

FINANCIAL REVIEW 2017

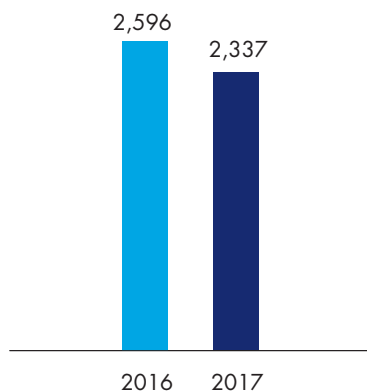
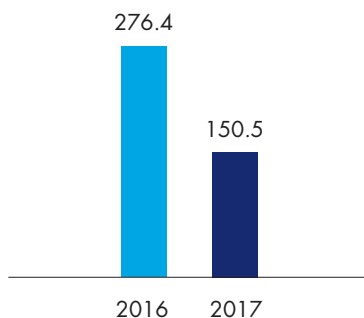
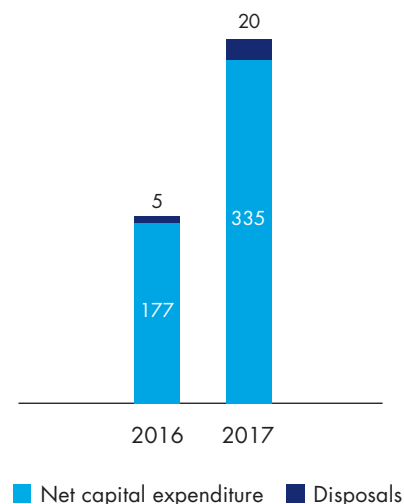
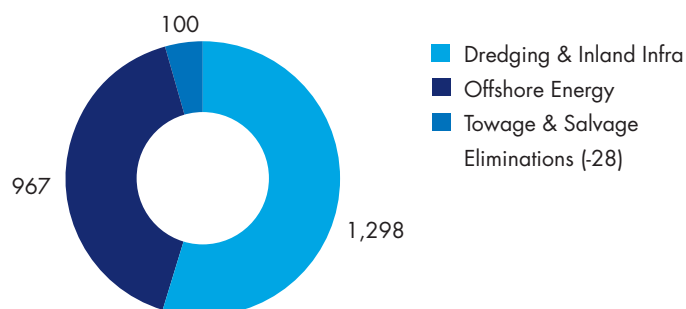
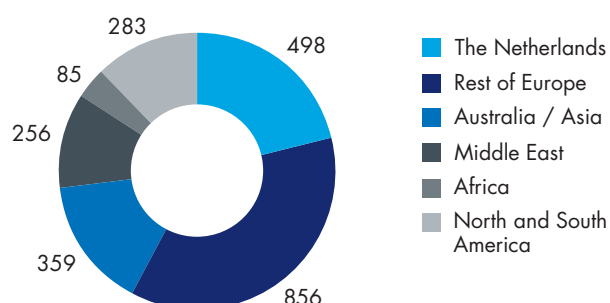


KEY FIGURES

(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)

This document is an excerpt from the Boskalis Annual Report 2017 published on 8 March 2018 to be presented for adoption by the General Meeting of Shareholders. The Annual Report 2017 can be read on www.boskalis.com. The external auditor has issued an unqualified auditor's report on the 2017 financial statements.

This document 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 document.

Accounting principles

Royal Boskalis Westminster N.V. prepares its financial reports in accordance with the International Financial Reporting Standards as adopted within the European Union (EU-IFRS). For the principles of financial reporting of Boskalis reference is made to the 2017 financial statements.

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.

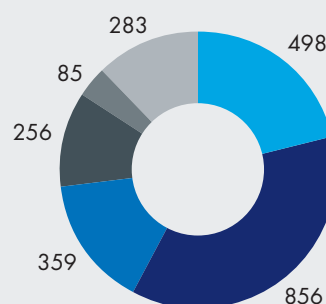
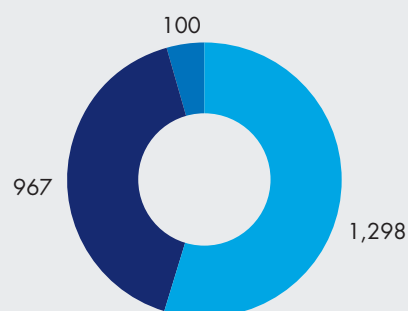
EBIT amounted to EUR 185.0 million. This result includes our share in the net result of joint ventures and associated companies, which on balance amounted to EUR 31.0 million. 2016 EBIT, corrected for pre-tax impairment charges of EUR 842.6 million, amounted to EUR 384.6 million.

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 Açú 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 Wikingen 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 goodwill 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.

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 Towing 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.

SUMMARY FINANCIAL INFORMATION 2017

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
		185,045	- 458,075
RESULTS FROM OPERATING ACTIVITIES (EBIT)			
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
		150,443	- 561,750
NET GROUP PROFIT/LOSS (-)			
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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Consolidated Balance Sheet)

(in thousands of EUR)	Note	31 DECEMBER	
		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

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

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
<i>Note</i>	[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							
<i>Net Group profit/loss (-)</i>				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	-	-	-
<i>Total other comprehensive income for the period</i>			- 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

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