

FINANCIAL REVIEW 2019

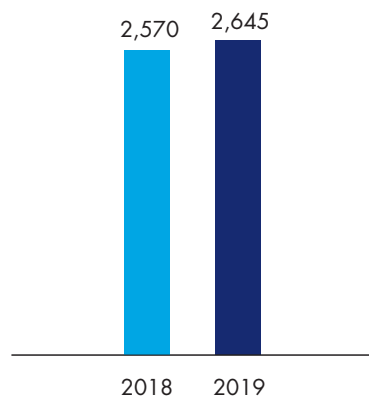
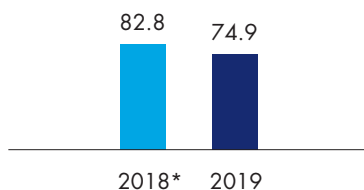
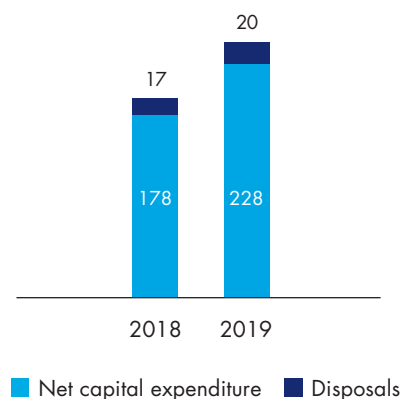
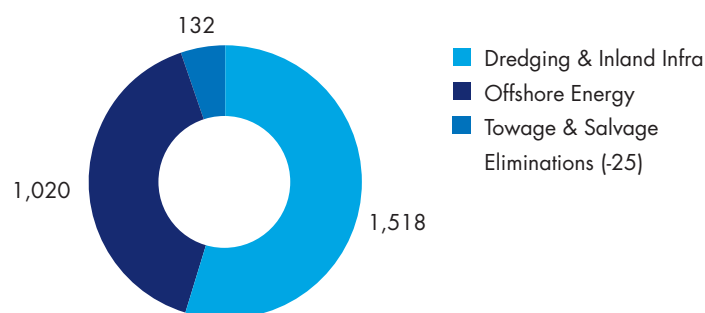
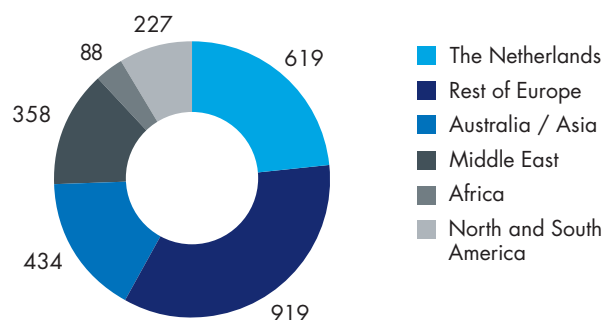


KEY FIGURES

(in EUR million, unless stated otherwise)	2019	2018
Revenue	2,645	2,570
Order book	4,722	4,292
EBITDA	375.8	353.6*
Net result from joint ventures and associates	25.6	28.4*
Depreciation and amortization	265.1	234.6
Operating result	28.5	119.0
Extraordinary items	82.3	-519.5
EBIT	110.7	-400.5
Net profit adjusted for extraordinary charges after tax	74.9	82.8
Net profit (loss)	74.9	-435.9
Net group profit (loss)	74.9	-433.7
Cash flow	340.0	319.5*
Shareholders' equity	2,491	2,544
RATIOS (IN PERCENTAGES)		
EBIT as % of revenue	4.2	4.6*
Return on capital employed	2.9	2.9*
Return on equity	3.0	3.0*
Solvency	54.3	56.1
FIGURES PER SHARE (IN EUR)		
Profit	0.56	0.63*
Dividend	0.50	0.50
Cash flow	2.55	2.41*
NON-FINANCIAL INDICATORS		
Employees including associated companies	9,604	11,345
Employees in Boskalis majority owned entities	5,812	5,912
Ratio women/men within Boskalis' majority owned entities	14/86	12/88
Number of nationalities within Boskalis' majority owned entities	79	68
Lost Time Injuries (LTI)	6	10
Lost Time Injury Frequency (LTIF)	0.03	0.05
Total Recordable Injury Rate (TRIR)	0.37	0.40
Strategic suppliers: percentage spend covered by Supplier Code of Conduct	81	70
CO ₂ emissions scope 1+2 (MT ('000))	1,110	1,180

Please refer to the glossary for definitions of the terms used

* Excluding extraordinary 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 2019 published on 5 March 2020 to be presented for adoption by the General Meeting of Shareholders. The Annual Report 2019 can be read on www.boskalis.com. The external auditor has issued an unqualified auditor's report on the 2019 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 2019 financial statements.

FINANCIAL PERFORMANCE

Royal Boskalis Westminster N.V. (Boskalis) ended 2019 well after a difficult first half of the year with EBITDA of EUR 376 million, slightly above its own expectations. Net profit came in at EUR 75 million (2018: EUR 436 million loss).

Revenue increased by 2.9% compared to a year earlier to EUR 2.64 billion (2018: EUR 2.57 billion). EBITDA totaled EUR 376 million and EBIT amounted to EUR 111 million, including extraordinary book profits. The 2018 EBITDA was EUR 354 million and EBIT EUR 119 million, both adjusted for extraordinary charges.

The decline in the result was mainly due to a poor first half of the year for the Offshore Energy division, with operational and contractual issues at a limited number of offshore wind cable and decommissioning projects. Following a thorough analysis of the project portfolio, provisions of more than EUR 100 million were taken in the first half of the year with respect to a limited number of contracts.

The result in both 2019 and 2018 was impacted by various extraordinary items. In 2019 these related to a book profit on the sale of two harbor towage joint ventures as well as the sale of equipment. In 2018 these items related to considerable non-cash impairment charges.

Dredging & Inland Infra realized a healthy revenue growth of more than 6% that was fully generated outside of Europe, due in part to large projects in Oman, Singapore and Canada. The utilization of the hopper fleet was slightly less strong compared to 2018 but was still well above the average utilization rate in the industry, whereas the utilization rate of the cutter fleet was considerably higher than the previous year. EBITDA was virtually stable with a lower operational margin. Various high-profile projects were awarded in the course of 2019 that contributed to a growth in the order book.

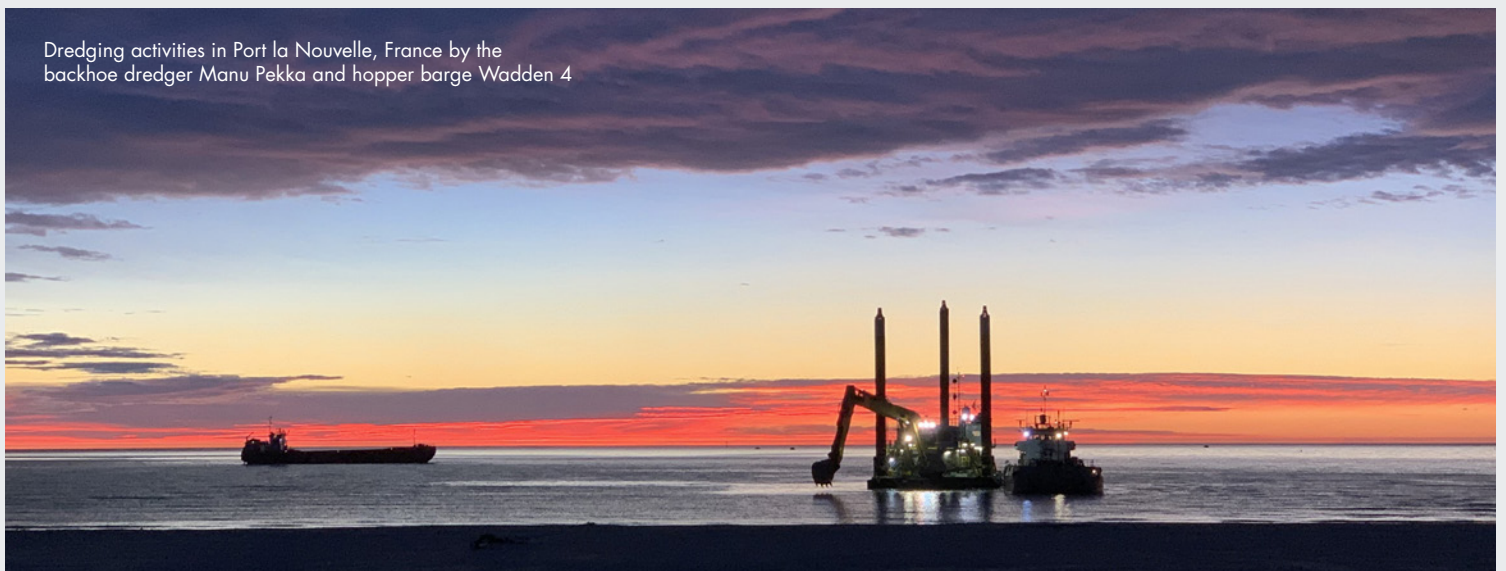
At Offshore Energy revenue declined by 2%. Despite a good second half of the year the annual result of the division was considerably lower as a result of the loss provisions taken in the first half of the year relating to offshore wind cable and decommissioning projects. The seabed intervention and survey activities made a sharp contribution to the result this past year. The transport activities continued to depend on the spot market, although in the course of 2019 concrete signs of recovery became visible for 2021 onwards. In the second half of the year Boskalis was awarded an important sizable offshore wind project in Taiwan, leading to the decision to invest in a second crane vessel.

The combined result of Towage & Salvage increased despite the sale of Boskalis' share in the Saam Smit Towage and Kotug Smit Towage joint ventures. Salvage had a busy year with the completion of two ongoing operations and the successful salvage of two tankers in the Strait of Hormuz. Combined with a large number of medium-sized and small contracts, this resulted in a higher result and stable revenue. The contribution of the remaining Towage joint ventures was higher than in 2018 but declined on balance as a result of the sale of Boskalis' share in the Saam Smit Towage and Kotug Smit Towage joint ventures.

Boskalis' financial position remains strong and improved considerably in the second half of the year. At the end of the year Boskalis was net debt-free with a net cash position of EUR 26 million, compared to a net debt of EUR 420 million six months earlier and of EUR 131 million at the end of 2018. The solvency ratio remains high at 54%.

The order book excluding our share in the order book of associates, grew by 10% to a record high of EUR 4.72 billion (year-end 2018: EUR 4.29 billion).

Dredging activities in Port la Nouvelle, France by the backhoe dredger Manu Pekka and hopper barge Wadden 4



OPERATIONAL AND FINANCIAL DEVELOPMENTS

REVENUE

In 2019 revenue increased by 2.9% to EUR 2.645 billion (2018: EUR 2.570 billion). Adjusted for consolidation, deconsolidation and currency effects, revenue increased by 1.4%.

Within the Dredging & Inland Infra division, revenue increased by 6.2%. This increase was the net effect of a lower utilization of the hopper fleet, a considerably higher utilization of the cutter fleet and a number of large less asset intense projects under execution. The largest contribution came from activities outside of Europe including projects in Oman, Singapore, Canada, Australia and the Indian subcontinent.

The revenue of the Offshore Energy division decreased by 2.0%. Relative to last year there was a modest revenue increase at Marine Survey, Subsea Services and Installation & Intervention offset by a revenue decline in Offshore Wind and the Marine Transport & Services clusters, the latter in part caused by the decision taken in 2018 to exit the low-end transport market.

Within the Towage & Salvage division, Salvage had another busy year. In addition to numerous smaller emergency response contracts, a hand full of mid- to large-sized projects contributed to the strong and stable revenue.

RESULT

The result of both 2019 and 2018 was impacted by extraordinary items. The 2019 result includes a book profit of EUR 82.3 million pre-tax (EUR 75.8 million after tax) related to the sale of the Kotug

Smit Towage and Saam Smit Towage joint ventures and the sale of a vessel resulting in an impairment reversal. The book profit was more than offset by onerous contract provisions related to operational and contractual issues on a limited number of offshore projects. The onerous contract provisions are largely related to offshore wind cable and decommissioning projects and already impacted the result in the first half year. The 2018 result included a charge of EUR 519.5 million pre-tax (EUR 518.7 post tax) that was largely related to non-cash impairments.

The 2019 operating result before interest, taxes, depreciation, amortization and impairment charges (EBITDA) totaled EUR 375.8 million (2018: EUR 353.6 million, adjusted for extraordinary charges).

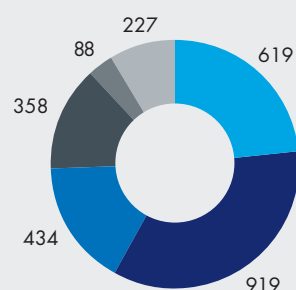
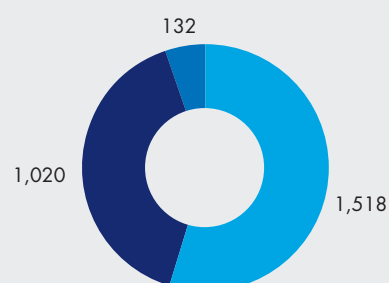
EBIT amounted to EUR 110.7 million (2018: minus EUR 400.5 million). The operating result, defined as EBIT before extraordinary items, amounted to EUR 28.5 million (2018: EUR 119.0 million). The strong decline is due to abovementioned onerous contract provisions.

The divisional operating result of Dredging & Inland Infra amounted to EUR 107.5 million (2018: EUR 123.4 million). Despite a slightly weaker second half year, the results from projects in progress or in the process of being completed were reasonably good. Similar to previous periods, the result was complemented by close-out results on projects technically completed in previous years.

Within Offshore Energy the operating result amounted to minus EUR 70.9 million (2018: EUR 5.0 million). A good second half year with a substantially improved result could however not prevent a strong decline in the full year result. The decline was caused by substantial provisions reported in the first half year

REVENUE BY SEGMENT	2019	2018
(in EUR million)		
Dredging & Inland Infra	1,517.7	1,428.7
Offshore Energy	1,020.4	1,041.3
Towage & Salvage	132.1	131.7
Eliminations	-25.6	-32.2
Total	2,644.6	2,569.5

REVENUE BY GEOGRAPHICAL AREA	2019	2018
(in EUR million)		
The Netherlands	619.3	605.6
Rest of Europe	919.4	952.0
Australia / Asia	433.5	336.1
Middle East	357.5	355.2
Africa	88.3	106.1
North and South America	226.6	214.5
Total	2,644.6	2,569.5



related to operational and contractual issues on a limited number of offshore wind cables and decommissioning projects. In the offshore wind market circumstances have changed as a consequence of the move to zero subsidies and increased competition. Clients are keenly seeking for ways to further reduce cost. This resulted in an unexpected change in the attitude of clients which was reflected in a sharp increase in the number of disputes and protracted claim negotiations. Following a thorough review of the projects in hand, provisions in excess of EUR 100 million were made on a limited number of onerous contracts. Boskalis continues to be confident that in time a substantial part of these provisions will be recovered.

The combined result of Towage & Salvage increased to EUR 37.9 million (2018: EUR 33.1 million). A strong performance at Salvage with a number of mid- to large-sized contracts more than offset the decline within Towage caused by the sale of two towage joint ventures.

The group result includes our share in the net result of joint ventures and associates, which on balance amounted to EUR 25.6 million (2018: EUR 28.4 million). This result is mostly attributable to the towage joint ventures. The Kotug Smit Towage and Saam Smit Towage joint ventures were held as an Asset Held For Sale in 2019 and consequently did not contribute to earnings thereby explaining the decline of the result.

Non-allocated group income and expenses amounted to minus EUR 46.1 million and relate primarily to the usual non-allocated head-office costs (2018: EUR 42.5 million).

OPERATING RESULT BY SEGMENT (EBIT)	2019	2018
(in EUR million)		
Dredging & Inland Infra	107.5	123.4
Offshore Energy	-70.9	5.0
Towage & Salvage	37.9	33.1
Non-allocated group (costs) result	-46.1	-42.5
Extraordinary items	82.3	-519.5
EBIT	110.7	-400.5

NET PROFIT

Net of financing expenses of EUR 15.7 million on balance, the pre-tax profit was EUR 95.0 million resulting in a net profit attributable to shareholders of EUR 74.9 million. In 2018 the net financing expenses amounted to EUR 13.3 million with a pre- and post-tax loss of EUR 413.8 million and EUR 435.9 million respectively. Adjusted for the extraordinary charges, the 2018 net profit amounted to EUR 82.8 million.

ORDER BOOK

In 2019 Boskalis acquired, on balance, EUR 3,041 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 associates, stood at a record high level of EUR 4,722 million (end-2018: EUR 4,292 million).

ORDER BOOK	2019	2018
(in EUR million)		
Dredging & Inland Infra	3,192.4	3,002.4
Offshore Energy	1,524.2	1,281.9
Towage & Salvage	5.4	7.9
Total	4,722.0	4,292.2

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	2019	2018
(in EUR million)		
Revenue	1,517.7	1,428.7
EBITDA	241.6	243.8
Net result from JVs and associates	3.3	4.4
Operating result	107.5	123.4
Order book at year-end	3,192.4	3,002.4

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

REVENUE

Revenue from the Dredging & Inland Infra segment amounted to EUR 1,517.7 million (2018: EUR 1,428.7 million).

REVENUE BY REGION	2019	2018
(in EUR million)		
The Netherlands	485.2	502.6
Rest of Europe	231.1	257.5
Rest of the world	801.4	668.6
Total	1,517.7	1,428.7

The Netherlands

Revenue in the Netherlands totaled EUR 485.2 million with the largest revenue contribution coming from the project Uburg II, the construction of an artificial island in the IJmeer lake for the city of Amsterdam, the road project N3-A16 and miscellaneous dike reinforcement projects. These included the Houtrib dike, Markermeerdijken, the Waddensea dike between Eemshaven and Delfzijl and the dike on the island of Texel.

Rest of Europe

Revenue in the rest of Europe amounted to EUR 231.1 million consisting of numerous mainly port-related capital and maintenance projects throughout the home markets (United Kingdom, Germany, Sweden and Finland).

Rest of the world

The divisional revenue growth was achieved outside of Europe, with an increase to EUR 801.4 million. The largest contribution came from the Duqm port development project (Oman). Other important projects include a number of developments in Singapore including Pulau Tekong and Tuas Terminal Phase 2, the deepening of the access channel to the Jawaharlal Nehru Port in Mumbai (India), the expansion of the port of Adelaide (Australia), LNG Canada and numerous other land reclamation projects as well as port and channel related projects around the world.

FLEET DEVELOPMENTS

The hopper fleet had an effective annual utilization rate of 32 weeks, stable relative to the first half year, albeit lower than 2018 (36 weeks). This decline was in part explained by planned maintenance of a mega hopper. The cutter fleet had an effective annual utilization rate of 26 weeks, lower than the first half year however still substantially higher than 2018 (16 weeks). In 2019 the mega cutter suction dredger Helios was well utilized on projects in the Middle East including the Duqm project in Oman.

The construction of the Krios, the sister vessel to the Helios, is progressing according to plan. The vessel is expected to complete her sea trials this summer and will enter service shortly thereafter.

SEGMENT RESULT

Dredging & Inland Infra achieved an EBITDA of EUR 241.6 million, with an operating result of EUR 107.5 million (2018: EUR 243.8 million and EUR 123.4 million, respectively).

In view of the ongoing challenging market conditions, the reported margin is considered to be reasonably good. The slight margin decline is partly related to large projects with substantial civil components such as Duqm and Singapore with a low capital intensity thus inherently carrying a lower margin. The Dutch Inland Infra activities made a positive contribution to the result. Similar to previous years, financial settlements from projects that were technically completed at an earlier stage had a positive impact on the result.

The segment result includes our share in the net result of joint ventures and associates. The contribution from these activities was EUR 3.3 million (2018: EUR 4.4 million).

Soil compaction activities by Boskalis subsidiary Cofra in Dubai



ORDER BOOK

The year-end order book stood at EUR 3,192 million, higher compared to both the mid-year and end-2018 position (EUR 3,029 million and EUR 3,002 million respectively). On balance projects with a total value of EUR 1,708 million were acquired in the course of 2019.

The order book in the Netherlands declined in the course of the year, in part due to the general market uncertainty related to national PFAS and nitrogen deposition issues. Despite this situation the order book in hand in the Netherlands is adequate for 2020.

The overall order book increase was driven by new projects throughout Europe and the rest of the world. Noteworthy projects in Europe include capital dredging works in northern Germany, the development of Port La Nouvelle in France and contracts aimed at strengthening and protecting a stretch of seafront coastline in the United Kingdom (Southsea near Portsmouth) and Romania. Outside of Europe, Boskalis was awarded a large contract for the Pasay land reclamation development in Manila Bay, Philippines. Furthermore, Boskalis acquired two projects in Indonesia, a channel widening project for Adelaide port in Australia and reclamation projects in the Maldives (development of Gulhifalhu) and Bahrain (North Manama Causeway).

ORDER BOOK BY MARKET	2019	2018
(in EUR million)		
The Netherlands	577.2	670.2
Rest of Europe	658.4	513.0
Rest of the world	1,956.8	1,819.2
Total	3,192.4	3,002.4

OFFSHORE ENERGY

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

OFFSHORE ENERGY	2019	2018
(in EUR million)		
Revenue	1,020.4	1,041.3
EBITDA	47.4	111.3
Net result from JVs and associates	6.0	3.8
Operating result	-70.9	5.0
Order book at year-end	1,524.2	1,281.9

EBITDA and operating result include our share in the net result of joint ventures and associates. The 2018 EBITDA is adjusted for extraordinary charges.

REVENUE

Revenue from the Offshore Energy segment amounted to EUR 1,020.4 million (2018: EUR 1,041.3 million) of which approximately 40% was related to offshore wind. A revenue decline within the services activities, in part as a consequence of

the decision in 2018 to exit the low end of the transport market, was offset by a revenue increase from the contracting activities. Contracting accounted for approximately 60% of divisional revenue.

Offshore Services includes Marine Transport & Services, Subsea Services and Marine Survey. At Marine Transport & Services there was a decline in revenue in part due to the decision taken last year to exit the low-end market. The remaining type I and IIa high-end vessels were active on a large number of smaller projects. The BOKA Vanguard (type O) had a relatively quiet 2019 but ended the year with a busy fourth quarter with a 91,000 ton record-breaking FPSO transport for Petrobras from China to Brazil. At Subsea Services the main focus area continues to be Europe, the Middle East and Western Africa. Compared to 2018 a modest increase in revenue was accompanied by a higher vessel utilization. Subsea markets, in particular the North Sea, continue to be competitive as reflected in rates.

Marine Survey, comprising the activities of Gardline and Horizon, had a good year. At Gardline revenue levels and pricing improved relative to 2018. Early 2019, Boskalis acquired a 62.5% stake in Horizon. Based on voting rights, under IFRS, the investment was classified and reported as a joint venture in 2019. Late November 2019 an agreement was reached to acquire the remaining shares in Horizon. Financial close took place on 27 January 2020 and Horizon will be consolidated as per 1 January 2020.

Offshore Contracting includes the installation of floating and fixed structures, seabed intervention, offshore wind and cable-laying related activities. Revenue for Installation & Intervention increased with the largest intervention projects under execution including a number of pipeline related projects, work under a framework agreement for Equinor and support on numerous offshore cable projects. Within Installation, the Vulcan Viking decommissioning project which was carried out with the Bokalift 1 made a good revenue contribution and preparations commenced for the Tapti decommissioning project in India.

Offshore wind farm developments contributing to revenue included East Anglia, Hohe See, Horns Rev 3, Borssele and Ostwind 2. These projects included a mixture of export cables, array cables, cable repairs and foundation installation campaigns. The Bokalift 1 crane vessel, which entered service early 2018, was well utilized in 2019 on an offshore wind farm foundation installation and decommissioning project. Boskalis further strengthened its position in the offshore cable market early 2019 through the acquisition of the offshore cable installation assets of Bohlen & Doyen.

FLEET DEVELOPMENTS

For the year the (weighted) utilization rate of the heavy marine transport fleet was 66% (2018: 70%). The captive assets (cable-laying vessels, fallpipe vessels and crane vessel) had a reasonable year with a utilization rate of 74% (2018: 78%).

Early in the fourth quarter Boskalis was awarded the foundation scope for the Taiwanese Changfang and Xidao offshore wind farm project. Tied to this contract award was the positive investment decision for the new Bokalift 2 crane vessel. Similar to the

successful Bokalift 1, Boskalis will convert an existing hull to create the Bokalift 2 crane vessel with accommodation for 150 persons, 7,500 m² of free deck space and a 4,000 ton revolving crane capable of lifting structures more than 100 meters high. The Bokalift 2 is expected to enter service mid-2021.

In 2019 Boskalis added two large anchor handling tugs to the fleet through multi-year bare boat charters. The Boka Pegasus and Boka Perseus, both with 250 ton bollard pull, are being utilized for both internal projects such as boulder clearance and external standalone assignments.

The retrofitting of a new platform supply vessel into an ultra modern survey vessel for Gardline is on track. The vessel is expected to be commissioned in the coming weeks on schedule for the 2020 season.

SEGMENT RESULT

EBITDA from the Offshore Energy segment amounted to EUR 47.4 million, with an operating result of minus EUR 70.9 million (2018: EUR 111.3 million and EUR 5.0 million, respectively). A strong second half year result, making it the best half year since 2017, could not prevent a sharp year-on-year decline. The full year result was impacted by a poor first half year with operational and contractual issues on a limited number of offshore wind cables and decommissioning projects. Following a thorough review of the projects in hand, provisions of more than EUR 100 million were made on a limited number of onerous contracts in the first half year. There was no material change to this total amount in the second half of the year. Boskalis continues to be confident that in time a substantial part of these provisions will be recovered.

The result from the services cluster, consisting of Marine Transport & Services, Subsea Services and Marine Survey, improved relative

to 2018. Survey made a very strong positive contribution whilst the other services business continued to be impacted by weak demand and spot market dependence.

The result within the contracting cluster was mixed as a consequence of the onerous contract provisions. The offshore wind and marine installation activities were lossmaking, which was partly offset by a very strong performance from seabed intervention.

The segment result includes our share in the net result of joint ventures and associates of EUR 6.0 million. The contribution of Horizon as of 1 April 2019 was EUR 5.1 million.

ORDER BOOK

At the end of 2019 the order book, excluding our share in the order books of joint ventures and associates, stood at EUR 1,524.2 million (end-2018: EUR 1,281.9 million) of which approximately half is related to offshore wind.

Within Offshore Energy a number of noteworthy offshore wind contracts were acquired. These included the scour protection for the Yunlin offshore wind farm in Taiwan, the replacement and repair of inter-array cables at an existing offshore wind farm in the UK and the offshore export cable installation contract for the Hornsea 2 offshore wind farm. The Hornsea 2 project scope includes the preparation of the offshore export cable route (geophysical survey, boulder clearance and seabed leveling through dredging) and the installation and protection of the cables. The most significant offshore wind contract win was the foundation scope for the Changfang and Xidao offshore wind farm project in Taiwan. The project scope includes the transportation and installation of sixty two three-legged jacket foundations and the accompanying 186 pin piles, making this the launching project for the Bokalift 2 crane vessel.

Decommissioning of an oil rig by the crane vessel Bokalift 1 supported by the diving support vessel Boka Da Vinci



A number of gas pipeline related projects were also awarded to Boskalis in 2019 including the seabed preparation and shore crossing for the proposed Scarborough export gas pipeline in North West Australia, a contract from the Danish Energinet to lay a gas pipeline from Jutland to Funen in the Lillebaelt of Denmark and a contract in El Salvador to connect an offshore Floating Storage and Regasification Unit to an onshore power plant. In the course of 2019 the award rate for heavy marine transport services contracts increased and numerous projects scheduled to take place in 2021 and 2022 were secured. These include the transportation of LNG modules and the transportation of an FPSO and two Floating Production Systems.

On balance, EUR 1,230 million of new work was acquired during the year.

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	2019	2018
(in EUR million)		
Revenue	132.1	131.7
EBITDA	41.6	36.4
Net result from JVs and associates	16.5	20.0
Operating result	37.9	33.1
Order book at year-end	5.4	7.9

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

The 2018 net result from the joint ventures and associates is presented excluding impairment charges

In 2019, Boskalis successfully divested its share in the Saam Smit Towage and Kotug Smit Towage harbour towage joint ventures. These joint ventures did not contribute to earnings as per 1 January and 1 April respectively, the moment from which they were classified as an Asset Held For Sale.

REVENUE

Revenue from the Towage & Salvage segment amounted to EUR 132.1 million (2018: EUR 131.7 million).

Salvage had a busy year with numerous smaller contracts and a number of larger striking projects. There was continued work related to the salvage and caretaking of the Yantian Express containership and the removal of debris from the Maersk Honam



Cable-laying vessel Spirit

containership. Two salvage projects in the Gulf of Oman, the ongoing salvage of a vessel in the Arctic waters near Spitsbergen and emergency response services for the Golden Ray car carrier off the US coast of Georgia also contributed to another busy year.

All harbor towage activities are conducted through joint ventures. Our share in the net results of these joint ventures is recognized as net result from joint ventures and associates.

SEGMENT RESULT

EBITDA generated by the Towage & Salvage segment totaled EUR 41.6 million, with an operating result of EUR 37.9 million (2018: EUR 36.4 million and EUR 33.1 million, respectively).

The strong Salvage result includes the contribution from current projects as well as financial settlements from projects that were executed in previous years. Such post completion settlements are common for the salvage business, however the actual size and timing of this income is unpredictable.

The segment result includes our share in the net result of joint ventures and associates, the remaining ones being terminal services (Smit Lamnalco) and harbor towage (Keppel Smit Towage and Kotug Smit Towage in the first quarter only). The contribution from these joint ventures was EUR 16.5 million (2018: EUR 20 million). The decline is fully attributable to the deconsolidation of Saam Smit Towage and Kotug Smit Towage. Compared to 2018 there was a slight increase of the underlying contribution from Smit Lamnalco and Keppel Smit Towage.

ORDER BOOK

At end-2019 the order book, excluding our share in the order books of joint ventures and associates, stood at EUR 5.4 million (end-2018: EUR 7.9 million). The order book relates solely to the Salvage business unit.

The value of the order book of the joint ventures is not included in the consolidated financials. As per end-2019 the 100% value of the order book of the joint ventures amounted to EUR 1,425 million, which is fully attributable to terminal services contracts (Smit Lamnalco). Included in this amount is a 10-year contract Smit Lamnalco acquired to provide integrated marine services to the first Mozambique Floating Liquefied Natural Gas (FLNG) terminal.

HOLDING AND ELIMINATIONS

Non-allocated head office activities.

HOLDING AND ELIMINATIONS	2019	2018
(in EUR million)		
Revenue	-25.6	-32.2
EBITDA	45.3	-38.0
Net result from JVs and associates	-0.1	0.2
Operating result	-46.1	-42.5

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

SEGMENT RESULT

The operating result for the reporting period mainly includes the usual non-allocated head-office costs, as well as various non-allocated (in many cases non-recurring) income and expenses.

The 2019 EBITDA includes a book profit of EUR 82.3 million as a result of sale transactions. Part of this was related to an impairment reversal on the sale of a vessel and the remaining EUR 55.3 million is related to the finalization of the sale of Kotug Smit Towage to the Boluda Group and the sale of Boskalis' interest in the partnership Saam Smit Towage to Sudamericana Agencias Aereas y Maritimas S.A. (SAAM). The EUR 42.1 million pre-tax book profit (EUR 35.6 post tax) on the transaction with SAAM is related to the recycling of positive currency translation difference.

OTHER FINANCIAL INFORMATION

IFRS 16 LEASES

As of 1 January 2019, Boskalis applies IFRS 16 which requires lessees to recognize a liability in their Consolidated Statement of Financial Position and to capitalize the right-of-use of a leased asset if it is leased for a period exceeding one year. The first time application of IFRS 16 resulted in an increase in the non-current assets by EUR 103.9 million, an increase of EUR 27.3 million in depreciation charges and EUR 1.8 million additional interest charges. As a consequence, EBITDA increased by EUR 23.8 million and the net profit decreased by EUR 1.2 million. The comparative figures 2018 have not been restated.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES

Depreciation and amortization expenses amounted to EUR 265.1 million (2018: EUR 234.6 million) excluding impairments and reversal of impairments. This increase is due to the first time application of IFRS 16 Leases.

In 2019 there was an impairment reversal of EUR 40.1 million as a result of sale transactions. Part of this was related to the sale of an impaired vessel and the remaining EUR 13.1 million was related to the finalization of the sale of Kotug Smit Towage to the Boluda Group. There were no impairment charges incurred during 2019.

In 2018 there were substantial non-cash impairment charges of EUR 481.7 million before taxation (EUR 480.9 million after taxation). A large part of the charges related to the Offshore Energy division, of which EUR 136.9 million related to an impairment charge for vessels and EUR 154.9 million to an impairment of goodwill. The remaining amount of EUR 189.9 million was nearly fully related to goodwill embedded in the book value of the towage joint ventures, most of it as a result of the allocation of a part of the goodwill from the acquisition of SMIT to the towage joint ventures.

INCOME FROM JOINT VENTURES AND ASSOCIATES

Our share in the net result from joint ventures and associates was EUR 25.6 million (2018: EUR 28.4 million). This result relates mainly to our share in the net results of Smit Lamnalco, the

Singapore partnerships with Keppel (Keppel Smit Towage, Asian Lift) and Horizon.

Following the classification of Saam Smit Towage and Kotug Smit Towage as Asset Held For Sale as per 31 December 2018 and 31 March 2019 respectively and the subsequent sale, no share in the result of these two joint ventures is accounted for. The decline in the income from joint ventures and associates is fully attributable to this.

TAX

The tax charge increased slightly to EUR 20.1 million (2018: EUR 19.9 million) with an effective tax rate of 21.2% (2018: minus 4.8%).

The increase in the effective tax rate is, in addition to a different mix of the pre-tax results in countries with different tax rates, due to losses in countries where future compensation with taxable income is uncertain.

CAPITAL EXPENDITURE AND BALANCE SHEET

In 2019, a total amount of EUR 247.6 million was invested in property, plant and equipment (2018: EUR 194.8 million), of which EUR 41.5 million was related to dry dockings. Disposals were made totaling EUR 19.9 million. In addition to these investments in property, plant and equipment EUR 44.5 million was invested in right-of-use assets in 2019.

Within Dredging the largest investment was related to construction installment payments for the cutter suction dredger Krios. The largest investment within the Offshore Energy division was for a trencher for Subsea Cables and the start of the Bokalift 2.

In addition to these investments in property, plant and equipment Boskalis acquired the offshore activities of Bohlen & Doyen for EUR 23.3 million and acquired a 62.5% majority stake in Horizon Geoscience for a consideration of EUR 67.5 million. The remaining 37.5% stake in Horizon was acquired for a consideration of EUR 45 million on 27 January 2020.

Capital expenditure and acquisition commitments at the end of the year amounted to EUR 162 million (end-2018: EUR 162 million), which includes the consideration for the remaining shares in Horizon, the Bokalift 2 and the completion of the Krios.

In 2019, Boskalis used EUR 67.0 million cash for payments of the (full) dividend related to the 2018 financial year (2018: EUR 36.3 million). Furthermore, in 2019 as part of the share buyback program EUR 46.8 million was used to repurchase shares.

The cash flow amounted to EUR 340.0 million (2018: EUR 319.5 million).

The working capital position at year-end was EUR 418 million negative (year-end 2018: EUR 358 million negative). Including the effects of IFRS 16, the working capital position at year end amounted to EUR 442 million negative. The seasonal outflow of

working capital in the first half of the year was more than reversed in the second half.

The interest-bearing debt totaled EUR 373.8 million at year-end. The cash position at the end of the year was EUR 399.6 million resulting in a positive net financial position with a net cash amount of EUR 25.7 million. The proceeds from the sale of our stake in Kotug Smit Towage and Saam Smit Towage, together EUR 261.7 million, were used to redeem debt. The increase in lease liabilities by EUR 103.9 million as a result of IFRS 16 lease accounting is not included in the net financial position. At the end of 2018 the debt position was EUR 467.1 million with a cash position of EUR 336.2 million resulting in a debt position of EUR 130.9 million. The solvency ratio as per year-end was 54.3% (year-end 2018: 56.1%).

The interest-bearing debt relates largely to a long-term US Private Placement (USPP) of USD 325 million (EUR 289.5 million as at 31 December 2019). This USPP matures in 2023. Furthermore, Boskalis has a EUR 600 million syndicated bank facility at its disposal (matures in 2021), of which EUR 50 million was drawn as at 31 December 2019.

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-2019. 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 2019 the net debt : EBITDA ratio stood at 0.2 and the EBITDA : net interest ratio at 19.

OTHER DEVELOPMENTS

SHARE BUYBACK PROGRAM

Boskalis announced a share buyback program early February 2019 with the intention to repurchase the equivalent of EUR 100 million of its own shares. The program was launched mid-March and in the period up to 31 December 2019 a total of 2.34 million shares were purchased representing a total value of EUR 46.8 million. As at 31 December 2019 the issued share capital consisted of 135,378,338 ordinary shares, of which 3,651,701 are treasury stock held by Boskalis.

OUTLOOK

The market outlook for 2020 is more favorable compared to the start of 2019.

At Dredging & Inland Infra we are seeing a stable volume of work in the market in the short term, with the projects in the order book providing a solid basis for revenue and fleet utilization in 2020. However, the market continues to be competitive and the emphasis for Boskalis is on maintaining utilization at a responsible level of project risk.

The picture for the Offshore Energy market is gradually becoming more positive. The contribution of wind energy projects is expected to be positive and seabed intervention is expected to have a reasonable year. Survey is expected to have another good year and will grow due to the consolidation of Horizon. 2020 will be a year of transition for Transport as it emerges from several quiet years to an improving market in 2021 and 2022.

At Towage & Salvage the remaining joint ventures (Smit Lamnalco and Keppel Smit Towage) are expected to have a stable year. The annual result of Salvage will largely depend on the inherently unpredictable supply of work and the completion of projects from the past.

In view of the project-based nature of a significant part of our activities along with the uncertain conditions, it is difficult at this early stage of the year to make a specific quantitative statement about the projected annual result for 2020.

As a result of two coinciding large investments, relating to the mega cutter Krios and the Bokalift 2, capital expenditure is expected to be around EUR 400 million in 2020, excluding the purchase of the remaining stake in Horizon and any possible acquisitions. The financial position is extremely solid and Boskalis comfortably meets its financial covenants.



A rainbowing Queen of the Netherlands - with a hopper capacity of 35,500 cubic meters the largest trailing suction hopper dredger in the Boskalis fleet

SUMMARY FINANCIAL INFORMATION 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Consolidated Income Statement)

(in thousands of EUR)	Note	2019	2018*)
OPERATING INCOME			
Revenue	[6]	2,644,600	2,569,549
Reversal of impairments evidenced by a sale transaction	[10]	40,146	-
Other income	[5/7]	55,239	7,095
		2,739,985	2,576,644
OPERATING EXPENSES			
Raw materials, consumables, services and subcontracted work	[8]	- 1,927,999	- 1,832,199
Personnel expenses	[9]	- 461,270	- 433,966
Depreciation and amortization	[15/16/27.1]	- 265,115	- 234,603
Impairment charges	[10]	-	- 481,682
Other expenses	[7]	- 470	- 2,535
		- 2,654,854	- 2,984,985
Share in result of joint ventures and associates	[17]	25,590	7,830
		110,721	- 400,511
RESULTS FROM OPERATING ACTIVITIES (EBIT)			
FINANCE INCOME AND EXPENSES			
Finance income	[11]	995	372
Interest and other finance expenses	[11/27.2]	- 16,676	- 13,653
		- 15,681	- 13,281
PROFIT/LOSS (-) BEFORE TAXATION			
		95,040	- 413,792
Income tax expenses	[12]	- 20,141	- 19,944
NET GROUP PROFIT/LOSS (-)			
		74,899	- 433,736
NET GROUP PROFIT/LOSS (-) ATTRIBUTABLE TO:			
Shareholders		74,887	- 435,850
Non-controlling interests		12	2,114
		74,899	- 433,736
Weighted average number of shares	[23.5]	133,248,096	132,492,433
Earnings per share (basic and diluted)	[23.5]	EUR 0.56	EUR -3.29

*) Excluding the application of IFRS 16 and IFRIC 23. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Consolidated Statement of Recognized and Unrecognized Income and Expenses)

(in thousands of EUR)	Note	2019	2018*)
Net Group profit/loss (-)		<u>74,899</u>	<u>- 433,736</u>
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]	- 7,822	- 3,867
Income tax on unrecognized income and expenses not to be reclassified to statement of profit or loss (-)	[14]	<u>1,852</u>	<u>- 39</u>
Total unrecognized income and expenses for the period that will not be reclassified to statement of profit or loss (-), net of income tax		<u>- 5,970</u>	<u>- 3,906</u>
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO THE STATEMENT OF PROFIT OR LOSS			
Currency translation differences from joint ventures and associates, after tax		1,326	- 4,217
Currency translation differences on foreign operations		21,102	36,336
Reclassification of foreign currency differences to statement of profit or loss	[5.3]	- 42,252	-
Reclassification of hedge reserve to statement of profit or loss	[17]	18,955	-
Movement in fair value of cash flow hedges	[29.2]	3,748	- 20,416
Income tax on unrecognized income and expenses that are or may be reclassified subsequently to statement of profit or loss	[14]	604	3,931
Change in fair value of cash flow hedges from joint ventures and associates, after tax	[29.2]	<u>- 11,501</u>	<u>- 173</u>
Total unrecognized income and expenses for the period which are or may be reclassified to statement of profit or loss (-)		<u>- 8,018</u>	<u>15,461</u>
UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD, AFTER INCOME TAX		<u>- 13,988</u>	<u>11,555</u>
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		<u><u>60,911</u></u>	<u><u>- 422,181</u></u>
ATTRIBUTABLE TO:			
Shareholders		60,845	- 424,282
Non-controlling interests		<u>66</u>	<u>2,101</u>
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		<u><u>60,911</u></u>	<u><u>- 422,181</u></u>

*) Excluding the application of IFRS 16 and IFRIC 23. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Consolidated Balance Sheet)

ASSETS

(in thousands of EUR)	Note	31 DECEMBER	
		2019	2018*)
NON-CURRENT ASSETS			
Intangible assets	[15]	116,383	119,640
Property, plant and equipment	[16]	2,406,101	2,373,787
Right-of-use assets	[27]	103,877	-
Joint ventures and associates	[17]	428,055	429,633
Non-current financial assets	[18]	9,214	1,377
Derivatives	[29]	6,015	683
Deferred income tax assets	[14]	15,340	9,005
		3,084,985	2,934,125
CURRENT ASSETS			
Inventories	[19]	103,238	99,070
Unbilled revenue	[20]	279,981	304,856
Trade and other receivables	[21]	702,212	664,607
Derivatives	[29]	3,275	5,684
Income tax receivable	[13]	23,502	19,457
Cash and cash equivalents	[22]	399,574	336,207
Assets of disposal groups	[5]	-	175,809
		1,511,782	1,605,690
TOTAL ASSETS		4,596,767	4,539,815

*) Excluding the application of IFRS 16 and IFRIC 23. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.

EQUITY AND LIABILITIES

(in thousands of EUR)	Note	31 DECEMBER	
		2019	2018*)
GROUP EQUITY			
Issued capital	[23]	1,354	1,354
Share premium reserve	[23]	636,968	636,968
Other reserves	[23]	404,117	429,732
Retained earnings	[23]	1,448,913	1,476,272
SHAREHOLDERS' EQUITY		2,491,352	2,544,326
NON-CONTROLLING INTERESTS		3,350	3,284
TOTAL GROUP EQUITY	[23]	2,494,702	2,547,610
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	[24]	293,803	438,469
Employee benefits	[25]	46,575	38,302
Deferred income tax liabilities	[14]	1,450	5,770
Provisions	[26]	35,293	27,859
Lease liabilities	[27]	84,028	-
Derivatives	[29]	6,986	1,701
		468,135	512,101
CURRENT LIABILITIES			
Deferred revenue	[20]	315,756	221,920
Interest-bearing borrowings	[24]	50,255	282
Bank overdrafts	[22]	29,775	28,330
Income tax payable	[13]	146,094	150,719
Trade and other payables	[28]	1,001,869	1,039,014
Provisions	[26]	60,312	28,404
Lease liabilities	[27]	24,285	-
Derivatives	[29]	5,584	11,435
		1,633,930	1,480,104
TOTAL LIABILITIES		2,102,065	1,992,205
TOTAL GROUP EQUITY AND LIABILITIES		4,596,767	4,539,815

*) Excluding the application of IFRS 16 and IFRIC 23. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of EUR)	Note	2019	2018*)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Group profit / loss (-)		74,899	- 433,736
Depreciation, amortization and impairment charges	[10/15/16/ 27.1]	265,115	716,285
Cash flow		340,014	282,549
Adjustments for:			
Finance income and expenses	[11]	15,681	13,281
Income tax expenses	[12]	20,141	19,944
Results from disposals	[7]	- 6,756	- 4,560
Reversal of impairments evidenced by a sale transaction	[10]	- 40,146	-
Results from divestments and acquisitions		- 48,013	-
Movement in provisions and employee benefits		33,683	16,542
Movement in inventories		- 3,477	- 10,596
Movement in trade and other receivables		- 31,368	68,470
Movement in trade and other payables		- 31,667	61,791
Movement unbilled and deferred revenue		144,336	- 187,438
Share in result of joint ventures and associates, including share in impairment charges	[17]	- 25,590	- 7,830
Cash generated from operating activities		366,838	252,153
Dividends received	[17]	10,191	15,124
Interest received	[11]	995	372
Interest paid		- 12,625	- 11,384
Income tax paid		- 37,293	- 19,774
Net cash from operating activities		328,106	236,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment, excluding capitalized borrowing costs	[16]	- 247,590	- 194,753
Proceeds from disposals of property, plant and equipment		26,704	21,536
Investment in business combinations, net of cash acquired	[5]	- 23,250	-
Investment in and issued loans to joint ventures and / or associates	[17 / 18]	- 75,409	- 3,228
Disposal of (a part of) group companies, net of cash disposed, and joint ventures	[5]	291,464	-
Repayment of loans or share premium by joint ventures and / or associates	[17]	280	1,211
Net cash used from / (in) investing activities		- 27,801	- 175,234
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing borrowings	[24]	-	154,000
Repayment of interest-bearing borrowings	[24]	- 100,245	- 287
Purchase of own shares	[23]	- 46,820	- 16,633
Payment of lease liabilities	[27.2]	- 23,818	-
Dividend paid to shareholders	[23]	- 66,999	- 36,289
Dividend paid to non-controlling interests		-	- 1,851
Net cash used from / (in) financing activities		- 237,882	98,940
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		62,423	160,197
Net cash and cash equivalents as at 1 January	[22]	307,877	151,154
Net increase / (decrease) in cash and cash equivalents		62,423	160,197
Currency translation differences		- 501	- 3,474
MOVEMENT IN NET CASH AND CASH EQUIVALENTS		61,922	156,723
NET CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	[22]	369,799	307,877

*) Excluding the application of IFRS 16 and IFRIC 23. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.

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 2019*)	1,354	636,968	429,732	1,476,272	2,544,326	3,284	2,547,610
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							
Net Group profit/loss {}				74,887	74,887	12	74,899
Other comprehensive income for the period							
Defined benefit plan actuarial gains/losses {} and asset limitation, after income tax			- 5,970	-	- 5,970	-	- 5,970
Foreign currency translation differences for foreign operations, after income tax			22,183	-	22,183	54	22,237
Effective cash flow hedges, after income tax			3,217	-	3,217	-	3,217
Change in fair value of cash flow hedges from joint ventures and associates, after tax			- 11,501	-	- 11,501	-	- 11,501
Reclassification of foreign currency differences to statement of profit or loss			- 42,252	-	- 42,252	-	- 42,252
Reclassification of hedge reserve to statement of profit or loss			18,955	-	18,955	-	18,955
Currency translation differences from joint ventures and associates, after tax			1,326	-	1,326	-	1,326
Total other comprehensive income for the period			- 14,042	-	- 14,042	54	- 13,988
Total comprehensive income for the period			- 14,042	74,887	60,845	66	60,911
OTHER RESERVES							
Changes in other reserves			- 11,573	11,573	-	-	-
Transactions with shareholders, recognized directly in equity							
Purchase own ordinary shares	-	-	-	- 46,820	- 46,820	-	- 46,820
Distributions to shareholders							
Cash dividend	-	-	-	- 66,999	- 66,999	-	- 66,999
Balance as at 31 December 2019	1,354	636,968	404,117	1,448,913	2,491,352	3,350	2,494,702

*) The impact of IFRS 16 and IFRIC 23 on Group equity as at 1 January 2019 is nil. Reference is made to note 2 under 'Compliance with International Financial Reporting Standards'.



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