognition, financial instruments available for sale are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. At derecognition or reclassification to associated companies, any cumulative unrealized result is recycled to and recognized in the statement of profit or loss. In case of impairment, the cumulative loss is reclassified from the other comprehensive income to the statement of profit or loss.

3.11 INVENTORIES

Inventories, which mainly consist of fuel, auxiliary materials and spare parts, are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of disposal.

3.12 DUE FROM AND DUE TO CUSTOMERS

Due from and due to customers concerns the gross amount yet to be charged which is expected to be received from customers for contractual work performed up to the reporting date (hereinafter: 'work in progress') and services rendered (mainly salvage work). Work in progress is valued at cost of the work performed, plus a part of the expected results upon completion of the project in proportion to the progress made and less progress billings, advances and, if applicable, provisions for losses. Provisions are recognized for expected losses on work in progress as soon as they are foreseen, and deducted from the cost price; if necessary, any profits already recognized are reversed. Revenue from additional work is included in the overall contract revenue if the customer has accepted the sum involved. Claims and incentives are included in construction work in progress if they are virtually certain based upon negotiations with the customer. Liquidated damages are accounted for if the Group expects that the client is entitled to these liquidated damages and will deduct these from contract revenue. The cost price includes project costs, consisting of payroll costs, materials, costs of subcontracted work, cost of local representatives, rental charges and maintenance costs for the equipment used and other project costs. The rates applied are based on the expected average occupation in the long run. The progress of a project is determined on the basis of the proportion that contract cost incurred for work performed to date bear to estimated total cost. Profits are not recognized unless a reliable estimate can be made of the result upon completion of the project. The balance of the value of work in progress, progress billings and advance payments is determined for each project. It is assessed for each project whether the work in progress relates to an asset or a liability. These assets are recognized in the statement of financial position as 'due from customers' and as liabilities as 'due to customers'.

Salvage work that is completed at the statement of financial position date but for which the final proceeds are not yet determined between parties is recognized at expected proceeds taking into account the estimation uncertainty less progress billings and advances. For expected losses on salvage work, provisions are recognized as soon as they are foreseen.

3.13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated initially at fair value and subsequently at amortized cost less accumulated impairment losses, such as doubtful debts. Amortized cost is determined using the original effective interest rate.

3.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances, deposits with terms of no more than three months or that qualify as highly liquid investments that are readily convertible and which are subject to insignificant risks of change in value. The explanatory notes disclose the extent to which cash and cash equivalents are not freely available as a result of transfer restrictions, joint control or other legal restrictions. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.15 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to share buy backs are recognized as a deduction from equity, net of any tax effects.

3.16 INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are liabilities to financial institutions. At initial recognition, interest-bearing borrowings are stated at fair value less transaction costs. Subsequently, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of profit or loss over the period of the borrowings using the original effective interest rate.

3.17 EMPLOYEE BENEFITS

Defined contribution pension plans

A defined contribution pension plan is a post-employment benefit scheme under which the Group pays fixed contributions into a separate pension fund or an insurance company. The Group has no legal or constructive obligation to pay further amounts if the pension fund or insurance company has insufficient funds to pay employee benefits in connection with services rendered by the employee in the current period or prior periods. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense as part of the personnel expenses in the statement of profit or loss when they are owed. Prepaid contributions are recognized as an asset. Contributions to a defined contribution pension plan payable more than 12 months after the period during which the employee rendered the services, are discounted.

Defined benefit pension plans

A defined benefit pension plan is every post-employment benefit plan other than a defined contribution plan. For each separate defined benefit pension plan, the net asset or liability is determined as the balance of the discounted value of the future payments to employees and former employees, less the fair value of plan assets. The calculations are done by qualified actuaries using the projected unit credit method. The discount rate equals the yield on high-quality corporate bonds as at the date of the statement of financial position, with the period to maturity of the bonds approximating the duration of the liability. If the calculation results in a positive balance for the group, the asset is included up to an amount equal to any unrecognized past service pension costs and the discounted value of economic benefits in the form of possible future refunds or lower future pension premiums from the fund. In calculating the discounted value of economic benefits, the lowest possible financing obligations are taken into account as applicable to the individual plans in force within the Group. An economic benefit is receivable by the Group if it can be realized within the period to maturity of the plan or upon settlement of the scheme's obligations. Actuarial gains and losses, including any movements in limits on net pension assets, are recognized in the unrecognized results within the statement of other comprehensive income. If plan benefits are changed or if a plan is amended, past service costs or a resulting curtailment profit or loss is recognized directly in the statement of profit or loss. The Group recognizes profit or losses on the settlement of defined benefit plans at the time of settlement.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

Other long-term employee benefits
Other long-term employee benefits mainly consist of jubilee benefits. The calculation of these liabilities is executed according to the 'projected unit credit' method, using the actuarial assumptions for the predominant defined benefit plan.

Remuneration plans
Members of the Board of Management and some senior employees participate in a bonus plan that is based on the development of the share price, whereby the bonus is distributed in cash. The fair value of the amount payable over the year is recognized as personnel expenses in the statement of profit or loss, with a corresponding increase in liabilities. The liability is remeasured each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in the statement of profit or loss.

EU-IFRS expenses regarding the remuneration of the Board of Management include the amounts paid, payable and accrued for annual salaries and remuneration, pension plans, short-term and long-term variable remunerations and other reimbursements. Up to and including 2016 pension expenses were based on actuarially determined service costs and as of 2017, following a change in the pension scheme, pension expenses are based on pension premiums paid or due. The short-term and long-term variable remuneration expenses of the Board of Management, based on EU-IFRS, include the charge that relates to the short-term variable part for targets for the reporting year and the charge for the long-term variable part for targets that, until the actual payment is determined by the Remuneration Committee, are based on the assumption that the performance of the Board of Management is on target. This charge also includes any changes to the amounts accrued in previous years.

3.18 PROVISIONS

Provisions are determined on the basis of estimates of future outflows of economic benefits relating to operational activities for legal or constructive obligations of an uncertain size or with an uncertain settlement date that arise from past events and for which a reliable estimate can be made. Provisions are discounted insofar as the difference between the discounted value and nominal value is material. Provisions, if applicable, relate amongst other things, to reorganizations, warranties, onerous contracts, soil contamination, legal proceedings and received claims.

Provisions for reorganization costs are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by it at the date of the statement of financial position or when the execution of the plan has commenced.

Provisions for warranties are recognized based on the best estimate of the expected cash outflows or cost of repair to settle contractually agreed warranties during the defect notification period for completed projects. The carrying amount of these provisions is estimated based on common industry practice and the Group's experience with warranty claims for relevant projects.

A provision for onerous contracts, including contracts for rendering services to customers, is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

In accordance with the Group's policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expenses, is recognized if the land is contaminated.

3.19 TRADE AND OTHER PAYABLES

Trade and other payables are recognized initially at fair value and subsequently at (amortized) cost. If the difference between the discounted and nominal value is not material, trade and other payables are stated at cost.

3.20 ASSETS HELD FOR SALE

Assets are classified as held for sale (disposal group) when it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Liabilities related to the assets held for sale are separately recognized as liabilities held for sale. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

3.21 REVENUE

Revenue from the contracting of projects by the Dredging & Inland Infra and Offshore Energy operational segments, excluding sea transport and other related services, mainly consists of the cost price of the work performed during the reporting period, plus a part of the expected result upon completion of the project in proportion to the progress made during the reporting period, and including and/or less the provisions recognized and/ or used and released during the reporting period for expected losses. The applied 'percentage-of-completion' method is, by nature, based on an estimation process for the allocation of revenue over the duration of the contract. Revenue from additional work is included in the overall contract revenue if the customer has accepted the sum involved. Claims and incentives are recognized if they are virtually certain based on negotiations with the customer. Liquidated damages are recognized, lowering revenues, if the Group expects that the client is entitled to these liquidated damages and will deduct these from contract revenue.

Revenue from salvage work that is completed at the date of the statement of financial position (part of the operational segment Towage & Salvage), but for which the proceeds are not finally determined between parties, is recognized at expected proceeds taking into account the estimation uncertainty. If it is uncertain whether the economic benefits of work done or services rendered will flow to the Group, the relevant revenue is not recognized.

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, sea transport services and related services of Offshore Energy and the activities of Harbor Towage. Revenues from services are recognized in the statement of profit or loss in proportion to the stage of completion of the work performed at the reporting date. The stage of completion is determined based on assessments of the work performed.

Revenue does not include any taxes on added value.

3.22 OTHER INCOME AND OTHER EXPENSES

Other income and Other expenses mainly consist of book results from disposals and insurance results. If a business combination resulted in a gain on acquisition, this gain is also recognized in Other income.

3.23 RAW MATERIALS, CONSUMABLES, SERVICES AND CONTRACTED WORK

Raw materials, consumables, services and contracted work consist of the cost price of the work performed during the reporting period, excluding personnel expenses, amortization, depreciation and impairments. This item also includes equipment utilization costs, costs of operational leases, general overhead costs, external costs for research and development where not capitalized, currency translation differences, fair value changes of derivatives related to hedging foreign currency effects of projects, and other results/late results.

3.24 PERSONNEL EXPENSES

Personnel expenses consist of wages and salaries for own personnel and the related social security charges and pension costs, including paid and accrued contributions for defined contribution pension plans and movements in assets and liabilities from defined benefit plans including curtailments and settlements, insofar as applicable, and excluding actuarial gains and losses and the limits on net pension plan assets added or charged directly to group equity.

3.25 LEASE PAYMENTS

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

3.26 FINANCE INCOME AND COSTS

Finance income comprises interest received and receivable from third parties, currency gains on financing and compensating results of negative changes in the fair value of financial instruments used to hedge interest or currency results on the financing concerned (hedged item), for which the results of the hedged item are included in the finance income. Interest income is recognized in the statement of profit or loss as it accrues, using the effective interest rate method.

Finance expenses include interest paid and payable to third parties which are reported using the effective interest method, expenses resulting from early repayments, arrangement fees, currency losses on financing and results of positive changes in fair value of financial instruments used to hedge interest or currency results on the financing concerned (hedged item), for which the results of the hedged item are included in the finance expenses. The interest component of financial lease payments is recognized in the statement of profit or loss using the effective interest rate method.

Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of profit or loss.

3.27 SHARE IN RESULT OF JOINT VENTURES AND ASSOCIATED COMPANIES

Share in result of joint ventures and associated companies comprises the share in the results after taxation of the strategic investments (see note 3.2.3). It includes interest income resulting from capital invested in joint ventures and associated companies by means of interest-bearing loans.

3.28 TAXATION / DEFERRED INCOME TAX ASSETS AND LIABILITIES

Taxation is calculated on the basis of the result before taxation for the reporting period, taking into account the applicable tax provisions and tax rates, and also includes adjustments on taxation from prior reporting periods and movements in deferred taxes recognized in the reporting period. Taxation is included in the statement of profit or loss unless it relates to items recognized directly in equity, in which case taxation is included in equity. Income tax expenses also include the corporate income tax levied on deemed profit determined by revenue (withholding tax). Temporary differences are accounted for in deferred tax assets and/or deferred tax liabilities. Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available for realization in the foreseeable future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so, and if they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but provided there is an intention to settle the tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously. Deferred income tax assets and liabilities are recognized at nominal value. Additional (income) taxes that arise from the distribution of dividend are recognized at the same time that the liability to pay the related dividend is recognized.

3.29 EARNINGS PER SHARE
The Group discloses earnings per ordinary share as well as diluted earnings per ordinary share. Earnings per ordinary share is calculated based on the result attributable to the Group's shareholders divided by the calculated average number of issued ordinary shares during the reporting period, taking into account any shares that have been issued or repurchased during the reporting period. In calculating the diluted earnings per share the result attributable to the Group's shareholders and the average number of issued ordinary shares are adjusted for all potentially diluting effects on ordinary shares.

3.30 DIVIDEND
Dividends are recognized as a liability in the period in which they are declared.

3.31 DETERMINATION OF FAIR VALUE
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is determined for measurement and/or disclosure purposes based on the following methods:

Intangible assets
The fair value of other intangible assets recorded as a result of a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Financial assets available for sale
The fair value of the financial assets available for sale is determined by quoted prices.

Strategic investments
Where relevant, the fair value of strategic investments is determined or disclosed based on quoted prices or business valuations.

Property, plant and equipment
The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein each party acted knowledgeably, prudently and without compulsion.

Trade and other receivables
The fair value of trade and other receivables, other than due from customers, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions
The fair value is determined based on quoted prices.

Derivatives
The fair value of derivatives is based on the estimated amount to be paid or received for a settlement of the contract as at the reporting date taking into account the actual interest rate and the credit rating of the counterparty. The fair value is based on broker quotes tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy
Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:

- 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).

3.32 CONSOLIDATED STATEMENTS OF CASH FLOWS
The consolidated statement of cash flows is drawn up using the indirect method. Cash is defined as cash and cash equivalents including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities. The cash flows in the statement of cash flows also included the cash flows, if any, related to the disposal group.

4. SEGMENT REPORTING

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 survey activities. The acquired offshore activities of Gardline have been part of this segment since 15 August 2017. In the previous financial year, as of 1 July 2016 the offshore activities acquired by VolkerWessels, consisting of VSI, Stemat and VBMS (expanding the Group's share in VBMS from 50% to 100%), were included in this segment.

▪ 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 – including oil and chemical tankers, container ships, reefers, RoRo ships and mixed cargo ships – provides assistance 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. EBITDA is defined as being the segment result before depreciation, amortization and impairments. In 2016 the Group reported its share in Fugro N.V. as an associated company until it was reclassified as an available-for-sale investment in December 2016. The Group sold its remaining share in Fugro N.V. in the first quarter of 2017. The net investment in Fugro N.V. and related results were reported under Holding & Eliminations.

4.1 OPERATIONAL SEGMENTS

2017	DREDGING & INLAND INFRA	OFFSHORE ENERGY	TOWAGE & SALVAGE	HOLDING & ELIMINATIONS	GROUP
Revenue	1,298,317	966,718	100,463	- 28,293	2,337,205
EBITDA	219,055	221,121	35,086	- 38,654	436,608
Share in result of strategic investments	3,606	256	26,060	1,098	31,020
Operating result (EBIT)	110,488	85,020	32,803	- 43,266	185,045
Non-allocated finance income and expenses					- 12,925
Non-allocated income tax expenses					- 21,677
Net Group profit / loss (-)					150,443
Carrying amount of strategic investments	15,495	59,244	702,094	102	776,935
Investments in property, plant and equipment	143,044	207,898	444	3,293	354,679
Depreciation on property, plant and equipment	108,567	126,619	2,283	4,612	242,081
Amortization of intangible assets	-	9,482	-	-	9,482

2016	DREDGING & INLAND INFRA	OFFSHORE ENERGY	TOWAGE & SALVAGE	HOLDING & ELIMINATIONS	GROUP
Revenue	1,164,471	1,333,723	121,352	- 23,220	2,596,326
EBITDA	222,975	374,749	55,069	7,712	660,505
Share in result of strategic investments before impairments, excluding Fugro	3,612	2,175	35,541	39	41,367
Impact of Fugro (note 5.2)				- 30,094	- 30,094
Revaluation result of investment in VBMS Holding B.V. prior to business combination	-	-	-	39,839	39,839
Book result of Kotug Smit Towage	-	-	-	33,974	33,974
Operating result (before impairment losses)	119,653	209,500	48,789	6,624	384,566
Impairment losses, including within joint ventures					- 842,641
Result after impairments (before interest and tax expenses)					- 458,075
Non-allocated finance income and expenses					- 71,315
Non-allocated income tax expenses					- 32,360
Net Group profit / loss (-)					- 561,750
Carrying amount of strategic investments	4,180	55,493	767,150	221	827,044
Investments in property, plant and equipment	108,727	65,973	2,261	5,122	182,083
Depreciation on property, plant and equipment	104,569	157,078	6,280	856	268,783
Reversal impairment losses on property, plant and equipment	- 1,247	- 58	-	-	- 1,305
Amortization of intangible assets	-	8,229	-	232	8,461
Impairment losses on property, plant and equipment	16,530	338,303	7,957	3,427	366,217
Impairment losses on goodwill	-	382,269	-	-	382,269
Impairment losses in joint ventures	-	-	94,155	-	94,155

As required by IFRS, the information as presented above reconciles to the internal management information of the Board of Management. In measuring the financial performance of operational segments, certain line items in 2016, relating to impairments and the impact of Fugro, were presented differently in the internal management information compared to the EU-IFRS consolidated financial statements.

In the EU-IFRS Consolidated Statement of Profit or Loss the 2016 Result from operating activities (EBIT) shows a loss of EUR 458.1 million and includes impairment losses of EUR 842.6 million, including impairment losses accounted for within joint ventures. The Operating result (before impairment losses) presented in the comparative table above shows a profit of EUR 384.6 million profit and does not include these impairment charges. The impairment losses 2016 are specified for each operational segment in the table above.

Also, EU-IFRS defines the Share in result of joint ventures and associated companies and these are presented as such in the comparative Consolidated Statement of Profit or Loss for 2016 showing a loss of EUR 82.9 million. In the comparative table above the Share in result of joint ventures and associates amounts to EUR 41.4 million profit and excludes both the impact of Fugro amounting to a loss of EUR 30.1 million in 2016 as our share in the impairment loss of EUR 94.2 million in 2016 as reported by joint ventures. In the comparative table above these are reported as separate line items, under Impact of Fugro and Impairment losses in joint ventures, respectively.

In accordance with the presentation of our share in the impairments recognized by joint ventures and associated companies in the management information on the line impairments, the EBITDA in the management information defined as operational results before depreciation, amortization and impairments is EUR 94 million higher in 2016 compared to the consolidated financial statements for that financial year (EBIT before depreciation, amortization and impairments as disclosed in the Consolidated Statement of Profit or Loss).

5. BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS

5.1 ACQUISITION OF GARDLINE GROUP

On 15 August 2017 the Group acquired control over Gardline Holdings Ltd, United Kingdom, through the acquisition of all its outstanding shares. This transaction is classified as a business combination and is included as such in the consolidation.

Gardline's main activities include marine geophysical surveys, offshore geotechnical services and environmental surveys. With the acquisition the Group strengthens its existing survey activities and becomes a specialist provider of subsea geotechnical survey with an exposure to the renewables market and the early cyclical oil and gas market.

Since obtaining control on 15 August 2017, Gardline has contributed EUR 24.9 million to Group revenue. The acquisition has resulted in a positive impact on the net result of approximately EUR 14.6 million, comprising a net-profit of EUR 0.8 million (excluding restructuring expenses), a gain from the bargain purchase of EUR 24.1 million (see below), restructuring costs of EUR 9.2 million and transaction costs relating to the acquisition of EUR 1.2 million (see below). Had the Group acquired Gardline at the beginning of the year, management estimates that revenue for the reporting period would have totaled EUR 2,386 million and resulted in a net Group profit of EUR 145.7 million. In determining these amounts management assumed the same fair value adjustments as at the date of acquisition.

Consideration paid

The consideration paid amounted to GBP 34.0 million (EUR 37.4 million) in cash.

Identifiable assets acquired and liabilities assumed

As a result of the acquisition the following identifiable assets were acquired and liabilities assumed:

At 15 August 2017	
Intangible assets	**1,759**
Property, plant and equipment	**62,521**
Joint Ventures and associated companies	**5,888**
Non-current financial asset	**82**
Deferred tax assets	**622**
Inventory	**3,976**
Current receivables and other current assets	**33,063**
Cash, cash equivalents and bank overdrafts	**2,578**
Deferred tax liabilities	**- 211**
Provisions	**- 2,790**
Interest-bearing borrowings	**- 17,381**
Current liabilities	**- 28,268**
Non-controlling interests	**- 333**
Net amount of identified assets acquired and liabilities assumed	**61,506**

The following valuation methods were used in assessing the fair value of identified, material, assets and liabilities:

- The fair value of the property and vessels is mainly determined based on a market approach performed by an external valuator.
- The fair value of other material assets identified and liabilities assumed, including creditors and debtors, is based on the market value at which the assets or liabilities are or could be settled with contractual parties.

Net accounts receivables, under current receivables and other current assets, consist of a gross amount of EUR 13.6 million, of which an amount of EUR 1.1 million was deemed irrecoverable at the date of acquisition.

Bargain purchase
The business combination resulted in a gain on acquisition, recognized in Other income in the Consolidated Statement of Profit or Loss, because the net amount of assets acquired and liabilities assumed is higher than the consideration paid. A gain was anticipated, to a certain extent, given the financial position of Gardline and agreement with the seller that expenses required for the restructuring of Gardline would be borne by the Group. These expenses did not qualify as an assumed liability under IFRS at 15 August 2017. Before recognizing the gain the Group reassessed the completeness of assets identified and liabilities assumed, and also reassessed the underlying assumptions and measurement techniques.

At 15 August 2017	
Total consideration paid at 15 August 2017	**37,373**
Less: Net amount of identified assets acquired and liabilities assumed	**- 61,506**
Result from bargain purchase of business combination	**- 24,133**

No deferred tax liability was recognized in the Consolidated Statement of Profit or Loss with respect to the profit relating to the bargain purchase of this business combination amounting to EUR 24.1 million. This result is tax exempt.

Transactions related to the acquisition
The Group incurred costs of EUR 1.2 million for the services of external advisors relating to this transaction. These costs are included in the Consolidated Statement of Profit or Loss in the line 'Raw materials, consumables, services and subcontracted work' and are incorporated in the segment result under Offshore Energy.

5.2 DIVESTMENT OF STAKE IN FUGRO N.V.

As at 31 December 2016 the investment of 9.4% in Fugro N.V. was reported in the consolidated balance sheet as a financial instrument available-for-sale under Non-current financial assets. On 28 February 2017 the Group 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, which was EUR 0.9 million lower than the cost price. As a result, the impact of Fugro N.V. on the net result in 2017 was a loss of EUR 0.9 million (2016: loss of EUR 30.1 million).

5.3 ASSETS AND LIABILITIES HELD FOR SALE

At year-end 2017 no activities were classified as held for sale. The assets and liabilities of activities held for sale at year-end 2016 are summarized as follows:

	2017	2016
Property, plant and equipment	-	1,244
Receivables and other non-current assets	-	2,777
Cash and cash equivalents	-	5,606
Assets of disposal groups	-	9,627
Provisions	-	450
Creditors and other current liabilities	-	7,259
Liabilities of disposal groups	-	7,709

At year-end 2016 the assets and liabilities held for sale related to the subsidiary Aannemingsmaatschappij Markus B.V., which was sold on 12 January 2017. The transaction did not result in a book result.

5.4 BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS IN PRIOR YEAR

On 1 July 2016 the Group obtained control over the maritime and offshore wind energy-related activities of VolkerWessels for a total cash consideration of EUR 180 million. The net change in cash and cash equivalents, taking into account the cash and cash equivalents held by the acquired companies, amounted to EUR 78 million. Before this business combination, the Group's share of 50% in VBMS was recognized as a joint venture. Under IFRS this transaction is accounted for as a sale of the 50% share in VBMS, on which a gain of EUR 39.8 million was recognized in the Statement of Profit or Loss, and subsequent an acquisition of a 100% subsidiary. The goodwill arising from this acquisition amounts to EUR 154.9 million. The contribution of this business combination to the Group in 2016 was EUR 292 million to revenue and EUR 14 million to net profit.

On 31 March 2016 the Group obtained control over the German dredging activities of STRABAG Wasserbau GmbH for a cash consideration of EUR 70.7 million. The business combination resulted in a gain on acquisition that was recognized in the Statement of Profit or Loss of EUR 11.0 million (net gain: EUR 7.5 million). The contribution to the Group in 2016 was EUR 8.7 million to revenue and EUR 3.0 million to net profit, respectively.

On 7 April 2016 the Group completed the merger of its European harbor towage activities with those of KOTUG International B.V. Each partner has a 50% participation in the established joint venture, Kotug Smit Towage B.V. The Group received proceeds relating to this transaction of EUR 90 million, which are reported as Cash flow from divestment. The book profit arising from the transaction amounted to EUR 34.0 million (EUR 37.0 million after tax).

On 1 December 2016 the Group completed the sale of its investment in SMIT Amandla Marine. The sale resulted in a net consideration of EUR 38.5 million and a book profit of EUR 8.3 million.

6. REVENUE

Revenue from construction contracts (IAS 11) and services on a project base, by analogy, amounts to approximately EUR 1.8 billion (2016: EUR 1.8 billion). This mainly comprises the net revenue of the Dredging & Inland Infra and Offshore Energy (excluding sea transport and related services) segments and typically involves work in progress. Movements in the value of work in progress, consisting of cumulative incurred costs plus profit in proportion to progress less provisions for losses, together with the work done and completed during the reporting period, determine the revenue for these activities. The revenue from services rendered to third parties is primarily realized in the Offshore Energy (including sea transport and related services) and Towage & Salvage operational segments. The revenue from services amounts to approximately EUR 0.5 billion (2016: EUR 0.8 billion).

For projects executed in a joint operation, the segments only report their own share in the revenue and results recognized, resulting in no material related party transactions between segments that need to be eliminated.

Revenue by region can be specified as follows:

	REVENUE	
	2017	2016
The Netherlands	**497,771**	552,166
Rest of Europe	**856,522**	1,078,648
Australia / Asia	**359,024**	283,658
Middle East	**256,392**	134,555
Africa	**84,840**	232,553
North and South America	**282,656**	314,746
	2,337,205	2,596,326

A region is determined as the location in which projects are realized and services are provided; for sea transport the region refers to the (nearest) port of arrival of the transport or the project location for offshore installation. A large part of the Group's revenue is generated on projects for a variety of clients in various countries and geographical areas. Because of the often-incidental nature and spread of the contracts none of these clients qualifies structurally as a material client in relation to the total revenue of the Group.

7. OTHER INCOME AND OTHER EXPENSES

Other income mainly relates to the gross result of EUR 24.1 million on the bargain purchase of the Gardline Group (see note 5.1) and the book profits on the disposal of property, plant and equipment of EUR 8.0 million (2016: EUR 4.7 million). Other income in prior year also included a book profit of EUR 34.0 million on the transfer of the European harbor towage activities into the KOTUG SMIT Towage joint venture, the result on the bargain purchase regarding the assets and activities of STRABAG Wasserbau of EUR 11.0 million, the result on the sale of SMIT Amandla Marine amounting to EUR 8.3 million and a reversal of an impairment amounting to EUR 1.3 million.

Other expenses relates to the book losses on the disposal of equipment amounting to EUR 0.7 million (2016: EUR 0.3 million) and EUR 0.9 million relating to the divestment of the remaining share in Fugro N.V. (see note 5.2).

8. RAW MATERIALS, CONSUMABLES, SERVICES AND SUBCONTRACTED WORK

As part of this line item the operating lease costs relating to leased equipment are reported for an amount of EUR 31 million (2016: EUR 34 million).

9. PERSONNEL EXPENSES

	2017	2016
Wages and salaries	**- 370,803**	- 373,146
Social security expenses	**- 35,376**	- 37,318
Pension expenses for defined benefit pension plans	**- 1,046**	- 24,267
Pension expenses for defined contribution pension plans	**- 39,061**	- 16,724
	- 446,286	- 451,455

A number of senior managers participate in a long-term incentive plan based upon the development of the share price, which is settled on a cash basis. The fair value of the related liability for the year is included as part of the personnel expenses in the statement of profit or loss. The related charge for 2017 amounts to EUR 2.0 million (2016: EUR 0.4 million) and the corresponding liability is EUR 4.8 million (2016: EUR 4.4 million). For the remuneration of the Board of Management and the Supervisory Board refer to note 30.2.

In 2017 reorganization expenses were incurred for an amount of EUR 14.9 million mainly in connection with a head-office rationalization program, of which an amount of EUR 9.6 million is reported under personnel expenses and EUR 5.3 millon under Raw Materials, Consumables, Services and Subcontracted Work. For the restructuring of the Gardline Group an amount of EUR 9.2 million is recognized in 2017 which is fully reported under Raw Materials, Consumables, Services and Subcontracted Work.

In 2016 expenses for reorganization were incurred for an amount of EUR 11.6 million, mainly in connection with the fleet rationalization and related staff reduction.

In 2016 pension expenses for defined benefit pension plans include settlement and curtailment gains amounting to EUR 13.3 million (see note 25).

10. IMPAIRMENT LOSSES

In 2016 the Group incurred a non-cash impairment loss of EUR 842,6 million of which EUR 382,3 million related to goodwill (see note 15), EUR 366,2 million to property, plant and equipment (see note 16) and EUR 94,2 million to impairment losses in joint ventures, mainly Smit Lamnalco (see note 17). This impairment charge related almost entirely to the services part of the Group's offshore oil and gas activities. In some of the service-related offshore energy market segments there was and still is a structural imbalance between supply and demand, particularly in the heavy marine transport segment. This puts utilization, rates and margins under pressure. In 2017 no material impairment losses were recognized.

11. FINANCE INCOME AND EXPENSES

	2017	2016
Interest income on short-term bank deposits	**433**	1,001
Finance income	**433**	1,001
Interest expenses	**- 11,424**	- 30,014
Expenses prepayment US private placements	**-**	- 40,264
Change in fair value of (hedging instruments regarding) borrowings	**-**	- 178
Other expenses	**- 1,934**	- 1,860
Finance expenses	**- 13,358**	- 72,316
Net finance expenses recognized in consolidated statement of profit or loss	**- 12,925**	- 71,315

Expenses prepayment US private placements in 2016 relates to the early repayment of the 2010 private placements (see note 24) and consisted of make-whole payments of EUR 30.0 million due to noteholders, EUR 9.9 million of expenses relating to the unwinding of the related cross-currency interest rate swaps and the impairment of capitalized transaction costs incorporated in the carrying amount for early repayment of financing of EUR 0.4 million. Following the early repayment the related cross-currency interest rate swaps no longer qualified for hedge accounting.

Amortization relating to other interest-bearing borrowings amounts to EUR 0.5 million (2016: EUR 0.7 million) and commitment fees paid to EUR 1.1 million (2016: EUR 1.0 million). There are no fair value adjustments for interest-bearing borrowings (with regard to hedging instruments) in 2017.

In 2016 an adjustment of EUR 9.9 million was made for a negative effect on foreign currency translation on interest-bearing borrowings and other financing obligations, as well as an equal but opposite amount for foreign currency translations on the related derivatives.

12. INCOME TAX EXPENSES

The tax charge declined to EUR 21.7 million (2016: EUR 32.4 million). The effective tax rate was 12.6% (2016, adjusted for impairment charges: 11.1%) and 18.4% if adjusted for the net result from joint ventures and associates and the book profit on the Gardline transaction.

	2017	2016
CURRENT INCOME TAX EXPENSES		
Current year	**- 43,751**	- 54,422
Adjustment in respect of current income tax regarding prior financial years	**13,170**	20,351
Reclassification of deferred income taxes regarding prior financial years	**- 2,734**	-
	- 33,315	- 34,071
DEFERRED INCOME TAX EXPENSES		
Origination and reversal of temporary differences	**9,271**	1,819
Reclassification of deferred income taxes regarding prior financial years	**2,734**	-
Movement of recognized tax losses carried forward	**- 367**	- 108
	11,638	1,711
TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**- 21,677**	- 32,360

The operational activities of the Group are subject to various tax regimes with tax rates ranging from 0.0% to 48.0% (2016: 0.0% to 48.0%). These different tax rates, non-deductible expenses, treatment of tax losses, special taxation regimes, adjustments in respect of prior years and results not subject to taxation, result in an effective tax rate in the reporting period of 12.6% (2016: -6,1%). The effective tax rate is calculated as tax charge divided by profit/loss before taxation, as shown in the consolidated statement of profit or loss.

The reconciliation between the Dutch nominal income tax rate and the effective income tax rate is as follows:

	2017		2016	
Profit/Loss (-) before taxation	**172,120**		- 529,390	
Impairment losses	**-**		842,641	
Profit/Loss (-) before taxation, adjusted	**172,120**		313,251	
Nominal tax rate in the Netherlands	**- 43,030**	**25.0%**	- 78,313	25.0%
Tonnage tax, withholding tax, other special tax regimes	**7,542**	**- 4.3%**	18,423	- 5.9%
Different statutory taxes for other jurisdictions	**8,794**	**- 5.1%**	2,981	- 1.0%
Weighted average tax rate	**- 26,694**	**15.6%**	- 56,909	18.1%
Increase (decrease) in tax rate resulting from:				
Unrecognized income tax losses and temporary differences	**- 6,896**	**4.0%**	- 7,886	2.5%
Recognition of previously unrecognized tax losses	**2,577**	**- 1.5%**	3,461	- 1.1%
Tax exempted share in results of joint ventures and associated companies (excl. impairments)	**6,324**	**- 3.7%**	4,191	- 1.3%
Tax exempted revaluation results and book results	**5,803**	**- 3.4%**	20,433	- 6.5%
Non-deductible expenses	**- 15,961**	**9.3%**	- 18,515	5.9%
Prior year adjustments	**13,170**	**- 7.7%**	20,351	- 6.5%
	- 21,677	**12.6%**	- 34,874	11.1%
Tax benefit on impairments of group companies	**-**	**0.0%**	2,514	- 17.2%
Effective income tax rate	**- 21,677**	**12.6%**	- 32,360	- 6.1%

Tax exempted revaluation results and book results relate to the Gardline transaction (see note 5.1). In 2016 these results mainly relate to the transfer of the European harbor towage activities into the Kotug Smit Towage joint venture, the revaluation of the share in VBMS prior to business combination and the result on the sale of SMIT Amandla Marine.

13. INCOME TAX RECEIVABLE AND PAYABLE

The current income tax receivables and income tax payables relate to the tax positions of the respective Group companies and consist of financial years yet to be settled less withholding taxes or tax refunds.

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	BALANCE AS AT 1 JANUARY 2017		MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR					BALANCE AS AT 31 DECEMBER 2017	
	Asset	**Liability**	**Charged (-)/ added to net profit**	**Charged to equity**	**Reclassified to disposal group**	**In / (out) consolidation and business combinations**	**Currency translation differences**	**Asset**	**Liability**
Intangible assets	**-**	**- 2,165**	**2**	**-**	**-**	**- 211**	**- 13**	**-**	**- 2,387**
Property, plant and equipment	**583**	**- 12,397**	**8,887**	**-**	**-**	**-**	**197**	**390**	**- 3,120**
Due from and due to customers	**-**	**- 6,857**	**6,308**	**-**	**-**	**-**	**515**	**-**	**- 34**
Trade and other receivables	**-**	**- 2**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
Hedging reserve	**330**	**-**	**- 330**	**- 3,257**	**-**	**-**	**5**	**-**	**- 3,252**
Actuarial gains / losses (-) and asset limitation on defined benefit pension plans	**5,790**	**-**	**-**	**1,504**	**-**	**-**	**- 225**	**7,069**	**-**
Employee benefits	**4,083**	**- 3,292**	**- 350**	**-**	**-**	**-**	**197**	**4,026**	**- 3,388**
Provisions	**1,287**	**-**	**- 1,053**	**-**	**-**	**585**	**78**	**897**	**-**
Interest-bearing borrowings	**345**	**-**	**- 96**	**-**	**-**	**-**	**-**	**249**	**-**
Trade and other payables	**1,291**	**-**	**- 1,024**	**-**	**-**	**-**	**- 385**	**252**	**- 370**
Other assets and liabilities	**445**	**- 1,158**	**- 171**	**-**	**-**	**-**	**29**	**308**	**- 1,163**
Foreign branch results	**-**	**- 1,566**	**- 170**	**-**	**-**	**-**	**-**	**600**	**- 2,336**
Income tax losses carried forward	**414**	**-**	**- 367**	**-**	**-**	**37**	**2**	**86**	**-**
	14,568	**- 27,437**	**11,638**	**- 1,753**	**-**	**411**	**400**	**13,877**	**- 16,050**
Offsetting of deferred income tax assets and liabilities	**- 4,063**	**4,063**						**- 4,367**	**4,367**
Net in the consolidated statement of financial position	**10,505**	**- 23,374**						**9,510**	**- 11,683**

	BALANCE AS AT 1 JANUARY 2016		MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR					BALANCE AS AT 31 DECEMBER 2016	
	Asset	**Liability**	**Charged (-)/ added to net profit**	**Charged to equity**	**Reclass to disposal group**	**In / (out) consolidation and business combinations**	**Currency translation differences**	**Asset**	**Liability**
Intangible assets	-	- 2,960	2,742	-	-	- 2,149	202	-	- 2,165
Property, plant and equipment	2,301	- 13,854	- 2,445	-	4,930	- 2,259	- 487	583	- 12,397
Due from and due to customers	371	- 358	- 6,637	-	-	- 926	693	-	- 6,857
Trade and other receivables	-	- 17	17	-	17	- 17	- 2	-	- 2
Hedging reserve	2,409	-	6	- 2,034	-	- 268	217	330	-
Actuarial gains / losses (-) and asset limitation on defined benefit pension plans	11,583	-	-	- 5,801	-	-	8	5,790	-
Employee benefits	787	- 5,346	- 1,530	6,881	-	-	- 1	4,083	- 3,292
Provisions	1,070	- 566	1,571	-	597	- 598	- 787	1,287	-
Interest-bearing borrowings	344	- 33	1	-	-	344	- 311	345	-
Trade and other payables	546	- 154	247	-	208	443	1	1,291	-
Other assets and liabilities	317	- 9,371	7,847	-	50	579	- 135	445	- 1,158
Foreign branch results	-	- 1,565	-	-	-	-	- 1	-	- 1,566
Income tax losses carried forward	511	-	- 108	-	-	-	11	414	-
	20,239	- 34,224	1,711	- 954	5,802	- 4,851	- 592	14,568	- 27,437
Offsetting of deferred income tax assets and liabilities	- 8,219	8,219						- 4,063	4,063
Net in the consolidated statement of financial position	12,020	- 26,005						10,505	- 23,374

Deferred income tax assets are not recognized as long as it is not probable that economic benefits can be expected in future periods. Deferred income tax assets and liabilities within fiscal unities are offset in the statement of financial position.

The following movements in deferred income tax assets and liabilities, including applicable income tax rate changes, together with the items they relate to, are recognized in the statement of other comprehensive income:

	2017		
	BEFORE INCOME TAX	**INCOME TAX (EXPENSE) BENEFIT**	**NET OF INCOME TAX**
Foreign currency translation differences for foreign operations	**- 139,204**	**-**	**- 139,204**
Fair value of cash flow hedges	**12,628**	**- 3,257**	**9,371**
Actuarial gains / losses (-) and asset limitation on defined benefit pension plans	**- 9,272**	**1,504**	**- 7,768**
Movement in fair value of investment in Fugro N.V.	**- 357**	**-**	**- 357**
	- 136,205	**- 1,753**	**- 137,958**

	2016		
	BEFORE INCOME TAX	**INCOME TAX (EXPENSE) BENEFIT**	**NET OF INCOME TAX**
Foreign currency translation differences for foreign operations	24,776	-	24,776
Fair value of cash flow hedges	13,336	- 2,034	11,302
Actuarial gains / losses (-) and asset limitation on defined benefit pension plans	- 10,722	1,080	- 9,642
Movement in fair value of investment in Fugro N.V.	357	-	357
	27,747	- 954	26,793

UNRECOGNIZED DEFERRED INCOME TAX ASSETS

Unrecognized deferred income tax assets regarding income tax losses carried forward and/or timing differences of Group companies amounted to EUR 310.2 million (2016: EUR 251.6 million). These deferred income tax assets are not recognized in the statement of financial position as long as recovery through taxable profit or deductible temporary differences before expiration is not probable.

	2017		
	INCOME TAX LOSSES CARRIED FORWARD	**DEDUCTIBLE TEMPORARY DIFFERENCES**	**DISPOSAL GROUP**
No later than 1 year	**-**	**203,693**	**-**
Later than 1 year and no later than 5 years	**4,813**	**-**	**-**
Later than 5 years	**91,761**	**9,979**	**-**
	96,574	**213,672**	**-**

	2016		
	INCOME TAX LOSSES CARRIED FORWARD	**DEDUCTIBLE TEMPORARY DIFFERENCES**	**DISPOSAL GROUP**
No later than 1 year	-	-	-
Later than 1 year and no later than 5 years	1,409	140,731	-
Later than 5 years	102,578	6,863	-
	103,987	147,594	-

15. INTANGIBLE ASSETS

	GOODWILL	OTHER	TOTAL
Balance as at 1 January 2017			
Cost	**653,323**	**130,234**	**783,557**
Accumulated amortization and impairments	**- 401,307**	**- 94,730**	**- 496,037**
Carrying amount	**252,016**	**35,504**	**287,520**
Movements			
Acquired through business combinations	**-**	**1,759**	**1,759**
Amortization	**-**	**- 9,482**	**- 9,482**
Currency translation differences and other movements	**-**	**- 2,367**	**- 2,367**
	-	**- 10,090**	**- 10,090**
Balance as at 31 December 2017			
Cost	**615,737**	**128,328**	**744,065**
Accumulated amortization and impairments	**- 363,721**	**- 102,914**	**- 466,635**
Carrying amount	**252,016**	**25,414**	**277,430**

	GOODWILL	OTHER	TOTAL
Balance as at 1 January 2016			
Cost	489,385	135,131	624,516
Accumulated amortization and impairments	-	- 91,236	- 91,236
Carrying amount	489,385	43,895	533,280
Movements			
Acquired through business combinations	154,939	103	155,042
Reclassified to Assets held for sale	-	- 723	- 723
Amortization	-	- 8,461	- 8,461
Impairment losses	- 382,269	-	- 382,269
Currency translation differences and other movements	- 10,039	690	- 9,349
	- 237,369	- 8,391	- 245,760
Balance as at 31 December 2016			
Cost	653,323	130,234	783,557
Accumulated amortization and impairments	- 401,307	- 94,730	- 496,037
Carrying amount	252,016	35,504	287,520

Currency translation differences mainly relate to the goodwill and other intangible assets resulting from the acquisitions of Dockwise and Fairmount, both of which are denominated in USD. The acquiring Group company has the USD as its functional currency, following the USD as functional currency of the acquired Group companies. Following the impairment losses recognized in 2016, as of 2017 currency translation differences do not occur with respect to the carrying amount of goodwill. However, cost and accumulated amortization and impairments are still impacted by translation differences.

15.1 GOODWILL

For the purpose of impairment testing, goodwill is allocated to the cash-generating units (CGU) which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. This does not exceed the level of Group's operating segments reported in note 4 on Segment reporting.

Goodwill is allocated to the following cash-generating units:

CASH-GENERATING UNIT	OPERATIONAL SEGMENT	2017	2016
Offshore Energy	Offshore Energy	**154,939**	154,939
Inland Infra	Dredging & Inland Infra	**46,607**	46,607
Salvage	Towage & Salvage	**36,875**	36,875
Dredging	Dredging & Inland Infra	**13,595**	13,595
Total		**252,016**	252,016

When conducting impairment tests on goodwill, the recoverable amounts are determined based on value-in-use calculations. Value-in-use is determined by discounting the expected future cash flows from the continuing operations of the CGU.

Management projects cash flows based on past trends and estimates of future market developments, cost development and investment plans. For all cash-generating units, these projections factor in market conditions, order book in hand, expected win rates of contracts, expected vessel utilization, rates and revenues, expected cost developments, investment plans and/or industry developments. Key assumptions in the calculation of valuation in use are the growth rate applied to the calculation of the terminal value and to the discount rate used. Cash flows for the CGUs beyond five years are extrapolated using an estimated long-term growth rate of 1.0% (2016: 1.0%). The applicable growth rates do not exceed the long-term average growth rate which may be expected for the activities. The pre-tax discount rates used per CGU are: Offshore Energy 9.1% (2016: 9.4%), Inland Infra 9.0% (2016: 9.6%), Salvage 6.7% (2016: 6.6%) and Dredging 8.3% (2016: 9.0%). The pre-tax discount rate used for each CGU to discount the pre-tax cash flows for impairment testing is determined through an iterative calculation using the projected post-tax cash flows, expected tax rate for the respective CGUs and a post-tax discount rate for each CGU.

The Group has analyzed sensitivity to a reasonable possible change in the expected future cash flows over the carrying amount, including goodwill, of the CGU ('headroom'). The recoverable amounts for Inland Infra, Salvage and Dredging exceed the carrying amounts of the CGUs with significant headroom.

Since 2016 there has been a structural imbalance between supply and demand in some of our service-related offshore energy market segments, particularly within the heavy marine transport segment. This has put utilization, rates and margins under pressure, resulting in a non-cash impairment in 2016, both on the goodwill included in the table above and on the vessels that operate at the lower end of the market (see note 16). An impairment charge of EUR 382 million, based on a value-in-use calculation, was recognized in the previous financial year, setting the headroom at zero with a recoverable amount of EUR 1.4 billion as at 31 December 2016. With the same market conditions in certain market segments but also several investments in other market segments, the impairment test 2017 shows EUR 90 million headroom for the Offshore Energy cash-generating unit (CGU). The sensitivity analysis of the Offshore Energy CGU showed that if the cash flow projections used in the value-in-use calculations would have been 6% lower subsequent to 2018, the recoverable amount would equal its carrying amount. If the estimated pre-tax discount rate for the Offshore Energy CGU would have been 0.5% higher than disclosed above, the recoverable amount would also equal its carrying amount.

15.2 OTHER INTANGIBLE ASSETS

Other intangible assets, which are identified and recognized at fair value in business combinations, consist of tradenames, technology (including software) and favorable contracts. Up to and including 2016 intangible assets included tradenames with an indefinite useful life for an amount of EUR 9.5 million. In December 2017 the Group decided to use Boskalis as the main trade name. Under IFRS this decision required an evaluation of the lifetimes and an impairment test of the value-in-use, which was performed by an external valuator. The test did not result in the recognition of an impairment and resulted in the harmonization of the remaining useful lives of tradenames to 10 years. This change in accounting estimates had no material impact on the net result for 2017 and will not materially impact future years.

16. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	FLOATING AND OTHER CONSTRUCTION EQUIPMENT	OTHER FIXED ASSETS	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Balance as at 1 January 2017					
Cost	**134,885**	**4,440,128**	**56,052**	**187,518**	**4,818,583**
Accumulated depreciation and impairment losses	**- 38,926**	**- 2,252,202**	**- 39,564**	**- 3,823**	**- 2,334,515**
Carrying amount	**95,959**	**2,187,926**	**16,488**	**183,695**	**2,484,068**
Movements					
Investments, including capitalized borrowing cost	**257**	**104,429**	**1,470**	**248,523**	**354,679**
Acquired through business combinations	**12,418**	**50,103**	**-**	**-**	**62,521**
Put into operation	**-**	**134,145**	**-**	**- 134,145**	**-**
Depreciation	**- 4,787**	**- 232,479**	**- 4,815**	**-**	**- 242,081**
Disposals	**- 999**	**- 17,706**	**- 686**	**- 669**	**- 20,060**
Other movements	**290**	**5,174**	**- 4,185**	**- 1,072**	**207**
Currency translation differences	**1,764**	**- 102,329**	**111**	**- 817**	**- 101,271**
	8,943	**- 58,663**	**- 8,105**	**111,820**	**53,995**
Balance as at 31 December 2017					
Cost	**142,569**	**4,571,996**	**29,578**	**299,338**	**5,043,481**
Accumulated depreciation and impairment losses	**- 37,667**	**- 2,442,733**	**- 21,195**	**- 3,823**	**- 2,505,418**
Carrying amount	**104,902**	**2,129,263**	**8,383**	**295,515**	**2,538,063**

	LAND AND BUILDINGS	FLOATING AND OTHER CONSTRUCTION EQUIPMENT	OTHER FIXED ASSETS	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
Balance as at 1 January 2016					
Cost	135,342	4,154,163	39,367	182,746	4,511,618
Accumulated depreciation and impairment losses	- 33,967	- 1,666,050	- 24,558	- 2,154	- 1,726,729
Carrying amount	101,375	2,488,113	14,809	180,592	2,784,889
Movements					
Investments, including capitalized borrowing cost	39	51,521	7,279	123,244	182,083
Acquired through business combinations	-	164,390	-	-	164,390
Put into operation	3,741	115,952	-	- 119,693	-
Impairment losses	- 3,427	- 357,126	- 4,080	- 1,584	- 366,217
Reversal of impairment	-	1,247	58	-	1,305
Depreciation	- 4,453	- 258,008	- 6,322	-	- 268,783
Disposals	- 350	- 4,462	- 441	- 130	- 5,383
Other movements	- 1,025	- 3,850	6,362	501	1,988
Reclassified to disposal group	- 33	- 26,456	- 1,445	-	- 27,934
Currency translation differences	92	16,605	268	765	17,730
	- 5,416	- 300,187	1,679	3,103	- 300,821
Balance as at 31 December 2016					
Cost	134,885	4,440,128	56,052	187,518	4,818,583
Accumulated depreciation and impairment losses	- 38,926	- 2,252,202	- 39,564	- 3,823	- 2,334,515
Carrying amount	95,959	2,187,926	16,488	183,695	2,484,068

The Group reviews the (expected) utilization and operational results of the main units of the fleet to determine potential impairments and adjustments of remaining useful life on an annual basis. In 2017 this resulted in the testing of a limited number of specific units and the recognition of an additional depreciation charge of EUR 2.0 million. Of the impairment charge recognized in 2016 of EUR 366 million which mainly related to Offshore Energy vessels, EUR 115 million related to assets that were valued at fair value less costs to sell (fair value hierarchy: level 3) and was mainly determined by an external valuator and based on scrap values for certain assets that were to be taken out of operation, and EUR 251 million related to assets that were valued at value-in-use. Pre-tax discount rates used in the discounted cash flow models for the useful life of the main vessels vary from 7.0% - 7.6%. Note 4.1 discloses impairments in 2016 recognized at each operational segment.

In 2017 the Group has not reversed any material impairment losses (2016: EUR1.3 million). In 2017 and 2016 the capitalized financing costs of investments recognized amounted to zero.

In line with the characteristics of the Group's activities, property, plant and equipment can be deployed on a worldwide scale. As a consequence, segmentation of property, plant and equipment into geographical areas would not provide any additional relevant information.

17. JOINT VENTURES AND ASSOCIATED COMPANIES

The Group participates in a number of strategic joint ventures and associated companies of which the activities correspond with, or provide related services to its own activities. The activities and risks of these joint ventures and associated companies are similar to the activities of the Group. A number of projects, or related activities, within the Dredging & Inland Infra operational segment are placed in private companies, the most important of which is SAAone Holding B.V. (a public private partnership (PPP) in the Netherlands). The Offshore Energy operational segment includes the strategic investments Asian Lift Pte. Ltd. (operation and rental of floating cranes) and VBMS until 30 June 2016. With effect from 1 July 2016 VBMS became a wholly owned subsidiary of the Group and has as such been included in the consolidation. The Gardline Group as reported under Offshore Energy as from 15 August 2017 (see note 5.1), has two strategic joint ventures, being Gardline Marine Sciences do Brasil SA and Gardline Maritime Ltd. Within the Towage & Salvage operating segment, with effect from April 2016 harbor towage services take place through the newly formed Kotug Smit Towage joint venture in Europe, Saam Smit Towage (Saam Smit Towage Brasil SA and Saam Smit Towage Mexico SA de CV, on the American continent and Keppel Smit Towage Pte Ltd and Maju Maritime Pte Ltd in Singapore (both active in harbor towage). In addition, the Group participates in Smit Lamnalco Ltd (worldwide terminal services) and Ocean Marine Egypt S.A.E. (terminal services). Furthermore, until December 2016 Holding & Eliminations included the Group's participation in Fugro N.V. These joint ventures and associated companies are in principle financed on a non-recourse basis. A guarantee of part of its bank financing was provided by the Group to Rebras SA. This guarantee is included in note 29 'Commitments and contingent liabilities'.

The table below shows the movements in the interests in joint ventures and associated companies:

	2017		
	JOINT VENTURES	**ASSOCIATED COMPANIES**	**TOTAL**
Balance as at 1 January 2017	**627,729**	**199,315**	**827,044**
Investments	**17,409**	**525**	**17,934**
Acquired through business combinations	**3,126**	**2,762**	**5,888**
Share in result of joint ventures and associated companies	**26,065**	**4,955**	**31,020**
Share in other comprehensive income of joint ventures and associated companies	**- 726**	**1,222**	**496**
Repayment share capital / share premium	**- 9**	**- 443**	**- 452**
Dividends received	**- 22,861**	**- 4,184**	**- 27,045**
Currency translation differences and other movements	**- 53,161**	**- 24,789**	**- 77,950**
	- 30,157	**- 19,952**	**- 50,109**
Balance as at 31 December 2017	**597,572**	**179,363**	**776,935**

	2016		
	JOINT VENTURES	ASSOCIATED COMPANIES	TOTAL
Balance as at 1 January 2016	608,036	584,737	1,192,773
Investments	-	422	422
Investment in Kotug Smit Towage	129,239	-	129,239
Decrease after obtaining control in VBMS Holding B.V.	- 20,844	-	- 20,844
Sale of investment in Fugro N.V. and reclassification to financial instruments available for sale	-	- 332,073	- 332,073
Share in result of joint ventures and associated companies	- 57,981	- 46,743	- 104,724
Share in other comprehensive income of joint ventures and associated companies	- 2,312	494	- 1,818
Repayment share capital / share premium	- 9,226	- 100	- 9,326
Dividends received	- 39,721	- 2,851	- 42,572
Currency translation differences and other movements	20,538	- 4,571	15,967
	19,693	- 385,422	- 365,729
Balance as at 31 December 2016	627,729	199,315	827,044

The Group had earlier committed to a limited capital funding obligation for SAAone Holding B.V., which was effected in October 2017. The loans, amounting to EUR 13.6 million in total, being part of the Group's investment in SAAone Holding B.V, are included in interest in joint ventures in the table above. The interest income of EUR 0.3 million related to these loans is reported under share in result of joint ventures and associated companies.

The share in the result of joint ventures and associated companies in the comparative period for 2016, as disclosed in the table above, amounts to EUR -104.7 million. Following the inclusion of the book profit Fugro N.V. of EUR 21.8 million, the Statement of Profit or Loss 2016 shows EUR -82.9 million in the line share in result of joint ventures and associated companies.

The carrying amount of the Group's share in the associated company Fugro N.V. was zero as at 31 December 2016 following the sale of (certificates of) shares in Fugro N.V. During 2016 the Group reduced its participation from 28.6% to 9.4% and following the loss of significant influence the remaining investment was reclassified as an available-for-sale financial asset (see note 18.2 'Financial instruments available-for-sale'). The quoted price at the time when significant influence was lost is applied in determining the sales price for which the remaining investment in Fugro N.V. was classified as an available-for-sale financial asset. The reduction of the investment in Fugro N.V. and the reclassification of the remaining investment as available for sale resulted in a book result in 2016. Based on the information available when the Group lost its significant influence, this sale resulted in a book loss of EUR 2.2 million, including the recycling profit of translation and hedging reserves amounting to EUR 2.3 million based on the book value of our investment including our share in the first half-year loss of Fugro N.V. amounting to EUR 27.9 million. The total impact of the Group's investment in Fugro N.V. on the 2016 Statement of Profit or Loss of the Group was a loss of EUR 30.1 million. Based on the annual results as made public by Fugro N.V. on 24 February 2017, this impact would consist of the share of the Group in the full-year loss of Fugro N.V., amounting to a loss of EUR 51.9 million, and consequently a book result amounting to a profit of EUR 21.8 million. Fugro N.V. did not distribute a dividend in 2017 and 2016.

In 2016 the group incurred a non-cash impairment loss of EUR 94 million as share in impairment losses accounted for by joint ventures, mainly Smit Lamnalco, related to impairments on vessels due to poor market conditions.

The main joint ventures of the Group are:

ENTITY	COUNTRY OF INCORPORATION	Interest in joint ventures 2017	2016
Saam Smit Towage Brasil S.A.	Brazil	**50%**	50%
Lamnalco Marine	Cyprus	**50%**	50%
Ocean Marine Egypt S.A.E	Egypt	**50%**	50%
Asian Lift Pte. Ltd.	Singapore	**50%**	50%
Keppel Smit Towage Pte Ltd	Singapore	**49%**	49%
Maju Maritime Pte Ltd	Singapore	**49%**	49%
ACCN B.V.	The Netherlands	**50%**	50%
Kotug Smit Partnership B.V.	The Netherlands	**50%**	50%
SAAone Holding B.V.	The Netherlands	**17%**	17%
Gardline Marine Sciences do Brasil SA	Brazil	**50%**	-
Gardline Maritime Ltd.	United Kingdom	**50%**	-

The main associated companies of the Group are:

COMPANY	COUNTRY OF INCORPORATION	Interest in associated companies 2017	2016
Damietta for Maritime Services Company S.A.E.	Egypt	**31%**	31%
Saam Smit Towage Mexico S.A. de C.V. (2016 name: Saam Remolques S.A. de C.V.)	Mexico	**49%**	49%

The voting rights in associated companies are equal to the ownership interests.

As at 31 December 2017, the Group participated in the above-mentioned joint ventures and associated companies. Joint control is established in joint ventures by contract and the Group only has rights to the net assets. Significant influence is established in associated companies by voting rights and/or by contract, also in those cases where the other (investment) partner has control. None of these joint ventures or associated companies is individually material based on their share in the financial figures of the Group and their risk profile. The nature of, and changes in, the risks associated with interest in joint ventures and/or and associated companies is primarily linked to its activities for which a distinction is made in the disclosure. As at 31 December 2017, approximately 90% of the Group's interest in joint ventures and associated companies relates to harbor towage services and terminal services of the Towage & Salvage operational segment. The summarized figures on a 100% basis of the towage/terminal activities can be presented as follows:

Towage joint ventures and associated companies	100% basis, (in millions of EUR)* 2017	2016
Revenue	**691**	738
EBITDA	**240**	279
EBIT before impairment losses	**117**	147
EBIT	**117**	- 52
Net debt	**550**	695

* Financial information included on a pro forma and 100% aggregated basis.

Other joint ventures and associated companies relate to the Dredging & Inland Infra and Offshore Energy Segments and to Holding & Eliminations.

The future cash flows for the Group are legally and contractually limited to the receipt of dividends, with the exception of certain companies, as listed above, for which capped guarantees or capital contributions are agreed (see note 28). As a result of statutory provisions, the Group, as joint venture partner or minority shareholder, cannot independently decide to distribute dividends. Also, the financial position should be sufficient to enable the distribution of dividends to shareholders. There are no contractual provisions that restrict the distribution of the net result as a dividend, with the exception of covenants in loan agreements and the priority of loan repayment over dividend at some of the joint ventures and associated companies. Legal reserves are formed by the Group for its share in the net result of joint ventures and associated companies.

On 31 December 2017 our share in the negative equity of SAAone Holding B.V. amounted to EUR 7.6 million (31 December 2016: EUR 11.5 million) following the recognition of the negative fair value of an interest rate swap. On 31 December 2016 the share of the Group in this negative equity was not accounted for by the Group because the Group is not severally liable and the loan was not provided yet.

The table below shows the share of the Group in total assets and revenues of its joint ventures and associated companies that are individually not material to the Group.

	2017		
	JOINT VENTURES	**ASSOCIATED COMPANIES**	**TOTAL**
Total assets	**1,174,606**	**206,333**	**1,380,939**
Revenue	**355,714**	**43,558**	**399,272**

	2016		
	JOINT VENTURES	**ASSOCIATED COMPANIES**	**TOTAL**
Total assets	1,317,367	243,659	1,561,026
Revenue	326,617	44,370	370,987

18. NON-CURRENT FINANCIAL ASSETS

18.1 OTHER NON-CURRENT RECEIVABLES

	2017	2016
Balance as at 1 January	**1,061**	5,915
Loan granted (to joint venture) / Acquired through business combinations	**201**	260
Repayment of loan (by joint venture)	**- 13**	- 23
Reclassified to disposal group	**-**	- 100
Currency translation differences and other movements	**-**	- 4,991
Balance as at 31 December	**1,249**	1,061

Other non-current receivables generally comprise loans to joint ventures and associated companies, long-term advance payments to suppliers and long-term receivables and retentions from customers, which are due in agreed time schedules. This item also includes accrued receivables which are allocated to the result over periods longer than one year.

18.2 FINANCIAL INSTRUMENTS AVAILABLE-FOR-SALE

The development of financial instruments available-for-sale is as follows:

	2017	2016
Balance as at 1 January	**115,379**	-
Reclassification from associated companies	**-**	115,022
Change in fair value since significant influence was lost	**- 357**	357
Divestment (gross proceeds)	**- 115,022**	-
Balance as at 31 December	**-**	115,379

As at 1 January 2017 financial instruments available-for-sale consisted of the 9.4% investment in Fugro N.V. In February 2017 the Group 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. In December 2016, when significant influence was lost, the fair value of the certificates when classified as financial instruments available-for-sale equaled the quoted price at which certificates were sold, EUR 14.50 (fair value hierarchy: level 1). At year-end 2016 the certificates of shares were valued at EUR 14.55 per certificate.

19. INVENTORIES

	2017	2016
Fuel and materials	**34,727**	35,943
Spare parts and other inventories	**53,439**	54,106
	88,166	90,049

During 2017 no write-down on inventories was recognized (2016: EUR 1.6 million).

20. DUE FROM AND DUE TO CUSTOMERS

	2017	2016
Cumulative incurred costs plus profit in proportion to progress less provisions for losses	**2,683,678**	2,420,973
Progress billings	**2,762,794**	2,619,868
Advances received	**28,078**	29,543
Progress billings and advances received	**2,790,872**	2,649,411
Balance	**- 107,194**	- 228,438
Due from customers	**123,457**	87,194
Due to customers	**- 230,651**	- 315,632
Balance	**- 107,194**	- 228,438

As at year-end 2017, the payments due from customers include EUR 5 million (2016: EUR 7 million) which will be paid by customers subject to specified conditions (retentions). The determination of profit in proportion to the stage of completion and the provision for losses is based on estimated costs and revenue of the relating projects. These estimates contain uncertainties.

21. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	**318,942**	274,429
Amounts due from joint ventures and associated companies	**25,681**	22,647
Other receivables and prepayments	**414,516**	300,852
	759,139	597,928

22. CASH AND CASH EQUIVALENTS

	2017	2016
Bank balances and cash	**184,624**	839,395
Short-term bank deposits	**7,324**	125,936
Cash and cash equivalents	**191,948**	965,331
Short-term borrowings / Call money		
Bank overdrafts	**- 40,794**	- 1,188
Bank balances and cash of disposal group	**-**	5,606
Net cash and cash equivalents in the consolidated statement of cash flows	**151,154**	969,749

Cash and cash equivalents include EUR 79.1 million (2016: EUR 73.2 million) held by project-driven construction consortiums (joint operations). The Group held EUR 1.8 million (2016: EUR 2.1 million), of which no amount (2016: EUR 0.1 million) in joint operations outside the Netherlands that is subject to local regulations, thus limiting the transfer of these funds. The other cash and cash equivalents are at the free disposal of the Group.

23. GROUP EQUITY

23.1 SHARE CAPITAL AND DIVIDEND

The authorized share capital of EUR 4.8 million (2016: EUR 4.8 million) is divided into 240,000,000 (2016: 240,000,000) ordinary shares with a par value of EUR 0.01 (2016: EUR 0.01) each and 80,000,000 (2016: 80,000,000) cumulative protective preference shares with a par value of EUR 0.03 (2016: EUR 0.03) each.

Movements of the ordinary shares issued were as follows:

(in number of ordinary shares)	**2017**	2016
Issued and fully paid shares entitled to dividend at 1 January	**130,076,852**	125,627,062
Stock dividend	**3,275,042**	4,449,790
Issued and fully paid shares entitled to dividend at 31 December	**133,351,894**	130,076,852
Repurchased shares	**- 2,674,601**	-
Shares entitled to dividend at 31 December	**130,677,293**	130,076,852

The nominal value of shares was reduced in 2016. As a result, the issued and fully paid share capital decreased by EUR 104.0 million to EUR 1.3 million, with an opposite effect on the share premium reserve.

Stock dividend

In 2017 a dividend of EUR 1.00 per share was distributed relating to the 2016 financial year, resulting in a total amount of EUR 130.1 million. Of all shareholders, 77% opted to receive the dividend in ordinary shares. As a result 3,275,042 ordinary shares were issued.

Repurchase of shares

On 3 July 2017 the Group initiated a share repurchase program. In total 2,674,601 shares were repurchased for an amount of EUR 81.2 million (including EUR 2.9 million dividend tax) in 2017.

Shares per balance sheet date

The issued capital as at 31 December 2017 consists of 133,351,894 ordinary shares (2016: 130,076,852 shares) with a par value of EUR 0.01 each (2016: EUR 0.01) and consequently amounts to EUR 1.3 million (2016: EUR 1.3 million).

23.2 SHARE PREMIUM RESERVE

The share premium reserve consists of additional paid-in capital exceeding the par value of the outstanding shares. The share premium is distributable free of tax. Following the reduction in the nominal value of each share (see note 23.1) in 2016, the share premium reserve increased by EUR 102.8 million in 2016.

23.3 RETAINED EARNINGS

Retained earnings consist of additions and distributions based on profit appropriations, effects of changes in accounting principles, losses and movements in the legal reserve. The balance is at the disposal of shareholders. Retained earnings also comprises the unappropriated profit or loss for the current year. A proposal for profit or loss appropriation is disclosed in note 6 of the Company financial statements and is included in Other information.

23.4 DIVIDEND

Royal Boskalis Westminster N.V. announced and distributed the following dividend to holders of ordinary shares:

	2017	2016
Dividend prior year EUR 1.00 respectively EUR 1.60 per ordinary share	**130,077**	201,003
Total dividend announced and distributed	**130,077**	201,003
Stock dividend	**100,544**	145,241
Cash dividend	**29,533**	55,762
TOTAL DISTRIBUTED DIVIDEND	**130,077**	201,003

In 2017 23% of the shareholders opted for a distribution of dividend in cash. An amount of EUR 29.5 million was distributed and the accompanying dividend tax was paid in July 2017.

23.5 EARNINGS PER SHARE

Earnings per share are determined based on the calculation below.

	2017	2016
Earnings per share		
Net group profit/loss (-) attributable to shareholders in thousands of EUR	**150,469**	- 563,730
Average number of shares	**131,097,477**	128,204,536
Earnings per share	**EUR 1.15**	EUR -4.40
Earnings per share before impairment losses		
Net group profit/loss (-) attributable to shareholders in thousands of EUR	**150,469**	- 563,730
Impairment losses in thousands of EUR, after tax	**-**	840,127
Net group profit/loss (-) attributable to shareholders in thousands of EUR excluding impairment losses	**150,469**	276,397
Average number of shares	**131,097,477**	128,204,536
Earnings per share, excluding impairment losses	**EUR 1.15**	EUR 2.16
Diluted earnings per share		
Average number of shares including dilution effects	**131,097,477**	128,204,536
Diluted earnings per share	**EUR 1.15**	EUR -4.40

The weighted average number of ordinary shares for the financial year is calculated as follows:

(in number of shares)	2017	2016
Ordinary shares issued (entitled to dividend) as at 1 January	**130,076,852**	125,627,062
Weighted effect of new ordinary shares issued due to optional dividend	**1,893,243**	2,577,474
Weighted effect on purchased own ordinary shares	**- 872,618**	-
Weighted average number of ordinary shares for the financial year	**131,097,477**	128,204,536

23.6 OTHER RESERVES

Movement in other reserves:

	Legal reserves					
	HEDGING RESERVE	**REVALUATION RESERVE**	**CURRENCY TRANSLATION RESERVE**	**OTHER LEGAL RESERVES**	**OTHER RESERVES**	**TOTAL OTHER RESERVES**
Note	*[23.6.1]*	*[23.6.2]*	*[23.6.3]*	*[23.6.4]*	*[23.6.5]*	
Balance as at 1 January 2017	**- 3,905**	**102,458**	**339,018**	**214,339**	**- 14,088**	**637,822**
Defined benefit plan actuarial gains/losses (-) and asset limitation, after income tax	**-**	**-**	**-**	**-**	**- 7,768**	**- 7,768**
Foreign currency translation differences for foreign operations, after income tax	**-**	**-**	**- 139,737**	**-**	**-**	**- 139,737**
Currency translation differences from joint ventures and associated companies, after tax	**-**	**-**	**496**	**-**	**-**	**496**
Effective cash flow hedges, after income tax	**17,786**	**-**	**-**	**-**	**-**	**17,786**
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax	**- 8,415**	**-**	**-**	**-**	**-**	**- 8,415**
Other movements	**-**	**- 462**	**-**	**-**	**-**	**- 462**
Movement in legal reserve	**-**	**-**	**-**	**7,631**	**-**	**7,631**
Total movement	**9,371**	**- 462**	**- 139,241**	**7,631**	**- 7,768**	**- 130,469**
Balance as at 31 December 2017	**5,466**	**101,996**	**199,777**	**221,970**	**- 21,856**	**507,353**

	Legal reserves					
	HEDGING RESERVE	REVALUATION RESERVE	CURRENCY TRANSLATION RESERVE	OTHER LEGAL RESERVES	OTHER RESERVES	TOTAL OTHER RESERVES
Note	*[23.6.1]*	*[23.6.2]*	*[23.6.3]*	*[23.6.4]*	*[23.6.5]*	
Balance as at 1 January 2016	- 15,207	45,619	314,683	320,889	- 44,209	621,775
Defined benefit plan actuarial gains/losses (-) and asset limitation, after income tax	-	-	-	-	- 3,440	- 3,440
Foreign currency translation differences for foreign operations, after income tax	-	-	25,433	-	-	25,433
Currency translation differences from joint ventures and associated companies, after tax	-	-	- 1,818	-	-	- 1,818
Effective cash flow hedges, after income tax	11,227	-	-	-	-	11,227
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax	75	-	-	-	-	75
Reclassification relating to settlement of pension plans	-	-	-	-	39,763	39,763
Reclassification of revaluation related to gains on business combinations and gains on joint ventures	-	56,839	-	-	-	56,839
Reclassification of foreign currency differences and hedge reserve to statement of profit or loss	-	-	720	-	-	720
Actuarial gains/losses (-) and asset limitation on defined benefit pension plans of associated companies	-	-	-	-	- 6,202	- 6,202
Movement in legal reserve	-	-	-	- 106,550	-	- 106,550
Total movement	11,302	56,839	24,335	- 106,550	30,121	16,047
Balance as at 31 December 2016	- 3,905	102,458	339,018	214,339	- 14,088	637,822

Under Dutch law the legal reserves are not available for dividend distribution to shareholders.

23.6.1 HEDGING RESERVE (LEGAL RESERVE)

The hedging reserve comprises the fair value of effective cash flow hedges, not yet realized at the balance sheet date, net of taxation, including results realized on the 'rolling forward' of existing hedges as a result of differences between the duration of the hedges concerned and the underlying cash flows. Details about the movements in the hedging reserve are disclosed in note 28.2.

23.6.2 REVALUATION RESERVE (LEGAL RESERVE)

This reserve mainly relates to profit with respect to the revaluation of existing non-controlling interests prior to the recognition of business combinations and book results on contributions in newly formed strategic partnerships. In 2016 an amount of EUR 56.8 million was recognized relating to the revaluation of VBMS prior to the business combination and the Kotug Towage book profit.

23.6.3 CURRENCY TRANSLATION RESERVE (LEGAL RESERVE)

The currency translation reserve comprises all accumulated currency translation differences arising from investments in foreign operations, which are denominated in functional currencies other than the presentation currency used by the Group, including related intragroup financing. These currency translation differences are accumulated as from the IFRS transition date (1 January 2004) and are taken to the statement of profit or loss at disposal or termination of these foreign operations. At the acquisition date of activities (business combinations) with a functional currency other than the euro, the translation reserve of these activities is zero.

23.6.4 OTHER LEGAL RESERVES

A legal reserve is formed to account for differences between the cost price and the equity value of joint ventures and associated companies where the Group cannot independently decide on the distribution of dividends, unless such differences are already included in the legal reserve for accumulated currency translation differences on foreign operations.

23.6.5 OTHER RESERVES

Other reserves mainly comprise actuarial movements related to the limitation on net plan assets of defined benefit pension plans and the actuarial gains and losses originating from the difference between the realized and the expected movement in defined benefit obligations and the return on plan assets.

24. INTEREST-BEARING BORROWINGS

	US PRIVATE PLACEMENTS	REVOLVING MULTI-CURRENCY CREDIT FACILITY	OTHER INTEREST-BEARING BORROWINGS	TOTAL 2017	TOTAL 2016
Current	452,851	-	293	453,144	18,127
Non-current	306,876	-	1,411	308,287	914,234
Balance as at 1 January	759,727	-	1,704	761,431	932,361
Movement					
Assumed in business combinations	-	-	17,381	17,381	-
Repayment	- 445,751	-	- 17,619	- 463,370	- 197,874
Currency results	- 45,103	-	-	- 45,103	19,144
Other movements	525	-	-	525	7,800
Total movements	- 490,329	-	- 238	- 490,567	- 170,930
Balance as at 31 December	269,398	-	1,466	270,864	761,431
Current	-	-	297	297	453,144
Non-current	269,398	-	1,169	270,567	308,287
Balance as at 31 December	269,398	-	1,466	270,864	761,431

As at year-end 2017 US private placements relate to one placement of EUR 269.4 million, calculated at year-end currency rates (year-end 2016: two placements totaling EUR 759.7 million).

As at year-end 2017 remaining US private placements with a nominal value of USD 325 million were placed with institutional investors in July 2013. The principal of this placement will be repaid after the original duration of ten years. The annual interest rate is 3.66%.

The repaid US private placements concern a US private placement of USD 433 million and GBP 11 million with institutional investors in the United States and the United Kingdom issued in July 2010. The placement consisted of three tranches with an original duration of 7, 10 and 12 years, respectively. In December 2016 the Group informed the noteholders about early repayment and consequently both the loan and the accrued liabilities including the make-whole payments due to noteholders (see note 11 'Finance income and expenses') were accounted for as interest-bearing borrowings under current liabilities. The US dollar and Pound Sterling proceeds from this US private placement had been swapped into euros through cross-currency swaps, for a total amount of EUR 354 million. The fixed interest rate amounted to 4.76%. As a result of early repayment, these cross-currency interest rate swaps no longer qualified for hedge accounting and the fair value has been accounted for in the 2016 Statement of Profit or Loss (see note 11 'Finance income and expenses'). The cash settlement of these cross-currency interest rate swaps resulted in a cash inflow of EUR 52.5 million in 2017.

Interest bearing borrowings of Gardline (see note 5.1) were repaid in August 2017.

A revolving multi-currency credit facility agreed with a bank syndicate was arranged for the Group in 2014 and amounts to EUR 600 million. This credit facility had an original duration of 5 years with two options, executed in 2015 and 2016, respectively and has therefore been extended to 2021. The Group did not draw on this credit facility in 2017 and 2016.

The Group agreed to comply with a number of customary covenants with the bank syndicate and US private placement holders. Twice a year Boskalis provides a compliance certificate to these lenders, reporting on the covenants for the twelve-month period ending on 30 June and 31 December, respectively. The main financial covenants are a net debt / EBITDA ratio not exceeding 3 and an EBITDA / net interest ratio of at least 4. These covenants are calculated in accordance with definitions agreed with the lenders.

In the event that the Group does not meet any of these covenants, the loan may be due immediately. These covenants were met at 31 December 2017. The net debt / EBITDA ratio was 0.5 (2016: -0.3) and the EBITDA / net interest ratio was 32 (2016: 15).

Interest rates, remaining terms and currencies of the interest-bearing borrowings are disclosed in the explanatory notes to the financial instruments in the interest rate risk paragraph. As at 31 December 2017 the weighted average interest rate for the non-current portion of the interest bearing loans was 3.67% (2016: 3.67%). The non-current portion of interest-bearing borrowings due after more than five years amounted to EUR 269.4 million (2016: EUR 306.9 million).

25. EMPLOYEE BENEFITS

The liabilities associated with employee benefits consist of liabilities related to defined benefit pension plans and other liabilities relating to a number of defined contribution plans in the Netherlands and other countries as well as jubilee benefits. They amounted to a total of:

		31 DECEMBER	
	Note	**2017**	2016
Defined benefit pension plans	*[25.1]*	**28,924**	23,471
Other liabilities on account of employee benefits		**5,518**	6,863
Liabilities associated with employee benefits		**34,442**	30,334

25.1 DEFINED BENEFIT PENSION PLANS

	DEFINED BENEFIT OBLIGATION	FAIR VALUE PLAN ASSETS	SURPLUS/ DEFICIT (-)	UNFUNDED PENSION LIABILITIES	TOTAL	CHARGED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS	CHARGED TO CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Balance as at 1 January 2017	**160,380**	**153,196**	**- 7,184**	**- 5,142**	**- 12,326**		
Current service expenses	**637**	**-**	**- 637**	**- 32**	**- 669**	**669**	
Interest expenses on obligation	**3,554**	**-**	**- 3,554**	**- 71**	**- 3,625**	**3,625**	
Contributions received from the Group	**-**	**4,137**	**4,137**	**-**	**4,137**		
Return on plan assets	**-**	**3,248**	**3,248**	**-**	**3,248**	**- 3,248**	
Net actuarial results	**5,165**	**203**	**- 4,962**	**148**	**- 4,814**		**4,814**
Benefits paid	**- 6,144**	**- 6,144**	**-**	**270**	**270**		
Foreign currency exchange rate differences and other changes	**- 4,534**	**- 4,076**	**458**	**-**	**458**		**-**
Total movement	**- 1,322**	**- 2,632**	**- 1,310**	**315**	**- 995**	**1,046**	**4,814**
Balance as at 31 December 2017	**159,058**	**150,564**	**- 8,494**	**- 4,827**	**- 13,321**		
Limits on net plan assets as at 1 January					**- 11,145**		
Movement in limit net plan assets					**- 4,458**		**4,458**
Limits on net plan assets as at 31 December					**- 15,603**		
Balance as at 31 December 2017 after limits on net plan assets					**- 28,924**		
Total result defined benefit pension plans					**10,318**	**1,046**	**9,272**

						CHARGED TO CONSOLIDATED STATEMENT OF	
	DEFINED BENEFIT OBLIGATION	FAIR VALUE PLAN ASSETS	SURPLUS/ DEFICIT (-)	UNFUNDED PENSION LIABILITIES	TOTAL	PROFIT OR LOSS	OTHER COMPREHENSIVE INCOME
Balance as at 1 January 2016	753,035	734,794	- 18,241	- 5,175	- 23,416		
Current service expenses	36,904	-	- 36,904	- 31	- 36,935	36,935	
Interest expenses on obligation	17,384	-	- 17,384	- 103	- 17,487	17,487	
Contributions received from the Group	-	39,896	39,896	-	39,896		
Return on plan assets	-	16,895	16,895	-	16,895	- 16,895	
Net actuarial results	38,687	33,618	- 5,069	- 219	- 5,288		5,288
Benefits paid	- 20,481	- 20,481	-	331	331		
Settlement and curtailment gains PGB and Dutch pension funds	- 641,246	- 627,986	13,260	-	13,260	- 13,260	
Foreign currency exchange rate differences and other changes	- 23,903	- 23,540	363	55	418		-
Total movement	- 592,655	- 581,598	11,057	33	11,090	24,267	5,288
Balance as at 31 December 2016	160,380	153,196	- 7,184	- 5,142	- 12,326		
Limits on net plan assets as at 1 January					- 11,913		
Movement in limit net plan assets					768		- 768
Limits on net plan assets as at 31 December					- 11,145		
Balance as at 31 December 2016 after limits on net plan assets					- 23,471		
Total result defined benefit pension plans					28,787	24,267	4,520

In the Netherlands Boskalis has arranged a pension plan for a large part of its Dutch staff with the Pensioenfonds Grafische Bedrijven (PGB), while other employees in the Netherlands participate in the pension plans of five Dutch multi-employer pension funds or in one of the Dutch insured pension plans. In the Netherlands the tasks and responsibilities of employer, employee and pension provider in relation to pensions are set out in the Dutch Pension Act. The Pension Act stipulates the requirements and conditions that pension plans must comply with, including the requirement of integrating the plan into either a recognized pension fund or with a recognized pension insurance company and also that rights granted must be immediately funded by the employer. The law also sets requirements for the amounts of equity that pension providers should maintain. Compliance with the law is supervised by the Dutch Central Bank (DNB) and the Dutch Financial Markets Authority (AFM). In addition, the Group has a number of foreign pension plans, of which the largest is in the United Kingdom.

Pension plan at Pensioenfonds Grafische Bedrijven
The Group has arranged its pension plan, which is qualified as a defined contribution plan, for the majority of its Dutch staff with Pensioenfonds Grafische Bedrijven, a multi-employer fund. The annual premium contribution by the Group is determined by PGB, based on the actuarial cost of purchasing pension rights on an annual basis. The Group has no obligation to cover any plan deficits, nor are there any specific separate plan assets dedicated to the Group in this pension plan that are managed by PGB. After payment of the annual premium, the Group has no obligation to pay for additional contributions or higher future premiums in the event of a shortfall at PGB, nor if the plan or the fund is terminated. Furthermore, the Group has no entitlement to any surplus in the PGB pension fund. Future cash flows are limited to the payment of future premiums for purchasing (new) rights for the years to come. The premium is influenced by the usual, underlying actuarial assumptions, expected returns and agreed contribution ceiling.

Besides Boskalis, multiple other companies have also arranged their pension plans with PGB. The Group has no direct involvement in the governance of PGB. PGB does not hold specific, segregated pension assets dedicated to the Group. The share of the Boskalis pension plans in total liabilities and assets at PGB is limited.

Settlement of the PGB defined benefit plan in 2016
Until 31 December 2016 active participants that commenced employment with Boskalis before 1 January 2015 had a pension plan with unconditional indexation on the basis of indexation granted by the Group, which is not linked to indices. Active participants that commenced employment with Boskalis after 1 January 2015 and inactive participants have a plan with a conditional right to indexation, granted by PGB. In December 2016, Boskalis reached agreement with the Works Council and the PGB Pension Fund on plan

amendments for its Dutch staff participating in the PGB pension plans. The plan amendments concern the termination of the unconditional indexation right for participants employed by Boskalis before 1 January 2015. Indexation rights are harmonized with the other participants within PGB pension plans. The participants concerned receive compensation in the form of a one-off increase in their accrued pension rights as at 31 December 2016. Also, Boskalis and PGB amended and clarified their agreement in certain areas. After these changes the pension plans were aligned and now qualify as a defined contribution plan. As a result, a net settlement gain of EUR 5 million before tax was recognized at the end of December 2016 in the statement of profit or loss, comprising the release of the net defined obligation to the statement of profit or loss amounting to EUR 22 million and the charge of EUR 17 million resulting from the one-off increase in accrued rights as mentioned above. In addition, the actuarial reserve recognized in equity was released to other reserves.

Dutch multi-employer pension funds

Some of the Dutch staff participate in one of five industry-wide multi-employer pension funds, all within the framework of the Dutch Pension Act as referred to above, of which Bedrijfstak Pensioenfonds Waterbouw is the only one with a proportionately significant premium contribution by Boskalis of 20% (2016: 20%). As at 31 December 2017 the Bedrijfstak Pensioenfonds Waterbouw had a coverage ratio greater than 105% (2016: greater than 105%).

The Group has no direct involvement in the governance of the multi-employer pension funds. Employers' Associations, of which the Group is a member, designate some of the board members and / or supervisors of the multi-employer pension funds. In addition, the boards also include representatives of employees and retirees, possibly supplemented by one or more independent persons. The pension includes retirement and survivor's pension. These pension funds have indicated they are not able to provide sufficient information for a calculation in accordance with IFRS because there is no reliable and consistent basis to which to attribute the pension obligations, plan assets, and the absolute and relative share of the Group in the fund and to which to allocate income and expenses to the individual member companies of these pension funds. As a result, these defined benefit plans are recognized in these financial statements as a defined contribution plan in accordance with IFRS. In all cases relating to industry-wide multi-employer pension funds, the Group has no obligation whatsoever to pay additional contributions in the case of a deficit in the respective fund, other than paying the annual premium. Nor does the Group have a right to any surpluses in the funds. The premium covers the actuarially determined cost of purchasing the yearly rights for participants. The premium on the basis of the actuarial cost of purchasing rights in years is influenced by customary underlying actuarial assumptions, expected returns and often agreed ceilings. The expected contribution for the coming year is explained below.

Other pension plans

Other pension plans relate to, individually not material, multi-employer pension plans arranged with pension funds in the United Kingdom and insurance companies in the Netherlands, Belgium, the United Kingdom and the United States, as well as to minor unfunded defined benefit plans for two Group companies in Germany. These pension plans are in compliance with local laws and/or regulations applicable in the aforementioned countries. With the exception of the plan in the United Kingdom, where the Group may appoint one or more Directors or Trustees, the Group has no direct and/or significant involvement in the governance of these pension plans. The pension plans are characterized by defined benefit rights over the participant's years of service, which are mainly based on average wages and include retirement and survivor's pension. These pensions are indexed, for the main part with a limit being set to the available contributions and the return on plan assets, respectively. The pension liabilities and pension assets are placed with and managed by the pension funds or insurance companies. The risk for the Group relating to these pensions is therefore limited. With the exception of a closed pension plan in the United Kingdom, the future cash flows for the other arrangements are limited to the actuarially calculated annual premiums based on the cost of purchasing future pension rights. In other funded defined benefit plans there is no enforceable statutory or regulatory direct obligation to cover any deficits to fulfil future actuarial obligations. The contributions are subject to the customary, actuarial assumptions, expected returns and agreed contribution ceiling.

The Group's largest company pension fund in the United Kingdom is managed by BKW Trustee Company Limited. The management of the Trust company is partly appointed by Boskalis and partly elected by plan participants. The investment policy is geared to the fact that it is a closed arrangement relating primarily to fixed income. Pension law in the United Kingdom includes the requirement to index pension plans. In 2015 the required tri-annual valuation was conducted, which determined the required annual contributions to this pension fund. There is no requirement to immediately and fully cover an existing deficit in this pension plan.

The expected contribution to this fund for the coming year and for the ongoing review period amounted to GBP 0.6 million (2016: GBP 1.2 million) and GBP 0.6 million (2016: GBP 2.1 million) respectively.

Settlement and termination of two other pension plans in 2016
During 2016 two contracts with Dutch insured pension plans reached the end of their contract terms and were not renewed. The plans for the respective staff were transferred, one to PGB and the other to an industry-wide pension fund. Accrued pension rights within these plans will remain with the pension insurers. This resulted in a settlement gain of EUR 6.7 million relating to one - and a curtailment gain of EUR 1.5 million for the other pension plan transferred.

As per 2017, the remaining balance of the net defined benefit obligation mainly relates to closed pension plans. The net defined benefit obligation of the aforementioned pension plans in the United Kingdom mainly are determined by expected future inflation (2017: 3.40%; 2016: 3.55%). The other defined pension plan is a closed insured pension plan for which future cash flows are determined on the basis of Group entitlement to excess returns realized by the insurance company and annual guarantee costs provided for in the balance sheet. Both of these results continue to be recognized through the statement of other comprehensive income. Therefore the expected impact of these remaining defined benefit pension plans on future statements of profit or loss is not significant.

The composition of plan assets, excluding the defined benefit plans that were settled in 2016, is as follows:

	31 DECEMBER	
	2017	2016
Other pension plans:		
Equities	**19,252**	21,259
Bonds	**129,892**	129,536
Real estate	**-**	396
Investments quoted in active markets	**149,144**	151,191
Cash (non-interest-bearing)	**1,420**	1,226
Other receivables and payables	**-**	779
Unquoted investments	**1,420**	2,005
TOTAL PLAN ASSETS	**150,564**	153,196

As at 31 December 2017 and 31 December 2016 the plan assets did not include shares issued by Royal Boskalis Westminster N.V.

Pension funds periodically perform asset liability management studies to assess the matching of investment assets with the amount and duration of pension liabilities. Based on the outcome of these studies the nature, mix and duration of assets are regularly adjusted. The average duration of the obligations of the pension plans is about 22 years (2016: 21 years).

The table below presents the pension costs from defined benefit pension plans, including the costs recorded in 2016 of plans that were settled in 2016 and which are included in these consolidated financial statements.

	2017	2016
Total result defined benefit plans	**10,318**	28,787
Settlement and curtailment gains on PGB and Dutch pension funds recognized in the consolidated statement of profit or loss	**-**	13,260
Pension costs for defined benefit pension plans charged to the consolidated statement of profit or loss	**- 1,046**	- 37,527
Actuarial gains and losses and asset limitation recognized directly in equity	**9,272**	4,520
Income tax	**- 1,504**	- 1,080
Actuarial gains and losses and asset limitation recognized directly in equity net of income tax	**7,768**	3,440
Effective return on plan assets	**3,451**	50,513

The pension charges for the main pension plans are predominantly in euros. As a consequence, the exchange rate exposure for pension charges in other currencies is considered not material.

The accumulated actuarial gains and losses and the balance of the limitation on net plan assets amount to:

	2017	2016
Accumulated actuarial gains and losses as at 31 December	**- 13,547**	- 8,733
Asset limits on net plan assets as at 31 December	**- 15,603**	- 11,145
	- 29,150	- 19,878

In 2018 the Group expects to contribute premiums of EUR 2.2 million (2017: EUR 2.9 million) to funded defined benefit plans and premiums of EUR 0.3 million (2017: EUR 0.3 million) to unfunded defined benefit plans.

The principal actuarial assumptions used for the calculations were:

	2017	2016
Discount rate	**2.26%**	2.27%
Expected future salary increases	**0.80%**	0.75%
Expected future inflation	**1.90%**	1.80%
Expected future pension increases for active participants	**0.90%**	0.73%
Expected future pension increases for inactive participants	**0.44%**	0.06%

Sensitivity to changes in the applied assumptions can be summarized as follows:

Assumptions as at 31 December 2017	Increase of 0.25%	Decrease of 0.25%
Effect on defined benefit obligation		
Change in discount rate	- 7,534	8,344
Change in expected future salary increases	1,939	- 1,870
Change in pension increase for active participants	1,914	- 1,815
Change in pension increase for inactive participants	3,083	- 2,887

Assumptions as at 31 December 2016	Increase of 0.25%	Decrease of 0.25%
Effect on defined benefit obligation		
Change in discount rate	- 9,332	10,427
Change in expected future salary increases	3,734	- 3,573
Change in pension increase for active participants	1,851	- 1,655
Change in pension increase for inactive participants	4,332	- 2,177

Historical information:

	2017	2016	2015	2014	2013
Defined benefit obligation	**- 159,058**	- 160,380	- 753,035	- 747,808	- 554,486
Fair value of plan assets	**150,564**	153,196	734,794	691,932	585,038
Surplus / deficit (-)	**- 8,494**	- 7,184	- 18,241	- 55,876	30,552
Unfunded pension liabilities	**- 4,827**	- 5,142	- 5,175	- 5,316	- 4,673
Total surplus / deficit (-)	**- 13,321**	**- 12,326**	**- 23,416**	**- 61,192**	**25,879**

The reduction of defined benefit obligations and the fair value of plan assets in 2016 mainly related to the settlement of two defined benefit plans in 2016.

25.2 DEFINED CONTRIBUTION PENSION PLANS

In 2018 the Group expects to contribute an amount of EUR 40.0 million (2017: EUR 42.0 million) to premiums for defined contributions plans. This concerns contributions to defined contribution pension plans and pension plans arranged with multi-employer pension funds, which are accounted for as defined contribution pension plans in these financial statements, in accordance with IFRS.

26. PROVISIONS

	ONEROUS CONTRACTS	WARRANTIES	RESTRUCTURING	OTHER	TOTAL 2017	TOTAL 2016
Balance as at 1 January	**7,818**	**15,513**	**17,324**	**12,807**	**53,462**	30,808
Assumed in business combinations	**2,790**	**-**	**-**	**-**	**2,790**	5,553
Provisions made during the year	**884**	**3,119**	**17,578**	**302**	**21,883**	24,861
Provisions used during the year	**- 119**	**- 922**	**- 19,360**	**- 567**	**- 20,968**	- 4,924
Provisions reversed during the year	**- 7,067**	**- 530**	**- 5,068**	**- 6,138**	**- 18,803**	- 3,797
Reclassification to disposal group	**-**	**-**	**-**	**-**	**-**	- 900
Exchange rate differences and other movements	**- 687**	**- 2,632**	**- 595**	**2,906**	**- 1,008**	1,861
Balance as at 31 December	**3,619**	**14,548**	**9,879**	**9,310**	**37,356**	53,462
Current	**3,619**	**2,445**	**8,787**	**912**	**15,763**	22,027
Non-current	**-**	**12,103**	**1,092**	**8,398**	**21,593**	31,435
Balance as at 31 December	**3,619**	**14,548**	**9,879**	**9,310**	**37,356**	53,462

The provision for onerous contracts includes a provision for unfavorable contracts as part of the liabilities assumed in business combinations (see note 5.1). As at year-end 2016 the provisions for onerous contracts related mainly to the lease of a vessel. In 2017 the purchase option to acquire the vessel was exercised, and, subsequently, the respective provision was reversed.

Restructuring provisions relate mainly to the restructuring of Group head office and Gardline.

Other provisions mainly relate to various claims made against the Group or threatening to be made including potential sanctions, from legal, regulatory and governmental proceedings. The Group disputes these claims and proceedings and has made an assessment of the amount of cash outflows that can be reasonable estimated. As litigation is inherently unpredictable, the possible outcome is uncertain and the amount may differ from the provisions listed above.

27. TRADE AND OTHER PAYABLES

	31 DECEMBER	
	2017	2016
Trade payables	**146,155**	192,526
Taxes and social security payables	**31,787**	66,210
Amounts due to joint ventures and associated companies	**4,584**	1,815
Other creditors and accruals	**829,103**	825,133
	1,011,629	1,085,684

The trade and other payables are generally not interest-bearing.

28. FINANCIAL INSTRUMENTS

GENERAL

Pursuant to the financial policy maintained by the Board of Management, the Group and its Group companies use several financial instruments in the ordinary course of business. The policy with respect to financial instruments is disclosed in more detail in the Annual Report in the Corporate Governance chapter. The Group's financial instruments are cash and cash equivalents, trade and other receivables, certificates of (listed) shares, interest-bearing loans and bank overdrafts, trade and other payables and derivatives. The Group enters into derivative transactions, mainly foreign currency forward contracts, foreign currency options and to a limited extent interest rate swaps, solely to hedge against the related risks. The Group's policy is not to trade in derivatives.

28.1 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk, consisting of: currency risk, interest rate risk and price risk

28.1.1 CREDIT RISK

The Group has a strict acceptance and hedging policy in place for credit risk, resulting from payment and political risks. Credit risks are covered by means of bank guarantees, insurance, advance payments, etc., except where it pertains to creditworthy, first class debtors. Credit risk procedures and the (geographical) diversification of the operations of the Group reduce the risk with regard to credit concentration.

Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. The Group's exposure to credit risk is mainly determined by the characteristics and location of each individual customer.

A large part of the Group's work in progress within the Dredging & Inland Infra and Offshore Energy operational segments 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. Salvage receivables (part of Towage & Salvage) are mainly outstanding with shipping companies and their Protection & Indemnity Associations, or 'P&I clubs'. The creditworthiness of new customers is individually analyzed before payment and delivery terms and conditions are offered. The same applies for contracting activities with clients the Group has done business with previously, even if business has been done for many years. The Group's review may include external credit ratings, if available, and bank references. Customers that fail to meet the Group's creditworthiness criteria may only transact with the Group on the basis of prepayment or a bank guarantee. In general there is a healthy diversification of receivables from different customers in several countries in which the Group performs its activities. Ongoing credit assessment is performed on the financial condition of accounts receivable. The credit history of the Group over recent years indicates that bad debts expenses incurred are insignificant compared to the level of activities. Therefore, management is of the opinion that credit risk is adequately controlled by the currently applicable procedures.

The maximum credit risk as at the balance sheet date, without taking into account the aforementioned financial risk coverage policy and instruments consists of the carrying amounts of the financial assets as stated below:

	31 DECEMBER	
	2017	2016
Financial instruments available-for-sale	**-**	115,379
Other non-current receivables	**1,249**	1,061
Trade receivables	**318,942**	274,429
Amounts due from joint ventures and associated companies	**25,681**	22,647
Other receivables and prepayments	**414,516**	300,852
Derivatives	**29,876**	80,804
Income tax receivable	**17,705**	7,495
Cash and cash equivalents	**191,948**	965,331
	999,917	1,767,998

The maximum credit risk on trade receivables by operational segment was as follows as at the reporting date:

	31 DECEMBER	
	2017	2016
Dredging & Inland Infra	**200,385**	165,498
Offshore Energy	**114,182**	104,045
Towage & Salvage	**3,606**	4,279
Holding & Eliminations	**769**	607
	318,942	274,429

The aging of trade receivables as at 31 December was as follows:

	2017		2016	
	Gross	**Impairment**	Gross	Impairment
Not past due	**196,935**	**- 77**	184,286	-
Past due 0 - 90 days	**61,314**	**- 212**	44,723	- 4,175
Past due 90 - 180 days	**12,825**	**- 92**	3,354	- 177
Past due 180 - 360 days	**10,421**	**- 4,741**	17,951	- 4,726
More than 360 days	**51,767**	**- 9,198**	44,844	- 11,651
	333,262	**- 14,320**	295,158	- 20,729
Impairment	**- 14,320**		- 20,729	
Trade receivables at book value	**318,942**		274,429	

With respect to the trade receivables at book value, there were no indications as at the reporting date that these will not be settled.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017	2016
Balance as at 1 January	**20,729**	19,560
Acquired through business combinations	**42**	299
Reclassified to disposal group	**-**	- 14
Provisions made during the year	**3,898**	11,185
Provisions used during the year	**- 4,396**	- 8,395
Provisions reversed during the year	**- 5,109**	- 935
Currency exchange rate differences	**- 844**	- 971
	- 6,409	1,169
Balance as at 31 December	**14,320**	20,729

Concentration of credit risk of customers
As at reporting date there was no concentration of credit risk with certain customers.

Credit risk cash and cash equivalents
The Group had cash and cash equivalents of EUR 192 million at 31 December 2017 (2016: EUR 965 million), representing its maximum credit risk exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties with investment grade credit ratings.

28.1.2 LIQUIDITY RISK
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is aimed at ensuring that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity projections including available credit facilities are incorporated in the regular management information reviewed by the Board of Management. The focus of the liquidity review is on the net financing capacity, being free cash (see note 22) plus available credit facilities in relation to financial liabilities (see note 24). The total of free cash and available credit facilities at year-end amounted to EUR 0.7 billion. Furthermore, based on the Group's financial ratios it can be concluded that the Group has significant debt capacity available under an (implied) investment grade credit profile.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding both the impact of netting agreements (and in 2016, financial liabilities accounted for as part of the disposal group):

As at 31 December 2017	Book value	Contractual cash flows	One year or less	1 - 5 years	More than 5 years
US private placements	**269,398**	**325,136**	**9,906**	**39,624**	**275,606**
Other interest-bearing borrowings	**1,466**	**1,715**	**347**	**1,368**	**-**
Bank overdrafts	**40,794**	**40,931**	**40,931**	**-**	**-**
Trade and other payables	**1,011,629**	**1,011,629**	**1,011,629**	**-**	**-**
Current tax payable	**148,488**	**148,488**	**148,488**	**-**	**-**
Derivatives	**2,258**	**2,258**	**2,231**	**27**	**-**
	1,474,033	**1,530,157**	**1,213,532**	**41,019**	**275,606**

As at 31 December 2016	Book value	Contractual cash flows	One year or less	1 - 5 years	More than 5 years
US private placements	759,727	830,074	465,001	41,413	323,660
Other interest-bearing borrowings	1,704	1,994	351	1,643	-
Bank overdrafts	1,188	1,198	1,198	-	-
Trade and other payables	1,085,684	1,085,684	1,085,684	-	-
Current tax payable	152,331	152,331	152,331	-	-
Derivatives	9,656	9,656	8,838	818	-
	2,010,290	2,080,937	1,713,403	43,874	323,660

28.1.3 MARKET RISK
Market risk concerns the risk that Group income or the value of investments in financial instruments is adversely affected by changes in market prices, such as currency exchange rates, interest rates and fuel prices. The objective of managing market risks is to keep the market risk position within acceptable boundaries while achieving the best possible return.

Currency risk
The presentation currency of the Group is the euro. A number of Group companies, the most important of which being Dockwise, and substantial strategic investments (Smit Lamnalco, Keppel Smit Towage, Asian Lift and Saam Smit Towage), have other functional currencies than the euro. The main other currency is the US dollar (the functional currency of the Dockwise, Smit Lamnalco and Saam Smit Towage entities) and to a lesser extent the Pound Sterling and Singapore dollar. The revenue and expenses of these companies are largely or entirely based on their functional currency, other than the euro. Group companies and strategic investments with functional currency other than the euro contributed approximately 25% (2016: 30%) to the group revenue, 40% (2016: 40%) to the operating result excluding impairment losses and 35% (2016: 35%) to EBITDA in 2017. The Board of Management has defined a policy to control foreign currency risk based on the hedging of material transactions in foreign currencies by Group companies other than the functional currency. The policy is that these Group companies hedge their currency risks, if material, resulting from operational transactions in currencies other than their functional currency. This is mainly relevant for Group companies involved in dredging or offshore energy projects. The functional currency of a large part of the activities of Group companies is the euro. The expenses of these companies are mainly presented in euros and to a lesser extent in the local currency of the country in which the activities are undertaken. The Group contracts projects mainly in euro, US dollars, Pounds Sterling and currencies which are pegged to the US dollar.

Consequently, the reported financial results and cash flows of the respective operations are exposed to foreign currency risk. The exchange rate of the US dollar and the euro are most relevant in this respect. The Board of Management has defined a policy to mitigate foreign risks by hedging the foreign currency exposure of operational activities, in most cases through forward currency contracts.

The Group uses derivative financial instruments only to hedge related transactions, mainly from future cash flows from contracted projects. The Group applies hedge accounting for its cash flow hedges.

Exposure to currency risk
The Group's currency risk management policy was maintained in 2017 and resulted in a non-material sensitivity of the Group to currency transaction risk.

The following significant exchange rates applied during the year under review:

	Average rate		Spot rate as at 31 December	
Euro	**2017**	2016	**2017**	2016
US Dollar	**1.133**	1.102	**1.201**	1.055
Pound Sterling	**0.874**	0.816	**0.888**	0.884
Singapore Dollar	**1.561**	1.526	**1.605**	1.524

Currency translation risk

Currency translation risk arises mainly from the net asset position of subsidiaries, associated companies and joint ventures, whose functional currency is different than the presentation currency of the Group. Investments are viewed from a long-term perspective. Currency risks associated with investments in these affiliated companies are not hedged, under the assumption that currency fluctuations and interest and inflation developments balance out in the long run. Items in the statements of profit or loss of these subsidiaries are translated at average exchange rates. Currency translation differences are charged or credited directly to equity.

At reporting date the net asset positions of the main subsidiaries, associated companies and joint ventures in functional currencies other than the euro were as follows:

	31 DECEMBER	
Euro	**2017**	2016
US dollar	**891,111**	1,058,871
Pound Sterling	**88,906**	56,373
Singapore dollar	**63,506**	157,255
	1,043,523	1,272,499

For the 2017 financial year, profit before tax, excluding the effect of non-effective cash flow hedges would have been EUR 3.9 million higher (2016: EUR 26.5 million lower) if the corresponding functional currency had strengthened by 5% in comparison to the euro with all other variables, in particular interest rates, held constant. This would have been mainly as a result of currency exchange effects on translation of the result of the above-mentioned affiliates denominated in US dollars. The total impact on the currency translation reserve would have amounted to about EUR 55 million positive (2016: approximately EUR 66 million positive). A 5% weakening of the corresponding functional currency against the euro at year-end would have had the same but opposite effect assuming that all other variables remained constant.

Currency transaction risk, excluding interest-bearing financing

The currency transaction risk for Group companies resulting from future operational transactions in currencies other than their functional currency, can be summarized as follows:

Euro	**2017**	2016
Expected cash flows in US dollars	**176,892**	133,703
Expected cash flows in Australian dollars	**- 9,770**	- 13,043
Expected cash flows in Pounds Sterling	**61,182**	42,204
Expected cash flows in Indian rupees	**83,486**	-
Expected cash flows in Swedish kronors	**44,082**	14,306
Expected cash flows in euros	**- 32,016**	- 115,604
Expected cash flows in other currencies	**12,805**	8,343
Expected cash flows	**336,661**	69,909
Cash flow hedges	**- 330,077**	- 77,176
Net position	**6,584**	- 7,267

Sensitivity analysis

Due to the fact that expected future cash flows in foreign currencies are hedged, the sensitivity to foreign currency risk for financial instruments, excluding interest-bearing financing, is limited for the Group. The Group is mainly funded by interest-bearing borrowings denominated in US dollars (see note 24 'Interest-bearing borrowings'). The US private placements expressed in US dollars are used to hedge, in part, the net investments in Dockwise and Fairmount, including the intercompany financing provided. Therefore, and due in part to hedge accounting, the sensitivity in the profit or loss account is limited for financing in currencies other than the euro.

Interest rate risk

The Group has mainly fixed interest rate liabilities and a revolving multi-currency facility with a variable interest rates. With a view to controlling interest risks, in principle the policy is that interest rates for loans payable are primarily fixed for the entire maturity period. This is achieved by contracting loans that carry a fixed interest rate and/or by using derivatives such as interest rate swaps.

The interest rates and maturity profiles of interest-bearing loans, deposits and cash and cash equivalents are stated below:

As at 31 December 2017	**Interest rate**	**One year or less**	**1 - 5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	**0.00%**	**184,624**	**-**	**-**	**184,624**
Short-term deposits	**2.36%**	**7,324**	**-**	**-**	**7,324**
US Private Placements (USD)	**3.66%**	**-**	**-**	**- 269,398**	**- 269,398**
Other interest-bearing borrowings	**3.40%**	**- 297**	**- 1,169**	**-**	**- 1,466**
Bank overdrafts	**0.34%**	**- 40,794**	**-**	**-**	**- 40,794**
		150,857	**- 1,169**	**- 269,398**	**- 119,710**

As at 31 December 2016	**Interest rate**	**One year or less**	**1 - 5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	0.00%	839,395	-	-	839,395
Short-term deposits	0.35%	125,936	-	-	125,936
US Private Placements (USD)	4.16%	- 437,931	-	- 306,876	- 744,807
US Private Placements (GBP)	5.19%	- 14,920	-	-	- 14,920
Other interest-bearing borrowings	3.40%	- 293	- 1,411	-	- 1,704
Bank overdrafts	1.76%	- 1,188	-	-	- 1,188
		510,999	- 1,411	- 306,876	202,712

The US private placements and some of the cash and cash equivalents, short-term deposits and other interest-bearing borrowings have fixed interest rates.

Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on Group earnings. In the long term, however, permanent changes in interest rates will have an impact on profit.

At the reporting date, the interest rate profile of the Group’s interest-bearing financial instruments was:

	2017	2016
FIXED RATE INSTRUMENTS		
Financial assets	**-**	264,093
Financial liabilities	**- 270,864**	- 761,431
	- 270,864	- 497,338
VARIABLE RATE INSTRUMENTS		
Financial assets	**191,948**	701,238
Financial liabilities	**- 40,794**	- 1,188
	151,154	700,050

A drop of 100 basis points, insofar as possible, in interest rates at 31 December 2017 would have no material impact on the Group’s profit before income tax (2016: no material impact), with all other variables, in particular currency exchange rates, remaining constant. A rise of 100 basis points in interest rates at 31 December 2017 would have also no material impact on the Group’s profit before income tax (2016: increase by a maximum of EUR 7.0 million), with all other variables, in particular currency exchange rates, remaining constant.

Price risks

Risks related to price developments on the purchasing side which are usually borne by the Group, for example developments in wages, costs of materials, sub-contracting costs and fuel, are also taken into account when preparing cost price calculations and tenders. Price index clauses are included in contracts wherever possible, especially on projects that extend over a long period of time.

The Board of Management has established a fuel price risk management policy stipulating approved fuel price risk management instruments. These include: delivery of fuel by the client, price escalation clauses, fixed price supply contracts and financial derivatives (forward, future and swap contracts).

28.2 ON-BALANCE FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments accounted for under assets and liabilities are financial fixed assets, cash and cash equivalents, receivables, and current and non-current liabilities. Derivatives are mainly future cash flows hedged by forward contracts to which hedge accounting is applied. Furthermore, the Group holds a number of interest rate swaps. These are recognized under other derivatives.

The fair value of the forward exchange contracts is based on their listed market price (unadjusted market prices in active markets for identical assets and liabilities) or discounted cash flows based on relevant conditions and durations of the contracts and including public interest rates for comparable instruments as at the balance sheet date, taking into account the credit risk of the counterparty. The fair value of other financial instruments is based on quoted prices or on the actual interest rate as at the balance sheet date, taking into account terms and maturity. The fair value of non-interest-bearing financial instruments with a maturity of twelve months or less is supposed to be equal to their book value.

The fair value of the majority of the financial instruments does not differ materially from the book value, with the exception of a number of loans and other payables with a fixed rate. The fair value of these instruments is disclosed below.

The fair value and the related hierarchy of the aforementioned financial instruments are:

	As at 31 December 2017			As at 31 December 2016		
	CARRYING AMOUNT	**FAIR VALUE**	**HIERACHY**	CARRYING AMOUNT	FAIR VALUE	HIERACHY
Assets						
Derivatives	**29,876**	**29,876**	**2**	80,804	80,804	2
Financial assets available for sale	**-**	**-**	**1**	115,379	115,379	1
Liabilities						
Derivatives	**- 2,258**	**- 2,258**	**2**	- 9,656	- 9,656	2
Interest-bearing borrowings with fixed interest rates	**- 270,864**	**- 279,724**	**3**	- 761,431	- 779,607	3

Derivatives

The composition of outstanding derivatives at year-end is presented below.

2017	WITHIN ONE YEAR	AFTER ONE YEAR	TOTAL
USD forward selling (in US dollar)	**- 128,874**	**- 98,755**	**- 227,629**
USD forward buying (in US dollar)	**7,039**	**-**	**7,039**
Forward selling of other currencies (average contract rates in EUR)	**- 198,611**	**- 76,121**	**- 274,732**
Forward buying of other currencies (average contract rates in EUR)	**81,933**	**34,343**	**116,276**
Fuel hedges (in US dollar)	**1,420**	**-**	**1,420**

2016	WITHIN ONE YEAR	AFTER ONE YEAR	TOTAL
USD forward selling (in US dollar)	- 181,748	- 14,347	- 196,095
USD forward buying (in US dollar)	38,628	-	38,628
Forward selling of other currencies (average contract rates in EUR)	- 88,100	- 28,562	- 116,662
Forward buying of other currencies (average contract rates in EUR)	136,288	20,620	156,908
Fuel hedges (in US dollar)	947	-	947
Interest rate swaps (in EUR)	59,669	-	59,669

The remaining time to maturity of these derivatives is directly related to the remaining time to maturity of the relating underlying contracts in the order book.

Cash flows from forward currency buying and selling can be rolled forward at the settlement date if they differ from the underlying cash flows.

The results on cash flow hedges recognized in Group equity are as follows:

	2017	2016
Hedging reserve as at 1 January	**- 3,905**	- 15,207
Movement in fair value of cash flow hedges recognized in Group equity	**19,470**	- 2,004
Transferred to the Statement of Profit or Loss (Raw materials, consumables, services and subcontracted work)	**1,573**	15,265
Total directly recognized in Group equity	**21,043**	13,261
Taxation	**- 3,257**	- 2,034
Directly charged to hedging reserve (net of taxes)	**17,786**	11,227
Change in fair value of cash flow hedges from joint ventures and associated companies, after taxation	**- 8,415**	6,365
Reclassification of hedge reserve to statement of profit or loss	**-**	- 6,290
	- 8,415	75
Balance of hedging reserve as at 31 December	**5,466**	- 3,905

The results on non-effective cash flow hedges are presented within the costs of raw materials, consumables, services and subcontracted work and amount to EUR 2.2 million positive in 2017 (2016: EUR 1.4 million positive).

Netting of financial instruments

The Group does not net financial instruments in its statement of financial position.

28.3 CAPITAL MANAGEMENT

The Board of Management's policy is to maintain a strong capital base so as to maintain customer, investor, creditor and market confidence and to support the future development of the business. The Board of Management monitors the return on equity, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Management also monitors the level of dividend to be paid to holders of ordinary shares. For the dividend policy, see the Shareholders Information in the Annual Report.

The Board of Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the benefits of a sound capital position. The Group's target is to achieve a long-term return on equity of at least 12%. In 2017 the return was 4.9% (2016: −16.5%); adjusted for 2016 impairments after tax, the return on equity in 2017 was 4.9% (2016: 8.1%).

There were no changes in the Group's approach to capital management during the year. Neither the Group nor any Group companies are subject to externally imposed capital requirements.

The Group's solvency calculated as the ratio of total liabilities (EUR 1,745 million; 2016: EUR 2,441 million) to Group equity (EUR 3,025 million; 2016: EUR 3,123 million) amounted to 0.58 (2016: 0.78) at the reporting date.

28.4 OTHER FINANCIAL INSTRUMENTS

By decision of the General Meeting of Shareholders held on 9 May 2001 the foundation Stichting Continuïteit KBW (the 'Foundation') was granted the right to acquire cumulative protective preference shares in Royal Boskalis Westminster N.V. for an amount equal to the nominal amount of the ordinary shares outstanding at the time of issue of the shares concerned, minus the nominal value of one ordinary share. This right qualifies as a derivative financial liability and is subject to the following important conditions. The cumulative protective preference shares shall only be issued to the Foundation against payment of at least one fourth of the nominal sum. Additional payments on cumulative protective preference shares shall only take place after Royal Boskalis Westminster N.V. will have called these payments. After the issue of cumulative protective preference shares to the Foundation, Royal Boskalis Westminster N.V. is obliged, if the Foundation so requires, to reverse the issue by buyback or by cancellation with repayment, at the discretion of Foundation. The dividend regarding the cumulative protective preference shares, if issued, is equal to the average of the Euribor interest, calculated for loans with a term of one year – pro rata the number of days to which such percentage applied – during the financial year for which the distribution is made, plus a maximum of four percentage points. The lastly mentioned increase shall be determined by the board of directors, subject to the approval of the supervisory board. The interest and credit risk is limited. The fair value of the option right is zero. The option of issuing such cumulative protective preference shares was not exercised during the period under review.

29. COMMITMENTS AND CONTINGENT LIABILITIES

Operational lease obligations

The operational lease obligations relate primarily to the operational lease of some floating and other construction equipment, cars and offices. Additional clauses are not taken into account presuming that these are not unconditional. Non-redeemable operating lease contracts are recognized at nominal amounts and are due as follows:

	2017	2016
Within one year	**24,247**	31,309
Between one and five years	**33,836**	53,547
After more than five years	**11,663**	12,493
	69,746	97,349

Guarantees

The guarantee commitments as at 31 December 2017 amounted to EUR 565 million (2016: EUR 776 million) and can be specified as follows:

	2017	2016
Guarantees provided with respect to:		
Joint ventures	**58,300**	86,000
Contracts and joint operations	**505,300**	689,000
Lease obligations and other financial obligations	**1,400**	1,000
	565,000	776,000

The above-mentioned guarantees outstanding as at 31 December 2017 refer to guarantees and counter guarantees provided to financial institutions for approximately EUR 564 million (2016: approximately EUR 775 million). At year-end 2017, 35 key Group companies were jointly and severally liable in respect of credit facilities and guarantees provided to several Group companies. In respect of these facilities, it has been agreed to limit the provision of further securities on existing property, plant and equipment.

Group companies are jointly and severally liable for the non-consolidated part of the liabilities of their joint operations amounting to EUR 152 million (2016: EUR 244 million). Group companies are also jointly and severally liable for performance obligations for contracts with third parties in project-driven construction consortiums. In addition, certain recourse obligations exist in respect of project financiers and guarantees of deployment relating to equipment. Where deemed necessary, provisions have been made.

In principle the Group does not provide parent company guarantees to its subsidiaries, other than for commercial reasons. Group companies have filed declarations of joint and several liability for a number of subsidiaries with the Chamber of Commerce.

Capital commitments

As at 31 December 2017 capital expenditure commitments amounted to EUR 120 million (year-end 2016: EUR 62 million).

Capital contribution obligations

At year-end 2017 capital contribution obligations relating to Public Private Partnerships ('PPP') amount to nil (2016: EUR 12.5 million, refer to note 17). On behalf of the Group, financial institutions have provided bank guarantees for the amount of the capital contribution obligations as disclosed as part of the aforementioned guarantees and counter guarantees.

Other
Several legal proceedings and investigations, including regulatory and other governmental, are regularly instituted against (entities of) Royal Boskalis Westminster N.V. Provisions were made where deemed necessary and if a reliable estimate of the future cash outflows could be made. Dutch companies form part of a fiscal unity. The companies are therefore liable for the tax obligations of the fiscal unity as a whole.

30. RELATED PARTIES

30.1 IDENTITY OF RELATED PARTIES

The identified related parties of the Group are its Group companies, joint ventures, associated companies (see note 17), 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. There were no significant changes to the companies and people related to the Group other than the following:

- Mr. M. Niggebrugge resigned as a member of the Supervisory Board at the General Meeting of Shareholders on 10 May 2017;
- Gardline Holdings Limited including its group companies, joint ventures and associated companies was acquired on 15 August 2017.

GROUP COMPANIES

The following are the most relevant active Group companies, presented in accordance with the operational segment (division) where the respective entity primarily performs and reports on its activities.

COMPANY	CITY OF INCORPORATION	COUNTRY OF INCORPORATION	2017	2016
DREDGING & INLAND INFRA				
Aannemingsmaatschappij Markus B.V.	Halfweg	The Netherlands	-	100%
Boskalis Environmental B.V. (formerly Boskalis Dolman B.V.)	Papendrecht	The Netherlands	**100%**	100%
Boskalis Dolman Mineraal Recycling B.V.	Rotterdam	The Netherlands	-	100%
Boskalis Dredging & Inland Infra Holding B.V.	Papendrecht	The Netherlands	**100%**	-
Boskalis International B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Nederland B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Nederland Infra B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Secundaire Grondstoffen B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Transport B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Westminster International B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Westminster Shipping B.V.	Papendrecht	The Netherlands	**100%**	100%
BW Marine B.V.	Papendrecht	The Netherlands	**100%**	100%
BW Soco B.V.	Sliedrecht	The Netherlands	**100%**	100%
Cofra B.V.	Amsterdam	The Netherlands	**100%**	100%
G. Markus & Zonen B.V.	Halfweg	The Netherlands	-	100%
Hydronamic B.V.	Sliedrecht	The Netherlands	**100%**	100%
J. van Vliet B.V.	Wormerveer	The Netherlands	**100%**	100%
MNO Grond- Weg- en Waterbouw B.V.	Rotterdam	The Netherlands	**100%**	100%
MNO Vervat B.V.	Nieuw-Vennep	The Netherlands	**100%**	100%
Wassenaar Recreatie Hedel B.V.	Hedel	The Netherlands	-	100%
Zandwinningsbedrijf Ahoy B.V.	Rotterdam	The Netherlands	**100%**	100%
Zinkcon Dekker B.V.	Papendrecht	The Netherlands	**100%**	100%
HDC Wasserbau Nord GmbH	Hamburg	Germany	**100%**	100%
Heinrich Hirdes GmbH	Bremen	Germany	**100%**	100%
Heinrich Hirdes EOD Services GmbH	Hamburg	Germany	**100%**	100%
Heinrich Hirdes Kampfmittelräumung GmbH	Hamburg	Germany	**100%**	100%
Boskalis Westminster Limited	Fareham	United Kingdom	**100%**	100%
Cofra Limited	Fareham	United Kingdom	**100%**	100%
Rock Fall Company Limited	Fareham	United Kingdom	**100%**	100%
Westminster Dredging (Overseas) Limited	Fareham	United Kingdom	**100%**	100%
Westminster Gravels Limited	Fareham	United Kingdom	**100%**	100%
Boskalis Denmark ApS	Copenhagen	Denmark	**100%**	100%
Irish Dredging Company Limited	Cork	Ireland	**100%**	100%
Atlantique Dragage SARL	Saint Germain en Laye	France	**100%**	100%
Sociedad Española de Dragados S.A.	Madrid	Spain	**100%**	100%
Boskalis Italia S.r.l. Unipersonale	Rome	Italy	**100%**	100%
Terramare Oy	Helsinki	Finland	**100%**	100%
Boskalis Sweden AB	Goteborg	Sweden	**100%**	100%
Boskalis Polska Sp. Zo.o	Szczecin	Poland	**100%**	100%
Boskalis S.R.L.	Constanta	Romania	**100%**	100%

COMPANY	CITY OF INCORPORATION	COUNTRY OF INCORPORATION	2017	2016
Terramare Eesti OÜ	Tallinn	Estonia	**100%**	100%
Limited Liability Company "Boskalis"	St. Petersburg	Russian Federation	**100%**	100%
Boskalis Dredging & Inland Infra Holding Limited	Nicosia	Cyprus	**100%**	-
Boskalis Westminster Contracting Limited (formerly Boskalis Westminster Middle East Limited)	Nicosia	Cyprus	**100%**	100%
BW Marine (Cyprus) Limited	Limassol	Cyprus	**100%**	100%
Boskalis Maroc s.a.r.l.	Tangier	Morocco	**100%**	100%
Boskalis do Brasil Dragagem e Serviços Maritímos Ltda	Rio de Janeiro	Brazil	**100%**	100%
Stuyvesant Environmental Contracting, LLC	Wilmington	United States of America	**100%**	100%
Stuyvesant Projects Realization, Inc.	Wilmington	United States of America	**100%**	100%
Boskalis Canada Dredging & Marine Service Ltd	Vancouver	Canada	**100%**	100%
Dragamex S.A. de CV	Mexico City	Mexico	**100%**	100%
Boskalis Panama S.A.	Panama City	Panama	**100%**	100%
Boskalis Guyana Inc.	Georgetown	Guyana	**100%**	100%
Boskalis International Uruguay S.A.	Montevideo	Uruguay	**100%**	100%
Dravensa C.A.	Caracas	Venezuela	**100%**	100%
Nigerian Westminster Dredging and Marine Limited	Lagos	Nigeria	**60%**	60%
Boskalis Westminster Contracting FZE	Lekki	Nigeria	**100%**	-
BKI Gabon S.A.	Libreville	Gabon	**100%**	100%
Boskalis International Maldives Private Limited	Male	Maldives	**100%**	100%
Boskalis Mozambique Limitada	Maputo	Mozambique	**100%**	100%
Boskalis Westminster Oman LLC *	Muscat	Oman	**49%**	49%
Boskalis Westminster Al Rushaid Co Ltd. *	Al Khobar	Saudi Arabia	**49%**	49%
Boskalis Australia Pty Ltd	Perth	Australia	**100%**	100%
Boskalis International (S) Pte Ltd	Singapore	Singapore	**100%**	100%
Koon Zinkcon Pte Ltd *	Singapore	Singapore	**50%**	50%
Zinkcon Marine Singapore Pte. Ltd.	Singapore	Singapore	**100%**	100%
P.T. Boskalis International Indonesia	Jakarta	Indonesia	**100%**	100%
Boskalis Smit India LLP	Mumbai	India	**100%**	100%
Beijing Boskalis Dredging Technology Co Ltd.	Beijing	China	**100%**	100%
Boskalis Taiwan Limited	Taipei	Taiwan	**100%**	100%
OFFSHORE ENERGY				
Boskalis CTD - Offshore B.V.	Papendrecht	The Netherlands	**100%**	-
Boskalis Holding I (dollar) B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Holding II (dollar) B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Contracting B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Fleet Management B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Holding B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore International B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Offshore International Holding B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Marine Contracting B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Offshore Marine Services B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Subsea Contracting B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Offshore Subsea Services (Europe) B.V.	Papendrecht	The Netherlands	**100%**	100%
Dockwise B.V.	Breda	The Netherlands	**100%**	100%
Dockwise Shipping B.V.	Breda	The Netherlands	**100%**	100%
Dockwise Transporter B.V.	Breda	The Netherlands	**100%**	100%
Dockwise Vanguard B.V.	Breda	The Netherlands	**100%**	100%
Fairmount Alpine B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairmount Expedition B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairmount Glacier B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairmount Marine B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairmount Ocean Towage Company B.V.	Rotterdam	The Netherlands	**-**	100%
Fairmount Sherpa B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairmount Summit B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairstar Finesse B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairstar Fjell B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairstar Fjord B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairstar Forte B.V.	Rotterdam	The Netherlands	**100%**	100%
Fairstar Heavy Transport N.V.	Rotterdam	The Netherlands	**100%**	100%
Offshore Equipment B.V.	Papendrecht	The Netherlands	**100%**	100%
Stemat B.V.	Rotterdam	The Netherlands	**100%**	100%
Stemat Beheer B.V.	Rotterdam	The Netherlands	**100%**	100%
Stemat Holding B.V.	Rotterdam	The Netherlands	**100%**	100%
Stemat Support Services B.V.	Rotterdam	The Netherlands	**100%**	100%
Talisman B.V.	Breda	The Netherlands	**100%**	100%
Target B.V.	Breda	The Netherlands	**100%**	100%

COMPANY	CITY OF INCORPORATION	COUNTRY OF INCORPORATION	2017	2016
Tranship B.V.	Den Helder	The Netherlands	**100%**	-
Treasure B.V.	Breda	The Netherlands	**100%**	100%
Triumph B.V.	Breda	The Netherlands	**100%**	100%
Trustee B.V.	Breda	The Netherlands	**100%**	100%
VBMS B.V.	Papendrecht	The Netherlands	**100%**	100%
VBMS Holding B.V.	Papendrecht	The Netherlands	**100%**	100%
White Marlin B.V.	Papendrecht	The Netherlands	**100%**	100%
Dockwise Transport N.V.	Curacao	Curacao	**100%**	100%
Boskalis Offshore Marine Services N.V.	Antwerp	Belgium	**100%**	100%
Boskalis Offshore Transport Services N.V.	Antwerp	Belgium	**100%**	100%
Dredging & Contracting Belgium N.V.	Overijse	Belgium	**100%**	100%
Unie van Redding- en Sleepdienst N.V.	Antwerp	Belgium	**100%**	100%
Boskalis Offshore GmbH	Hamburg	Germany	**100%**	100%
Boskalis Offshore International GmbH	Wilhelmshaven	Germany	**100%**	100%
VBMS GmbH	Wilhelmshaven	Germany	**100%**	100%
Alicat Workboats Limited	Great Yarmouth	United Kingdom	**100%**	-
Boskalis Offshore Limited	Hoddesdon	United Kingdom	**100%**	100%
Boskalis Offshore CI Limited	Hoddesdon	United Kingdom	**100%**	100%
C.A. Design Services Limited	Great Yarmouth	United Kingdom	**100%**	-
Gardline Geosurvey (Norway) Limited	Great Yarmouth	United Kingdom	**100%**	-
Gardline Limited	Great Yarmouth	United Kingdom	**100%**	-
Gardline Marine Sciences Limited	Great Yarmouth	United Kingdom	**100%**	-
Gardline Shipping Limited	Great Yarmouth	United Kingdom	**100%**	-
VBMS (UK) Limited	Hoddesdon	United Kingdom	**100%**	100%
VBMS ApS	Copenhagen	Denmark	**100%**	100%
Boskalis Offshore AS	Stavanger	Norway	**100%**	100%
Boskalis Offshore Subsea Contracting Azerbaijan LLC	Baku	Azerbaijan	**100%**	100%
Alpine Ocean Seismic Survey Inc	Norwood	United States of America	**75%**	-
Gardline Marine Sciences Inc	Wilmington	United States of America	**100%**	-
Smit Marine South Africa (Pty) Ltd.	Cape Town	South Africa	**100%**	100%
Boskalis Offshore Subsea Services (Middle East) L.L.C.*	Dubai	United Arab Emirates	**49%**	49%
Boskalis Offshore Subsea Services (Australia) Pty Ltd	Chatswood	Australia	**100%**	100%
Gardline Pte Ltd	Singapore	Singapore	**100%**	-
Smit Holding Singapore Pte. Ltd.	Singapore	Singapore	**100%**	100%
Smit Shipping Singapore Pte. Ltd.	Singapore	Singapore	**100%**	100%
Smit Singapore Pte. Ltd.	Singapore	Singapore	**100%**	100%
Smit Tak Heavy Lift (S) Pte. Ltd.	Singapore	Singapore	**100%**	100%
TOWAGE & SALVAGE				
Rotterdam Tug B.V.	Rotterdam	The Netherlands	**100%**	100%
SMIT Salvage B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Towage Brasil B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Towage Europe B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Towage Holding B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Towage Mexico B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Towage Terminals B.V.	Papendrecht	The Netherlands	**100%**	100%
HOLDING & ELIMINATIONS				
Baggermaatschappij Boskalis B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Finance B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Holding B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Marine Infrastructure Investments B.V.	Papendrecht	The Netherlands	**100%**	100%
Boskalis Westminster Dredging B.V.	Papendrecht	The Netherlands	**100%**	100%
Smit Internationale Beheer B.V.	Rotterdam	The Netherlands	**100%**	100%
Smit Internationale N.V.	Papendrecht	The Netherlands	**100%**	100%
Smit International Overseas B.V.	Rotterdam	The Netherlands	**100%**	100%
Smit Nederland B.V.	Rotterdam	The Netherlands	**100%**	100%
Smit Vessel Management Services B.V.	Rotterdam	The Netherlands	**100%**	100%
Boskalis Germany Holding GmbH	Hamburg	Germany	**100%**	100%
UAB "Boskalis Baltic"	Klaipeda	Lithuania	**100%**	100%
B.K.W. Dredging & Contracting Limited	Nicosia	Cyprus	**100%**	100%
Boskalis Westminster Dredging Limited	Limassol	Cyprus	**100%**	100%

* The Group holds a legal interest of 50% or less in these entities, but has the majority of voting power. As a consequence, the Group consolidates these subsidiaries in accordance with the principles of financial reporting set out in paragraph 3.

OTHER RELATED PARTIES

Strategic investments
The main active joint ventures and associated companies are mentioned in note 17.

Pension plans classified as funded defined benefit pension plans
See note 25.1 for information on pension plans that are classified as funded defined benefit pension plans in accordance with IAS 19. There were no changes and further material transactions with these pension funds as disclosed in this note.

Members of the Board of Management and members of the Supervisory Board
The only key management officers qualifying as related parties are the members of the Board of Management and the members of the Supervisory Board.

30.2 RELATED PARTY TRANSACTIONS

Strategic investments
Transactions with joint ventures and associated companies as part of regular business take place under normal business conditions at arm's length. In 2017 these transactions regarding sales and purchases amounted to EUR 41.0 million and EUR 16.4 million, respectively (2016: EUR 71.1 million and EUR 15.8 million, respectively). In October 2017 the Company granted two loans to SAAone Holding B.V. of EUR 13.6 million in total, of which the majority has an interest rate of 9%. Amounts receivable from and amounts payable to joint ventures and associated companies were EUR 25.7 million and EUR 4.6 million, respectively (2016: EUR 22.6 million and EUR 1.8 million, respectively).

Transactions with members of the Board of Management and members of the Supervisory Board
The remuneration of current and former members of the Board of Management and Supervisory Board of the Company in 2017 and 2016 were as follows:

	ANNUAL SALARIES AND REMUNERATION	EMPLOYER'S PENSION CONTRIBUTIONS	SHORT-TERM AND LONG-TERM VARIABLE REMUNERATION PAID*	OTHER REIMBURSE-MENTS	TOTAL*	2016*
Members of the Board of Management						
Dr. P.A.M. Berdowski	**793**	**205**	**815**	**28**	**1,841**	2,572
T.L. Baartmans	**574**	**148**	**536**	**31**	**1,289**	1,658
J.H. Kamps	**574**	**148**	**536**	**28**	**1,286**	1,657
F.A. Verhoeven (up to 10 May 2016)	**-**	**-**	**-**	**-**	**-**	1,410
	1,941	**501**	**1,887**	**87**	**4,416**	7,297
Members of the Supervisory Board						
J.M. Hessels	**66**			**2**	**68**	68
Ms. I. Haaijer (from 10 November 2016)	**52**			**2**	**54**	7
H.J. Hazewinkel	**51**			**2**	**53**	47
M. Niggebrugge (up to 10 May 2017)	**22**			**1**	**23**	62
J. van der Veer	**52**			**2**	**54**	54
J. N. van Wiechen	**56**			**2**	**58**	58
C. van Woudenberg	**52**			**2**	**54**	54
	351			**13**	**364**	350
Total 2017	**2,292**	**501**	**1,887**	**100**	**4,780**	
Total 2016	2,480	1,220	3,840	107		7,647

* The EU-IFRS expenses for the members of the Board of Management deviate from the remuneration as disclosed in the table above. The EU-IFRS short-term and long-term variable remuneration expenses as charged to the statement of profit or loss include, in addition to the paid variable remuneration as disclosed above the changes in the accrued expenses for future payments of variable remuneration and amount for Dr. P.A.M. Berdowski to EUR 1,374 thousand, for Mr. T.L. Baartmans EUR 575 thousand and for Mr. J.H. Kamps EUR 575 thousand which adds up to EUR 2,524 thousand (2016: EUR 1,562 thousand). The total EU-IFRS remuneration expense for Dr. P.A.M. Berdowski amounts to EUR 2,400 thousand, for Mr. T.L. Baartmans EUR 1,328 thousand, and for Mr. J.H. Kamps to EUR 1,325 thousand which adds up to EUR 5,053 thousand in total (2016: EUR 5,393 thousand).

Employer's pension contributions
Employer's pension contributions include the pension compensation for salaries exceeding EUR 103.3 thousand, as well as the pension premiums paid (EUR 26 thousand per person).

Long-term incentive plan
The members of the Board of Management participate in long-term (three-year) incentive plans, which are based partly on the development of the share price of the ordinary shares of Boskalis and partly on the realization of certain objectives, which are defined by the Supervisory Board and are in line with the strategic agenda and the objectives of Boskalis.

The variable remuneration paid in 2017 is related to the achievement of certain targets during the 2016 financial year (short-term variable remuneration: EUR 822 thousand) and the achievement of certain targets during the 2014 - 2016 period (long-term variable remuneration: EUR 1,065 thousand).

Multi-year overview of variable remuneration
The following variable remuneration was granted to the members of the Board of Management with regard to the years 2015, 2016 and 2017:

	Year of payment		
	2018	2017	2016
Dr. P.A.M. Berdowski	**859**	815	1,190
T.L. Baartmans	**536**	536	775
J.H. Kamps	**536**	536	736
F.A. Verhoeven (up to 10 May 2016)	**-**	-	1,139
Total	**1,931**	1,887	3,840

Balance sheet position
On 31 December 2017 the Group recognized a liability in the balance sheet item Trade and other payables of EUR 2.3 million (2016: EUR 1.9 million) relating to the long-term incentive plans for the periods 2015 – 2017, 2016 – 2018 and 2017 – 2019.

30.3 JOINT OPERATIONS
The Group has activities in the Dredging & Inland Infra and Offshore Energy operational segments through joint operations which are not related parties as defined in IFRS. Legally these joint operations comprise project-driven construction consortiums. In joint operations joint control is established by contract and the Group has rights to the assets and is liable for the debts of the operations. An amount of EUR 219 million of Group revenue was realized through joint operations (2016: EUR 382 million). The balance sheet of the Group holds current assets of EUR 157 million (2016: EUR 162 million), including cash and cash equivalents (refer to note 22) and an amount of EUR 263 million (2016: EUR 287 million) of current liabilities that was included on a pro-rata basis in accordance with the Group's interest in these joint operations. Temporary and other surpluses and shortages in the financing of a joint operation are withdrawn or financed by the partners in the joint operation. At year-end 2017, Group companies owed joint operations an amount of EUR 197.3 million (2016: EUR 177.2 million) and held EUR 81.1 million (2016: EUR 63.5 million) in receivables from joint operations. Similar to contracts of Group companies, guarantees are also provided for contracts of joint operations by the Group or one of its Group companies. The guarantee commitments regarding joint operations are disclosed in note 29 as part of the guarantee commitments relating to contracts and joint ventures. Group companies are jointly and severally liable for the non-consolidated part of the liabilities of their joint operations which are disclosed in note 28. The guarantees provided are predominantly backed up by comparable receivables from the clients of the joint operations, reducing the Group's exposure.

The table below shows the legal share in the major joint operations (project driven construction consortiums) in which the Group is involved:

ENTITY	COUNTRY OF INCORPORATION	2017	2016
DREDGING & INLAND INFRA			
Boskalis Van Oord Pluit City JV V.O.F.	The Netherlands	**50%**	50%
BPL Beton	The Netherlands	**50%**	50%
BPL Wegen	The Netherlands	**50%**	50%
Combinatie BadhoeverBogen V.O.F.	The Netherlands	**20%**	20%
Combinatie BaggerIJ	The Netherlands	**50%**	50%
Combinatie IJsselweide	The Netherlands	**50%**	50%
Combinatie Isala Delta	The Netherlands	**50%**	50%
Combinatie Ommelanderdiek	The Netherlands	**70%**	70%
Combinatie Regenboog V.O.F.	The Netherlands	**38%**	38%
Combinatie Tessel	The Netherlands	**70%**	70%
Combinatie Wilhelminakanaal	The Netherlands	**33%**	33%
Combinatie Houtribdijk V.O.F.	The Netherlands	**50%**	-
MSB Grind & Zand V.O.F	The Netherlands	**33%**	33%
Projectorganisatie Uitbreiding Maasvlakte (PUMA)	The Netherlands	**50%**	50%
SAAone EPCM Bouwcombinatie V.O.F.	The Netherlands	**30%**	30%
SAAone GWW V.O.F.	The Netherlands	**50%**	50%
Unie van Marken V.O.F.	The Netherlands	**70%**	70%
ZSNH Combinatie Van Oord/Boskalis V.O.F.	The Netherlands	**50%**	50%
NMDC-Boskalis-Van Oord-Jan de Nul Consortium for Suez Canal Project	Egypt	**25%**	25%
Ras Laffan Port Extension	Qatar	**50%**	50%
Penta-Ocean Koon DI Boskalis Ham JV (Jurong 4)	Singapore	**17%**	17%
Boskalis Jan de Nul - Dragagens E Afins LDA	Angola	**50%**	50%
Bahia Blanca	Argentina	**50%**	50%
Fehmarn Belt Contractors I/S	Denmark	**50%**	-
BSI – JDN Joint - Venture	India	**51%**	-
OFFSHORE ENERGY			
Boskalis Offshore AS - Tideway V.O.F.	The Netherlands	**50%**	50%
Thames JV	The Netherlands	**50%**	50%
Tideway-Boskalis JV	The Netherlands	**50%**	50%
Vulcan & Viking JV	The Netherlands	**50%**	50%
Nord Stream 2 Rock Joint Venture	The Netherlands	**50%**	-
VBNK Borssele V.O.F.	The Netherlands	**50%**	-

COMPANY STATEMENT OF PROFIT OR LOSS

(in thousands of EUR)	Note	2017	2016
OPERATING INCOME			
Other operating income	[8]	**5,570**	8,442
		5,570	8,442
OPERATING EXPENSES			
Other operating expenses	[8]	**- 5,570**	- 8,442
		- 5,570	- 8,442
PROFIT/LOSS (-) BEFORE TAXATION		**-**	-
Result of group company	[3]	**150,469**	- 563,730
NET PROFIT/LOSS (-)		**150,469**	- 563,730

COMPANY STATEMENT OF FINANCIAL POSITION

(BEFORE PROFIT APPROPRIATION)

		31 DECEMBER	
(in thousands of EUR)	Note	2017	2016
ASSETS			
Non-current assets			
Investments in group companies	[3]	**3,020,710**	3,120,236
		3,020,710	3,120,236
Current assets			
Amounts due from group companies		**2,228**	937
		2,228	937
Total assets		**3,022,938**	3,121,173
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	[4]	**1,334**	1,301
Share premium	[4]	**636,988**	637,006
Other legal reserves	[5]	**221,970**	214,339
Hedging reserve	[5]	**5,466**	- 3,905
Revaluation reserve	[5]	**101,996**	102,458
Currency translation reserve	[5]	**199,777**	339,018
Other reserves	[5]	**- 21,856**	- 14,088
Retained earnings		**1,726,794**	2,408,774
Profit/loss (-) for the year	[6]	**150,469**	- 563,730
		3,022,938	3,121,173
Total equity and liabilities		**3,022,938**	3,121,173

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of EUR)	Note	Balance as at 1 January 2017	Repurchase own ordinary shares	Cash dividend	Stock dividend	Movement retained earnings	Other movements	Total recognized income and expenses	Balance as at 31 December 2017
Issued capital	[4]	1,301			33				1,334
Share premium	[4]	637,006			- 18				636,988
		638,307			15				638,322
Other legal reserves	[5]	214,339					7,631	-	221,970
Hedging reserve	[5]	- 3,905					-	9,371	5,466
Revaluation reserve	[5]	102,458					- 462	-	101,996
Currency translation reserve	[5]	339,018					-	- 139,241	199,777
Other reserves	[5]	- 14,088					-	- 7,768	- 21,856
Retained earnings		2,408,774	- 81,176			- 593,278	- 7,169	- 357	1,726,794
		3,046,596	- 81,176			- 593,278	-	- 137,995	2,234,147
Profit/loss (-) appropriation 2016		- 563,730		- 29,533	- 15	593,278		-	-
Net profit/loss (-) 2017		-			-	-		150,469	150,469
Profit/loss (-) for the year	[6]	- 563,730		- 29,533	- 15	593,278		150,469	150,469
Shareholders' equity		3,121,173	- 81,176	- 29,533	-	-	-	12,474	3,022,938

(in thousands of EUR)	Note	Balance as at 1 January 2016	Amendment to Articles of Association	Cash dividend	Stock dividend	Movement retained earnings	Other movements	Total recognized income and expenses	Balance as at 31 December 2016
Issued capital	[4]	100,501	- 102,760		3,560				1,301
Share premium	[4]	535,807	102,760		- 1,561				637,006
		636,308	-		1,999				638,307
Other legal reserves	[5]	320,889					- 106,550	-	214,339
Hedging reserve	[5]	- 15,207					-	11,302	- 3,905
Revaluation reserve	[5]	45,619					56,839	-	102,458
Currency translation reserve	[5]	314,683					-	24,335	339,018
Other reserves	[5]	- 44,209					39,763	- 9,642	- 14,088
Retained earnings		2,016,052				382,417	9,948	357	2,408,774
		2,637,827				382,417	-	26,352	3,046,596
Profit/loss (-) appropriation 2015		440,178		- 55,762	- 1,999	- 382,417		-	-
Net profit/loss (-) 2016		-		-	-	-		- 563,730	- 563,730
Profit/loss (-) for the year	[6]	440,178		- 55,762	- 1,999	- 382,417		- 563,730	- 563,730
Shareholders' equity		3,714,313	-	- 55,762	-	-	-	- 537,378	3,121,173

EXPLANATORY NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL

The company financial statements of Royal Boskalis Westminster N.V. (the 'Company') are included in the Consolidated Financial Statements 2017 of Royal Boskalis Westminster N.V.

2. PRINCIPLES OF FINANCIAL REPORTING

2.1 ACCOUNTING POLICIES

The company financial statements have been drawn up using the reporting standards applied for preparing the consolidated financial statements, in accordance with Section 362(8), Part 9 of Book 2 of the Dutch Civil Code except for the investment in its subsidiary. Based on Section 362(1), Part 9 of Book 2 of the Dutch Civil Code, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounting principles are disclosed in note 3 of the consolidated financial statements, unless stated otherwise below.

2.2 FORMAT

Unless stated otherwise, all amounts in these explanatory notes are stated in thousands of euros. The company statement of financial position is drawn up before profit appropriation.

2.3 INVESTMENTS IN GROUP COMPANIES

Investments in Group companies are accounted for using the accounting policies for assets, liabilities, provisions and profit or loss, as described in the principles of financial reporting and applied in the consolidated financial statements of Royal Boskalis Westminster N.V.

2.4 AMOUNTS DUE FROM GROUP COMPANIES

Amounts due from Group companies are stated initially at fair value and subsequently at amortized cost, using the effective interest rate, less impairments.

2.5 AMOUNTS DUE TO GROUP COMPANIES

Amounts due to Group companies are recognized initially at fair value and subsequently at amortized cost, using the effective interest rate.

2.6 RESULT OF GROUP COMPANY

Result of group company consists of the share of the Company in the result after taxation of its Group company. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealized.

3. INVESTMENTS IN GROUP COMPANIES

Investments in Group companies solely consist of the 100% investment in Boskalis Westminster Dredging B.V., Papendrecht. The table below shows the movements in this investment:

	2017	2016
Balance as at 1 January	**3,120,236**	3,708,614
Dividend received	**- 112,000**	- 51,000
Profit/loss (-) for the year	**150,469**	- 563,730
Movements directly recognized in equity of group company	**- 137,995**	26,352
Balance as at 31 December	**3,020,710**	3,120,236

See notes 17 and 30.1 of the consolidated financial statements 2017 for an overview of the most important directly and indirectly held Group companies.

4. ISSUED CAPITAL AND OPTIONAL DIVIDEND

The authorized share capital of EUR 4.8 million (2016: EUR 4.8 million) is divided into 240,000,000 (2016: 240,000,000) ordinary shares with a par value of EUR 0.01 (2016: EUR 0.01) each and 80,000,000 (2016: 80,000,000) cumulative protective preference shares with a par value of EUR 0.03 (2016: EUR 0.03) each.

In 2017 a dividend of EUR 1.00 per share was distributed to the 2016 financial year for a total amount of EUR 130.1 million. Of all shareholders 77% opted for a dividend in ordinary shares. As a result 3,275,042 new ordinary shares were issued.

(in number of ordinary shares)	**2017**	2016
Issued and fully paid shares entitled to dividend at 1 January	**130,076,852**	125,627,062
Stock dividend	**3,275,042**	4,449,790
Issued and fully paid shares entitled to dividend at 31 December	**133,351,894**	130,076,852
Repurchased shares	**- 2,674,601**	-
Shares entitled to dividend at 31 December	**130,677,293**	130,076,852

The issued capital as at 31 December 2017 consisted of 130,677,293 ordinary shares with a par value of EUR 0.01 each (2016: EUR 0.01) for a total amount of EUR 1.3 million (2016: EUR 1.3 million). On 3 July 2017 the Group initiated a share repurchase program. In 2017 2,674,601 shares were repurchased for an amount of EUR 81.2 million (including EUR 2.9 million dividend tax). The Stichting Continuïteit KBW received an option right to acquire cumulative protective preference shares in Royal Boskalis Westminster N.V. This option has not been exercised yet. Share premium comprises additional paid-in capital exceeding the par value of outstanding shares. Share premium is distributable free of tax.

5. OTHER RESERVES

With regard to the difference between the cost price and equity value of joint ventures and associated companies recognized in accordance with the equity method, a legally required reserve is recognized due to a lack of control over the distribution of profits, only to the extent that these differences are not included in the accumulated currency translation differences on foreign operations. The legal reserve for non-distributed profits of group and/or joint ventures and associated companies amounted to EUR 222.0 million at the end of 2017 (2016: EUR 214.3 million). The legal reserve for associated companies is determined on an individual basis.

The other reserves recognized in the company balance sheet are disclosed in the notes to the consolidated financial statements (note 23.6).

6. PROFIT OR LOSS FOR THE YEAR

An amount of EUR 19.8 million will be added to the retained earnings. The proposal to the Annual General Meeting will be to appropriate the remainder, EUR 130.7 million, for a dividend payment of EUR 1.00 per ordinary share.

The proposed dividend will be made payable in ordinary shares that will be charged to the tax-exempt share premium or charged to the retained earnings, with the exception of shareholder requests for payment in cash.

7. FINANCIAL INSTRUMENTS

General
Pursuant to its use of financial instruments, the Group is exposed to credit risk, liquidity risk and market risk. The notes to the consolidated financial statements provide information on the Group's exposure to each of these risks, its objectives, principles and procedures for managing and measuring these risks, as well as group capital management. These risks, objectives, principles and procedures for managing and measuring these risks as well as capital management apply mutatis mutandis to the company financial statements of Royal Boskalis Westminster N.V.

Fair value
The fair value of the majority of the financial instruments presented in the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities are close to their carrying value.

8. OPERATING INCOME AND EXPENSES

Other operation expenses comprise the remuneration of the members of the Board of Management and members of the Supervisory Board for a total amount of EUR 4.8 million (2016: EUR 7.6 million) (see note 30.2) as well as other third party expenses of EUR 0.8 million (2016: EUR 0.8 million). Other operating expenses are born by Group companies and these are reported as Other operating income.

9. REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT AND MEMBERS OF THE SUPERVISORY BOARD

The remuneration of members of the Board of Management and members of the Supervisory Board is disclosed in the consolidated financial statements under Related party transactions (note 30.2).

10. AUDITOR REMUNERATION

Ernst & Young Accountants LLP and its entire network charged the following fees to the Company and its subsidiaries:

	2017			2016		
	ERNST & YOUNG ACCOUNTANTS LLP	OTHER EY NETWORK	TOTAL	ERNST & YOUNG ACCOUNTANTS LLP	OTHER EY NETWORK	TOTAL
Audit of financial statements	**1,778**	**483**	**2,261**	1,705	542	2,247
Other audit engagements	**118**	**8**	**126**	88	22	110
Tax advisory services	**-**	**358**	**358**	-	352	352
Other non-audit services	**-**	**-**	**-**	–	–	-
Total	**1,896**	**849**	**2,745**	1,793	916	2,709

In addition to the statutory audit of the financial statements, Ernst & Young Accountants LLP provided the following services:

- Audits of financial statements of group entities
- Services in accordance with ISA 800 'Audits of financial statements prepared in accordance with special purpose framework'
- Services in accordance with ISA 2400 ''Engagements to review historical financial statements'
- Services in accordance with ISA 3000 'Assurance engagements other than audits or reviews of historical financial information'
- Services in accordance with ISA 4400 'Engagements to perform agreed upon procedures'.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Royal Boskalis Westminster N.V. heads a fiscal unity. The Company is therefore liable for the tax obligations of the fiscal unity as a whole.

The Company has arrangements with third parties, amongst which banks and pension funds. These arrangements are on behalf of Group companies. Because the risks and rewards are with these Group companies, the costs are charged to these companies and the liabilities are recognized by these companies. The Company is jointly and severally liable for the fulfillment of obligations.

The Company has issued no guarantees on behalf of project-driven construction consortiums and Group companies' own contracts as at 31 December 2017 (2016: EUR 1.0 million). Certain recourse obligations exist in respect of project financing. Where necessary, provisions are deemed to have been made.

Some legal proceedings and investigations are ongoing with respect to entities of Royal Boskalis Westminster N.V. Where necessary, provisions are deemed to have been made.

Papendrecht / Sliedrecht, 7 March 2018

Supervisory Board
J.M. Hessels, chairman
H.J. Hazewinkel, deputy chairman
Ms. I. Haaijer
J. van der Veer
J.N. van Wiechen
C. van Woudenberg

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

PROVISIONS IN THE ARTICLES OF ASSOCIATION RELATING TO PROFIT APPROPRIATION

ARTICLE 27.

1. If possible, from the profits gained in any financial year shall first be paid on the cumulative protective preference shares the percentage, defined below, of the amount that was required to be paid on those shares at the start of the financial year to which the distribution pertains. The percentage meant above is equal to the average of the Euribor interest, calculated for loans with a term of one year – pro rata the number of days to which such percentage applied – during the financial year for which the distribution is made, plus a maximum of four percentage points; the lastly mentioned increase shall be determined by the board of directors, subject to the approval of the supervisory board. If, in the financial year for which the abovementioned distribution is made, the amount that was required to be paid on the cumulative protective preference shares has been decreased or – as a result of a resolution to require additional payments – raised, the distribution will be decreased or – if possible – increased, respectively, by an amount that is equal to the aforementioned percentage of the amount of the decrease or increase, respectively, calculated from the time of the decrease or the time the additional payment became obligatory, respectively. If, in the course of any financial year, cumulative protective preference shares have been issued, the dividend on those cumulative protective preference shares will be decreased pro rata until the day of issue, counting part of a month as a whole month.
2. If and to the extent the profits are not sufficient to allow for the distribution referred to in paragraph 1 in full, any shortfall shall be paid out of the reserves with due observance of the provision of the law.
3. In case in any financial year the profits referred to in paragraph 1 are not sufficient to allow for the distributions referred to in this article, and no distributions or only partial distributions are made from the reserves as referred to in paragraph 2, as a result of which the shortfall is not or not fully paid out, the conditions in this paragraph above and in the following paragraphs will only apply after the shortfall will have been settled. After application of paragraphs 1, 2 and 3, no further distributions shall be made on the cumulative protective preference shares.
4. The board of directors shall decide, subject to the approval of the supervisory board, which part of the profits remaining will be reserved. What remains of the profits after reserving as referred to in the preceding sentence, shall be at the disposal of the general meeting of shareholders and, when distributed, shall be paid to the holders of ordinary shares pro rata the number of ordinary shares they hold.

ARTICLE 28.

1. Dividends will be paid out thirty days after adoption of the relevant resolution or as soon as the board of directors decides.
2. Dividends which remain unclaimed for five years from the day they become due and payable, shall accrue to the company.
3. In case the board of directors, subject to the approval of the supervisory board, adopts a resolution to that effect, interim dividends shall be paid out, with due observance of the preference of the cumulative protective preference shares and the provisions of Section 2:105 of the Dutch Civil Code.
4. The general meeting of shareholders may resolve to pay out dividends in the form of shares in the company or depository receipts for those shares, in full or in part, provided that it does so pursuant to a proposal of the board of directors.
5. The company can only make distributions to the shareholders insofar as its equity capital exceeds the amount of the issued capital, plus the reserves that must be maintained by law or in accordance with the articles of association.
6. A shortfall may only be paid from a statutory reserve to the extent permitted by law.

PROPOSED PROFIT APPROPRIATION

The amount of EUR 19.8 million will be added to the retained earnings. The proposal to the Annual General Meeting will be to appropriate the remainder, EUR 130.7 million, for a dividend payment to the shareholders of EUR 1.00 per ordinary share.

The proposed dividend will be made payable in ordinary shares that will be charged to the tax-exempt share premium reserve or charged to the retained earnings, unless a shareholder expressly requests payment in cash.

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders and Supervisory Board of Royal Boskalis Westminster N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2017 of Royal Boskalis Westminster N.V., based in Sliedrecht, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Royal Boskalis Westminster N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Royal Boskalis Westminster N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2017
- The company profit and loss account for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

BASIS FOR OUR OPINION

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

We are independent of Royal Boskalis Westminster N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

MATERIALITY

MATERIALITY	EUR 18.0 million (2016: EUR 16.0 million)
BENCHMARK APPLIED	0.75% of revenue
EXPLANATION	Based on our professional judgment we consider an activity based measure as the most appropriate basis to determine materiality. In prior years materiality was based on profit before tax. Given the current market conditions we consider revenue a more stable and appropriate measure to determine materiality. We applied a percentage of 0.75%, which is the mid-end of an acceptable range.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.9 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Royal Boskalis Westminster N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal Boskalis Westminster N.V.

Our group audit mainly focused on significant group entities and joint ventures in terms of size and/or risk, within the operating segments Dredging & Inland Infra, Offshore Energy and Towage & Salvage. We performed most of the audit procedures at those segments ourselves. For the audit work in amongst others Australia, Mexico, Singapore, Germany and the UK, we used other EY network firms.
We have used the work of other non-EY firms when auditing a number of entities, especially in the Middle East and France, which represented approximately 5% of the net turnover.
Also certain joint ventures were audited by non-EY firms.

In total these procedures represent approximately 92% of the group's revenue.

We performed audit procedures on certain accounting areas at group level, such as impairment tests of goodwill, assessment of impairment indicators of property, plant and equipment, acquisitions and pension accounting. We also visited project sites in the Netherlands, UK and Oman where we had meetings with local project-management to discuss and to obtain a better understanding of the progress and risks of the related projects.

For the remaining entities we performed other procedures, including analytical review and detailed testing to respond to any risks of potential material misstatements in the financial statements.

INVOLVEMENT WITH COMPONENT TEAMS

Component materiality was determined by our judgment, based on the relative size of the component and our risk assessment. Component materiality did not exceed EUR 13.5 million and the majority of our component auditors applied a component materiality that is significantly less than this threshold.

Based on our risk assessment, we visited component locations in the UK and Singapore. We had meetings with the external auditors and local management on the audit findings and financial reporting. We interacted with all component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR AUDIT APPROACH	KEY OBSERVATIONS
RECOGNITION OF CONTRACT VALUE, MARGIN AND RELATED RECEIVABLES AND LIABILITIES (SEE NOTE 3.12, 6, 20, 26 AND 29)		
The contracting industry is characterised by contract risk with significant judgments involved in the assessment of contract financial performance. Revenue and margin are recognised based on the stage of completion of individual contracts. The status of contracts is updated on a regular basis. In doing so, management is required to exercise significant judgment in their assessment of the valuation of contract variations, claims and liquidated damages (revenue items); the completeness and accuracy of forecasts regarding costs to complete; and the ability to deliver contracts within forecast timescales. The potential final contract outcomes can cover a wide range. Changes in these judgments, and the related estimates, as contracts progress can result in material adjustments to revenue and margin, which can be both positive and negative. We therefore identified correct and complete recognition of contract revenue, margin and related receivables and liabilities as significant to our audit.	Our audit procedures on projects relating to contract revenue included an assessment of the company's project control, substantive audit procedures and testing of management's positions against underlying documentation. We performed substantive procedures relating to contractual terms and conditions, including disputes, claims and variation orders, costs incurred, including local representatives' fees, and forecasted cost to complete including progress measurement. We also analysed differences with prior project estimates and assessed consistency with the developments during the year. We verified that claims and variation orders on projects meet the recognition criteria and are valued accurately and complete. In connection with the above, we discussed, also during site visits, a range of financial and other risks, disputes and related estimation uncertainties with management and project staff, assessing whether these have been adequately addressed in the financial statements. We challenged management's assumptions at the project and group management levels in order to evaluate the reasonableness and consistency of the recognition of contract revenue and related receivables and liabilities. We also assessed the adequacy of required disclosures including the impact of the new revenue recognition accounting standard (IFRS 15) which will be adopted as of January 1, 2018 (note 2.3).	We assessed that the Company's revenue recognition accounting policies were appropriately applied and that the impact of the new revenue recognition accounting standard (IFRS 15) is appropriately disclosed in note 2.3. Furthermore, we have assessed that management assumptions and estimates are within an acceptable range and that the disclosure notes are appropriate.

RISK	OUR AUDIT APPROACH	KEY OBSERVATIONS
VALUATION FLOATING AND OTHER CONSTRUCTION EQUIPMENT (SEE NOTE 3.5, 3.7, 10 AND 16)		
Property, plant and equipment includes floating and other construction equipment amounting to EUR 2.5 billion as at 31 December 2017, which represents 53% of the balance sheet total. Management performed an annual assessment whether there are indications of impairment of the floating equipment. In case of an impairment indication, an estimate is made of the recoverable amount of the assets concerned. This annual assessment is significant to our audit because this requires significant management judgments, such as future market and economic conditions. No material impairment charges were recognized in the profit and loss account of 2017 (2016: EUR 366.2 million).	In our audit approach we evaluated management's assessment of impairment indications and we assessed the historical accuracy of management's estimates. Furthermore, we evaluated the adequacy of the company's disclosures regarding the valuation of these property, plant and equipment.	We consider management's assessment of impairment indicators as appropriate and the key assumptions and estimates to be within an acceptable range. We agree with management's conclusion that no impairment is required in 2017. We further assessed that the required disclosures were appropriate.
VALUATION OF GOODWILL (SEE NOTE 3.5, 3.6, 10 AND 15)		
Goodwill amounts to EUR 0.3 billion as at 31 December 2017, which represents 5% of the balance sheet total. Management's annual goodwill impairment test is considered complex and requires significant management judgment with respect to future market and economic conditions, developments in revenue, margins, working capital levels and investments, which individually may have a material effect on the result of the calculation. Therefore it is significant to our audit. No impairment charges were recognized in the profit and loss account of 2017 (2016: EUR 382.3 million).	In our audit approach we evaluated the goodwill impairment testing model including the main assumptions used. This includes assessing the forecasted margins, working capital and investment levels and discount rate. The procedures performed include comparing assumptions to external data. Furthermore, we analysed sensitivities, compared the projected cash flows to budgets and management's forecast and assessed the historical accuracy of management's estimates. We included valuation experts in our team to assess the valuation models and parameters used and assist us with these procedures. Furthermore, we evaluated the adequacy of the company's disclosures.	We consider management's key assumptions and estimates, used in the annual impairment test, to be within an acceptable range. We note that the Company concluded from its impairment tests that headroom for the CGU Offshore Energy is relatively limited and thus sensitive to changes in the assumptions. We agree with management's conclusion that no impairment is required in 2017. We further assessed that the required disclosures were appropriate.
UNCERTAIN TAX POSITIONS (SEE NOTE 3.28 AND 12)		
Boskalis operates in a range of jurisdictions subject to different tax regimes. The cross-border operations may result in estimation differences or disputes with national tax authorities. If management considers it probable that such disputes will lead to an outflow of resources, accruals have been formed accordingly. We therefore identified correct and complete recognition of accruals for uncertain tax positions as significant to our audit.	In our audit approach, we tested the acceptability of the accruals formed in this estimation process. In doing so, we used tax specialists in reviewing the assumptions underlying the estimates and discussing them with management in the light of local tax rules and regulations. In connection with this, we also devoted attention to the substantiation of the estimated probability of the positions taken and details provided thereon by management.	We assessed that the Company's accounting policies were appropriately applied. Furthermore, we have assessed that management assumptions and estimates are within an acceptable range. We further assessed that the disclosure notes are appropriate.

In the previous year's auditor's report, 'Accounting for business combinations' was identified as a key audit matter. Since the magnitude of business combinations in 2017 is limited, the topic 'Accounting for business combinations' is not a key audit matter in this year.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The Report of the Board of Management and the Report of the Supervisory Board
- The Chairman's Statement, Boskalis at a Glance and Other Information
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code (included in the Financial Statements 2017 section)

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

Management is responsible for the preparation of the other information, including the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were engaged by the Annual General Meeting as auditor of Royal Boskalis Westminster N.V. on 13 May 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

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

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

The Supervisory Board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we

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

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we have reported to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 7 March 2018

Ernst & Young Accountants LLP

Signed by J. Hetebrij


Smit
Lamnalco
WORK VEST
ONLY

OTHER INFORMATION

The mega cutter Helios and trailing suction hopper dredger Strandway dredging in the Port of Rotterdam.

HISTORIC OVERVIEW (1) (15)

(in EUR million, unless stated otherwise)		2017	2016	2015	2014 (11)	2013 (11)	2012 (10)	2011
Revenue		**2,337**	2,596	3,240	3,167	3,144	3,081	2,801
Order book		**3,495**	2,924	2,490	3,286	3,323	4,106	3,489
EBITDA	(3)	**436.6**	660.5*	884.7	945.9	757.2	567.1	590.5
Depreciation and amortization		**251.6**	277.2	278.6	261.9	254.4	227.2	230.0
Operating result	(12)	**185.0**	384.6	577.3	684.0	502.8	339.9	360.5
Impairments		**0.0**	842.6	14.5	31.6	39.4	4.1	6.4
EBIT	(2)	**185.0**	-458.1	562.8	652.3	463.4	335.8	354.1
Net profit	(14)	**150.5**	276.4*	440.2	490.3	365.7	249.0	254.3
Net group profit/loss		**150.4**	-561.8	443.5	492.2	365.3	252.0	261.0
Cash flow		**402.0**	464.0	765.4	785.7	659.1	483.3	497.4
Shareholders' equity		**3,023**	3,121	3,714	3,152	2,525	1,898	1,733
Average number of outstanding shares (x 1,000)	(4)	**131,097**	128,205	124,182	121,606	118,445	105,644	102,391
Number of outstanding shares (x 1,000)	(5)	**130,677**	130,077	125,627	122,309	120,265	107,284	103,472
Personnel (headcount)	(13)	**6.410**	6,960	8,268	8,446	8,459	15,653	13,935
Ratios (in percentages)								
EBIT as % of the revenue		**7.9**	14.8*	17.4	20.6	14.7	10.9	12.6
Return on capital employed	(6)	**4.8**	9.1*	10.8	13.8	13.0	11.1	12.1
Return on equity	(7)	**4.9**	8.1*	12.8	17.3	16.5	13.8	15.4
Solvency	(8)	**62.9**	56.1	56.3	53.4	47.6	39.2	37.4
Figures per share (in EUR)								
Profit	(5) (9)	**1.15**	2.16*	3.54	4.03	3.09	2.36	2.48
Cash flow	(5)	**3.07**	3.62	6.16	6.46	5.56	4.58	4.86
Dividend		**1.00**	1.00	1.60	1.60	1.24	1.24	1.24
Share price range (in EUR)								
Low		**27.08**	27.89	35.70	33.71	26.92	23.26	20.67
High		**35.51**	37.60	49.21	47.18	38.58	34.50	38.46

* Excluding impairments

(1) Figures taken from the respective financial statements.
(2) EBIT as reported in the consolidated statement of profit or loss.
(3) EBIT before depreciation, amortization and impairment losses.
(4) Weighted average number of outstanding shares less the number of shares owned by the company.
(5) Number of outstanding ordinary shares less the number of shares owned by the company as at 31 December.
(6) Net profit + interest expenses regarding long term loans (non-current interest bearing borrowings) as % of the average capital employed (2016 average capital includes adjustment for debt to be repaid early).
(7) Net profit as % of the average shareholders' equity.
(8) Group equity as % of balance sheet total (non-current assets + current assets).
(9) The dilution effect was practically nil up to and including the financial year 2017.
(10) Adjusted for changes in the IFRS regulations (IAS19R).
(11) As of 1 January 2014 Boskalis applies IFRS11 which impacts the way joint ventures and associated companies are recognized. The full year 2013 comparative figures have been adjusted accordingly.
(12) EBIT - impairments.
(13) Employees employed by majority owned entities including employees Anglo Eastern, crew of the Dockwise vessels.
(14) The 2016 net loss of EUR 563.7 million has been adjusted for post tax impairment charges of EUR 840.1 million.
(15) On 21 May 2007 a share split on a three-for-one basis was effected. For comparative purposes the data regarding the number of shares and figures per share of all the periods preceding the share split have been recalculated.

2010	2009	2008	2007	2006	2005	2004
2,674	2,175	2,094	1,869	1,354	1,156	1,020
3,248	2,875	3,354	3,562	2,543	2,427	1,244
621.5	444.9	454.6	348.1	236.8	162.5	136.5
210.9	147.0	110.2	102.5	86.6	80.2	89.0
410.6	297.9	344.3				
8.7	48.6	5.2				
401.9	249.3	339.1	245.5	150.3	82.3	47.5
310.5	227.9	249.1	204.4	116.6	62.7	33.9
312.9	229.2	250.1	207.1	117.0	63.3	34.1
532.5	424.8	365.6	309.6	203.6	143.5	123.1
1,565	1,296	860.1	768.1	618.6	542.9	467.9
99,962	88,372	85,799	85,799	85,799	85,254	83,307
100,974	98,651	85,799	85,799	85,799	85,800	84,522
13,832	10,514	10,201	8,577	8,151	7,029	7,033
15.0	11.5	16.2	13.1	11.1	7.1	4.7
18.1	20.2	29.1	27.7	19.1	12.0	7.0
21.7	21.1	30.6	29.5	20.1	12.4	7.2
37.1	46.5	34.0	35.3	39.4	41.3	38.1
3.11	2.58	2.90	2.38	1.36	0.74	0.41
5.33	4.81	4.26	3.61	2.37	1.68	1.48
1.24	1.19	1.19	1.19	0.68	0.37	0.25
23.16	13.25	15.30	21.06	14.67	8.58	6.02
36.58	28.45	42.45	46.25	25.48	18.75	8.33

STICHTING CONTINUÏTEIT KBW

REPORT

By decision of the General Meeting of Shareholders held on 9 May 2001 the foundation Stichting Continuïteit KBW was granted the right to acquire cumulative protective preference shares in Royal Boskalis Westminster N.V. for a nominal amount equal to the nominal amount of ordinary shares outstanding at the time of issue of the shares concerned, minus the nominal value of one ordinary share. The option of issuing such cumulative protective preference shares was not exercised during the period under review.

The Board of Stichting Continuïteit KBW consists of three members:

J.A. Dekker, chairman
J.S.T. Tiemstra
P.N. Wakkie

The articles of association of the Stichting Contuïteit KBW are to be found at www.boskalis.com/corporategovernance.

DECLARATION OF INDEPENDENCE

The Board of Stichting Continuïteit KBW and the Board of Management of Royal Boskalis Westminster N.V. hereby declare that in their opinion Stichting Continuïteit KBW is an independent legal entity, separate from Royal Boskalis Westminster N.V., as defined in Section 5:71, first paragraph under c of the Dutch Financial Supervision Act.

Papendrecht / Sliedrecht, 7 March 2018
Royal Boskalis Westminster N.V.
Board of Management

’s-Gravenland, 7 March 2018
Stichting Continuïteit KBW
The Board

SUPERVISION, BOARD AND MANAGEMENT

MEMBERS OF THE SUPERVISORY BOARD

MR. J.M. HESSELS (1942), CHAIRMAN

- date of first appointment 17 August 2011, current term ends AGM 2019
- former chairman of the Management Board of Royal Vendex KBB N.V.
- former chairman Board NYSE Euronext, Inc.
- member Board General Atlantic Coöperatief U.A./non-executive member of the Board of MeteoGroup Ltd.
- chairman of the board of Stichting Preferente Aandelen Philips

MR. H.J. HAZEWINKEL (1949), DEPUTY CHAIRMAN

- date of first appointment 27 March 2010, current term ends AGM 2018
- former chairman of the Management Board of Royal Volker Wessels Stevin N.V.
- chairman of the Supervisory Board of SOWECO N.V.
- deputy chairman Supervisory Board of N.V. Luchthaven Schiphol
- member Supervisory Board VanWonen Holding B.V.
- non-executive partner Quadrum Capital B.V.
- chairman of the Board of Stichting Continuïteit ASR Nederland
- member of the Board of Stichting Administratiekantoor Slagheek

MS. I. HAAIJER (1969)

- date of first appointment 10 November 2016, current term ends AGM 2020
- former president & CEO of DSM Food Specialties and member of the Leadership Team of Royal DSM N.V.

MR. J. VAN DER VEER (1947)

- date of first appointment 12 May 2015, current terms ends AGM 2019
- former CEO of Royal Dutch Shell plc
- chairman of the Supervisory Board of ING Groep N.V./ ING Bank N.V. and Royal Philips N.V.
- member of the Board of Directors of Statoil ASA
- chairman of Het Concertgebouw Fonds
- chairman of the Supervisory Committee of the Delft University of Technology

MR. J.N. VAN WIECHEN (1972)

- date of first appointment 12 May 2011, current term ends AGM 2019
- member of the Executive Board of HAL Holding N.V./director HAL Investments B.V.
- chairman of the Supervisory Board of Mondhoekje B.V. (Coolblue)
- member of the Supervisory Board of Atlas Services Group Holding B.V.

MR. C. VAN WOUDENBERG (1948)

- date of first appointment 9 May 2007, current term ends AGM 2019
- former member of the Executive Committee of Air France-KLM
- chairman of the Supervisory Board of Blauwe Oceaan B.V.
- member of the Supervisory Committee of Stichting Het Gelders Orkest (The Arnhem Philharmonic Orchestra)

All the members of the Supervisory Board have the Dutch nationality. They do not hold shares or associated option rights in Royal Boskalis Westminster N.V.

Company secretary: Ms. F.E. Buijs (1969)

MEMBERS OF THE BOARD OF MANAGEMENT

From left to right: T.L. Baartmans, dr. P.A.M. Berdowski, J.H. Kamps

DR. P.A.M. BERDOWSKI (1957), CHAIRMAN

- chairman of the Board of Management since 2006
- member of the Board of Management since 1997
- member of the Supervisory Board of Ames Auto Lease B.V.
- member of the Supervisory Board of GustoMSC Investments B.V.

MR T.L. BAARTMANS (1960)

- member of the Board of Management since 2007
- chairman of the Executive Board of the Netherlands Association of International Contractors (NABU)
- member of the board of the International Association of Dredging Companies (IADC)
- member of the Supervisory Committee of the Stichting Prosea marine education

MR J.H. KAMPS (1959), CHIEF FINANCIAL OFFICER

- member of the Board of Management since 2006
- member of the Supervisory Board of Sligro Food Group N.V.

All the members of the Board of Management have the Dutch nationality. They do not hold shares or associated option rights in Royal Boskalis Westminster N.V.

Company secretary: Ms. F.E. Buijs (1969)

GROUP MANAGEMENT

dr. P.A.M. Berdowski	chairman Board of Management
T.L. Baartmans	member Board of Management
J.H. Kamps	member Board of Management, Chief Financial Officer
R.J.A. van Acker	group director Towage & Salvage
A.A. Gräber	group director Offshore Energy
P. van der Knaap	group director Dredging & Inland Infra
P. van der Linde	group director Offshore Energy

CORPORATE SUPPORT

Company secretary & Corporate Legal	F.E. Buijs
Treasury	F.A.J. Rousseau
IR & Corporate Communications	M.L.D. Schuttevâer
Group Controlling	E.C.P. Verstraete
Fiscal Affairs	J. Jager
Insurance	A.J. Huiskes
Corporate Development	C.A. Visser

CENTRAL BUSINESS SUPPORT

Personnel & Organization	J. den Hartog
ICT	M.J. Krijger
SHE-Q	J.M. Vavier - van Vugt
Research & Development	dr. A.C. Steenbrink
Central Fleet Support	P.E. van Eerten
Procurement & Logistics	J.E. Rijnsdorp

DREDGING & INLAND INFRA

Area Northwest Europe
W.B. Vogelaar
Area Middle
M. Siebinga
Area Middle East
P.G.R. Devinck
Area East
L. Slinger
Area West
P. Klip
The Netherlands
R.P. Rijper
Boskalis Environmental
H.H.A.G. Wevers

Finance
W.T. Bien
Business Development
J.F.A. de Blaeij
Design, Tendering & Engineering
A.J. Fokkema
Fleet Management
J.T. van Leeuwen
Personnel & Organization
L. Wijngaard

OFFSHORE ENERGY

Installation & Intervention:

Installation
C.J. d'Cort
Intervention
J.M.L.D. Dieteren
Offshore Wind
M.R.J. van Bergen
Cables
A.M.J. van Poppel

Transport Services:

Transport & Marine Services
A.C. Bikkers, H. van Raaphorst,
S.R.L. van Hulle
Logistical Management
J.W. Oosterhuis
Subsea Services
S. Korte
Design, Tendering & Engineering
W.Q. Nelemans

Marine Survey (Gardline)
G.M. Eggink

Finance
R.F.P. van 't Hof
Business Development
J.G.M. Meij
Fleet Management
E.B. van Dodeweerd, H.R. Maliepaard
Personnel & Organization
T. Lageman, M.C. Verhage

TOWAGE & SALVAGE

Towage
T.R. Bennema
Salvage
R.L.C. Janssen

WORKS COUNCIL

D.A. van Uitert (chairman), M.A. Koerts (vice-chairman), L. Wubben (secretary), E.J. van den Biggelaar, K. de Bruijn, K. van Dam, R. Gooijer, L. Keuning, J. van Reijendam, J.G. Roos, B. Scheutjens, H. Schonewille, T. Swalen, R. Wisse, A. Zwart.

The semi-submersible heavy transport vessel Blue Marlin transporting Statoil's Askeladden jack-up drilling rig.

DISCLOSURES REQUIRED BY THE DECREE ARTICLE 10 OF THE EU DIRECTIVE ON TAKEOVER BIDS

Under the Decree article 10 of the EU Directive on takeover bids companies whose securities are admitted to trading on a regulated market must disclose information in their annual reports on matters including their capital structure and the existence of any shareholders with special rights. Furthermore, the Code requires Boskalis to give an overview of all existing and potential anti-takeover measures indicating the circumstances whereunder and by whom these measures may likely to be used. In accordance with these requirements, Boskalis hereby makes the following disclosures:

a. For information on the capital structure of the company, the capital and the existence of various types of shares, please refer to page 103 of the notes to the consolidated financial statements in this annual report. For information on the rights attached to these shares, please refer to the company's Articles of Association which can be found on the company website. To summarize, the rights attached to ordinary shares comprise pre-emptive subscription rights upon the issue of ordinary shares, the entitlement to attend the General Meeting of Shareholders, and to speak and vote at that meeting, and the right to distribution of such amount of the company's profit as remains after allocation to reserves. As at December 31, 2017 the issued capital consisted exclusively of ordinary shares (partly registered and partly bearer shares (*aandelen aan toonder*)). These are only issued against payment in full.

b. The company has imposed no limitations on the transfer of ordinary shares. The Articles of Association have stipulated a blocking procedure for protective preference shares. The company is not aware of any shares having been exchanged for depositary receipts.

c. For information on equity stakes in the company to which a notification requirement applies (pursuant to Sections 5:34, 5:35 and 5:43 of the Financial Supervision Act), please refer to the section 'Shareholder information' on page 17 of this annual report. Under the heading 'Shareholders' you can find a list of shareholders who are known to the company to have holdings of 3% or more at the stated date.

d. There are no special control rights or other rights associated with shares in the company.

e. The company does not operate a scheme granting employees rights to acquire or obtain shares in the capital of the company or any of its subsidiaries.

f. No restrictions apply to voting rights associated with the company's shares, nor are there any deadlines for exercising voting rights.

g. No agreements with shareholders exist which may result in restrictions on the transfer of shares or limitation of voting rights.

h. The thresholds for shareholders to exercise the right of inquiry *(het enquêterecht)* are based on article 346 sub clause 1 under c of the Dutch Civil Code, regardless of the current nominal share capital of the company.

i. The rules governing the appointment and dismissal of members of the Board of Management and the Supervisory Board and amendment of the Articles of Association are stated in the company's Articles of Association. Members of the Board of Management and Supervisory Board are appointed and dismissed by the General Meeting of Shareholders on binding nomination of the Supervisory Board. The General Meeting of Shareholders may pass a resolution to deprive the binding nature of the nomination for the appointment or dismissal of any member of the Board of Management or the Supervisory Board by at least a majority of two/thirds of the votes cast, representing more than one-half of the company's issued share capital. An amendment of the company's Articles of Association requires a decision by the General Meeting of Shareholders in response to a proposal made by the Board of Management with the approval of the Supervisory Board.

j. The general powers of the Board of Management are set out in the Articles of Association of the company. The powers of the Board of Management in respect of the issuance of shares in the company are set out in article 4 of the company's Articles of Association. To summarize, the General Meeting of Shareholders – or the Board of Management authorized by the General Meeting of Shareholders – takes the decision, subject to prior approval by the Supervisory Board, to issue shares, whereby the issue price and other conditions relating to the issue are determined by the General Meeting – or the Board of Management authorized by the General Meeting of Shareholders. In the event the Board of Management is authorized to take decisions with respect to the issue of shares, the number of shares that may be issued as well as the term of the authorization must also be determined. Procedures governing the acquisition and disposal by the company of shares in its own capital are set out in article 7 of the Articles of Association. To summarize, the Board of Management may decide, subject to authorization by the General Meeting of Shareholders and to prior approval by the Supervisory Board, for the company to buy back fully paid-up shares up to a statutory maximum of 50% of issued capital. Decisions regarding the disposal of shares acquired by the company are taken by the Board of Management, subject to prior approval by the Supervisory Board.

k. With the exception of the option agreement with Stichting Continuïteit KBW concerning the placement of cumulative protective preference shares as set out in section 28.4 of the financial statements, the company is not a party to any significant agreements which take effect or are altered or terminated upon a change of control of the company as a result of a public offer within the meaning of Section 5:70 of the Financial Supervision Act. The General Meeting of Shareholders of May 9, 2001 decided to grant Stichting Continuïteit KBW the right to acquire cumulative protective preference shares as a preventive measure against a unsolicited offer for the shares of the company. These shares may be issued in the event that (significant) influence is obtained or is threatened to be obtained by (legal) persons, who, without the involvement of the Board of Management, intend to acquire control over the company, without safeguards being in place for the independence and continuity of the company and its enterprise and without ensuring the interests of employees, other shareholders and other stakeholders of the company and its enterprise.

l. The company has not entered into any agreements with either members of the Board of Management or employees, which provide for a pay-out on termination of their employment as a result of a public offer within the meaning of Section 5:70 of the Financial Supervision Act.

GLOSSARY

Acquired orders Contract value of acquired assignments.

Average capital employed Shareholders' equity + long term loans (non-current interest bearing borrowings).

Backhoe dredger A large hydraulic excavating machine positioned on the end of a pontoon. The pontoon is held firmly in place using spuds. Backhoes can dredge in a range of soil types with extreme precision.

Bunker fuel Type of fuel used by oceangoing and other vessels. Bunkering refers to the act or process of supplying a ship with this type of fuel.

Cash flow Group net profit + depreciation + amortization + impairment losses.

Cost leadership Achieving lowest cost price.

Cutter suction dredger (CSD) A vessel that dredges while being held into place using spuds and anchors. This technique combines powerful cutting with suction dredging. Cutter suction dredgers are mainly used where the sea- and riverbed is hard and compact. The dredged material is sometimes loaded into hoppers but is generally pumped to land through a pressure pipeline.

Decommission To dismantle and/or remove an object.

EBIT Earnings before interest and tax.

EBITDA EBIT before depreciation, amortization and impairment losses.

CO_2 Emissions Carbon dioxide released into the environment.

EPC contract EPC stands for Engineering, Procurement, Construction and is a type of contracting agreement in the construction industry. The contractor is responsible for carrying out the detailed engineering design of the project, procure all the equipment and materials required, and then construct to deliver a functioning facility or asset to the client.

EU-IFRS IFRS stands for International Financial Reporting Standards. EU-IFRS are financial reporting rules drawn up and issued by the IASB (International Accounting Standards Board) and adopted within the European Union. Since 2005 all publicly listed companies within the European Union have been obliged to comply with these standards in their external financial accounting/reporting.

Fallpipe vessel Vessel that moves over the area to be covered, while dumping rock through a fallpipe. The vessel is kept in place by a dynamic positioning system in which the propellers and rudders are controlled by an automatic system. The end of the pipe is located just a few meters above the level of the surface to be covered. The fallpipe is controlled using a precise positioning system. The fallpipe vessel Seahorse can also be equipped with an A-frame on the aftship and a grab controlled by an ROV (Remotely Operated Vehicle). This makes it possible to dredge down to depths of 1,000 meters.

Float-over installation Installation of a topside (for an offshore oil or gas platform production unit) on a subsea structure such as a jacket. A semi-submersible heavy transport vessel is used to convey the topside to the site and position it precisely in relation to the subsea structure piles. The ship is then partially submerged, allowing the support points of the topside to be lowered precisely onto the jacket connectors.

Floating sheerleg crane Floating cranes for heavy lifting.

FPSO Floating Production Storage and Offloading unit. Floating production, storage and transshipment systems that often operate a long way offshore. The systems separate the incoming liquids into oil, gas and water and temporarily store the crude oil. Tankers are used to transport the oil.

Futures A future (derivative) is a so-called forward contract; an agreement between traders to purchase or sell certain financial products on a specified future date at a previously agreed fixed price.

Global Reporting Initiative International organization that develops global standards for sustainability reporting.

Hazardous substances Liquid or solid substances which present a health hazard and/or are damaging to the environment.

Heavy lift vessel *See HTV.*

Home market Boskalis distinguishes itself from its competitors in the Dredging segment by the use of a home market strategy. The home market organizations have local marketing profiles, as well as their own fleets and infrastructures. They can rely on the support of the financial and technical resources of the global Boskalis organization. Home markets provide a stable flow of assignments and opportunities to generate additional margins through associated activities.

Hopper/hopper dredger *See trailing suction hopper dredger.*

HTV A (semi-submersible) heavy transport vessel. At 275 meters long and 70 meters wide the Dockwise Vanguard is the biggest semi-submersible heavy transport vessel in the world and is capable of conveying objects weighing up to 110,000 tons.

International projects market Market that focuses primarily on larger capital expenditure projects for new buildings and/or extensions. In addition, there are projects that regularly involve cooperation with third parties. This makes it possible to provide clients with optimal services and to share risks.

Jack-up platform An offshore platform that can either float or have its legs lowered to stand on the seabed. Jack-up rigs are generally used by oil and gas companies for exploration and production purposes. Platforms of this type can be transported either by semi-submersible heavy transport vessel (Dockwise) or by oceangoing tug (Fairmount).

LNG Liquefied Natural Gas.

LTI Lost Time Injury. Expresses the number of workplace accidents serious enough to result in absence from work.

LTIF Lost Time Injury Frequency. Expresses the number of workplace accidents serious enough to result in absence from work, per 200,000 hours worked.

Net Group profit Net profit + net profit attributable to non-controlling interests.

NINA No Injuries No Accidents. To achieve an incident and accident-free working environment Boskalis applies the NINA safety program. NINA sets out Boskalis' vision on safety and describes the safety conduct the company expects from its staff and subcontractors. The program makes people aware of their own responsibility and encourages them to take action in situations which are unsafe.

Operating result EBIT - impairments including joint ventures.

Order book Contract revenue as yet uncompleted.

Return on capital employed Net profit + interest expenses regarding long term loans (non-current interest bearing borrowings) as % of the average capital employed.

Return on equity Net profit as % of the average shareholders' equity.

Roll-on/roll-off vessel (ro-ro) Vessels designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers or railroad cars that are driven on and off the ship on their own wheels.

Rock fragmentation under water Drilling and blasting hard materials such as rock and granite, often to deepen ports and clear navigational channels.

ROV Remotely Operated Vehicle. An unmanned robotic subsea vehicle that is remotely controlled (often from a ship or platform).

SHE-Q Safety, Health, Environment & Quality.

Solvency Group equity as % of balance sheet total (non-current assets + current assets).

Topside The upper section of an offshore oil production platform.

Trailing suction hopper dredger (TSHD) A self-propelled unit that loads its well or hopper using centrifugal pumps and pipes that trail over the bed as the ship sails. Trailing suction hopper dredgers can operate independently of other equipment and can transport material over long distances. The dredged material is dumped through flaps or bottom doors, by rainbowing, or pumped onto land using a pipeline.

TRIR Total Recordable Injury Rate. Number of LTIs, restricted work cases and medical treatment cases per 200,000 hours worked.

EQUIPMENT

DREDGERS

Trailing suction hopper dredgers	**23**
Capacity > 6,000 m³	11
Capacity ≤ 6,000 m³	12
Cutter suction dredgers	**12**
Capacity > 12,000 kW	5
Capacity ≤ 12,000 kW	7
Backhoes	**18**
Bucket capacity from 1.4 to 33 m³	
Floating grab cranes	**12**
Grab capacity from 1.2 to 9.2 m³	
Other dredging equipment	**27**
bucket dredger, environmental disc cutter, barge unloading dredgers, suction dredgers, stone placing vessels	

OFFSHORE VESSELS

Heavy transport vessels (semi-submersible)	**19**
Capacity up to 110,000 tons	
Heavy lift vessels	**3**
Capacity from 500 to 3,000 tons	
Fallpipe vessels	**2**
Capacity from 17,000 to 24,000 tons	
Diving support vessels	**5**
Air and saturation diving support, ROV services	
Cable-laying vessels	**3**
Floating sheerlegs cranes	**7**
Capacity from 400 to 5,000 tons	
Survey vessels	**15**

OCEANGOING TUGS AND ANCHOR HANDLING TUGS

Oceangoing tugs	**4**
Anchor Handling Tugs	**16**
From 70 to 205 ton bollard pull	

BARGES AND PONTOONS

Hopper barges	**69**
Capacity from 50 to 3,800 m³	
Oceangoing flat top barges (semi-submersible)	**2**
Capacity 21,000 tons	
Oceangoing flat top barges/pontoons	**45**
Capacity from 1,000 to 14,000 tons	
Inland barges	**35**
Capacity from 100 to 2,000 tons	

VESSELS TOWAGE JOINT VENTURES — 414

LAUNCHES, WORK/SUPPLY VESSELS — 98

VARIOUS/OTHER FLOATING EQUIPMENT — 87

The numbers listed above include the vessels under construction and vessels and floating equipment of the (non-controlled) associated companies.
In addition to the equipment shown here, the group also owns a range of auxiliary equipment such as floating pipelines, winches, pumps, draglines, hydraulic excavators, wheel loaders, dumpers, bulldozers, mobile cranes, crawler drill rigs, sand pillers, filling installations for shore protection, mattresses, fixed land pipelines and a wide variety of salvage equipment, such as fire-fighting, diving and anti-pollution equipment.

COLOPHON

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