

FINANCIAL REVIEW 2016



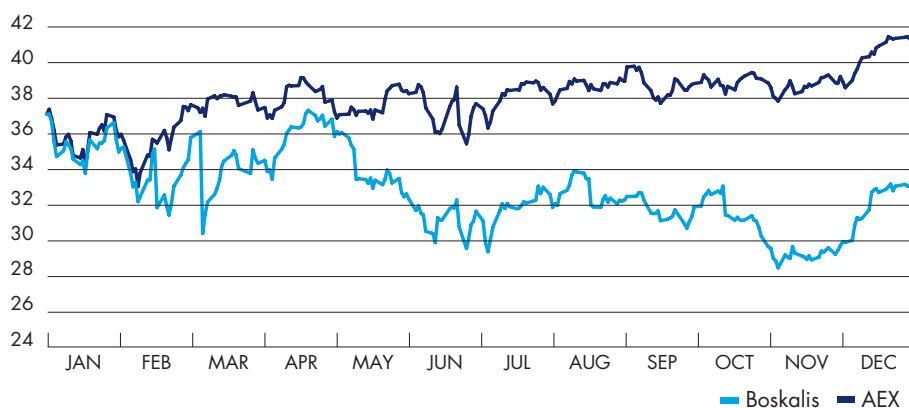
KEY FIGURES

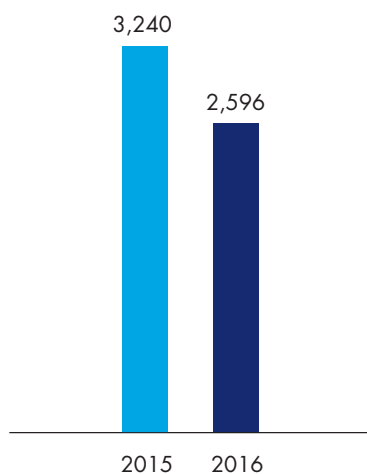
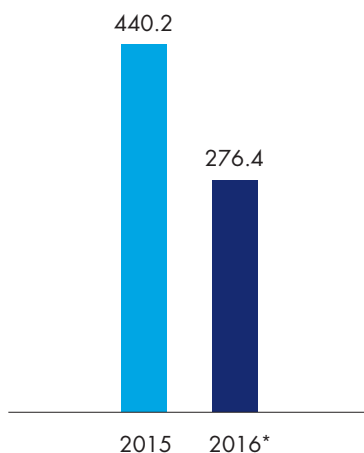
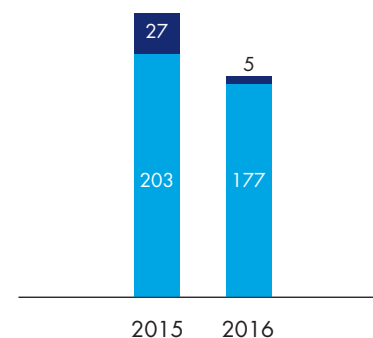
(in EUR million, unless stated otherwise)	2016	2015
Revenue	2,596	3,240
Order book	2,924	2,490
EBITDA	660.5*	884.7
Net result from joint ventures and associates	11.3*	43.3
Depreciation and amortization	277.2	278.6
Operating result	384.6	577.3
Impairments	842.6	14.5
EBIT	-458.1	562.8
Net profit	276.4*	440.2
Net profit/loss	-563.7	440.2
Net group profit/loss	-561.8	443.5
Cash flow	464.0	765.4
Shareholders' equity	3,121	3,714
Personnel (headcount)	6,960	8,268
RATIOS (IN PERCENTAGES)		
EBIT as % of revenue	14.8*	17.4
Return on capital employed	9.1*	10.8
Return on equity	8.1*	12.8
Solvency	56.1	56.3
FIGURES PER SHARE (IN EUR)		
Profit	2.16*	3.54
Dividend	1.00	1.60
Cash flow	3.62	6.16

* Excluding impairments

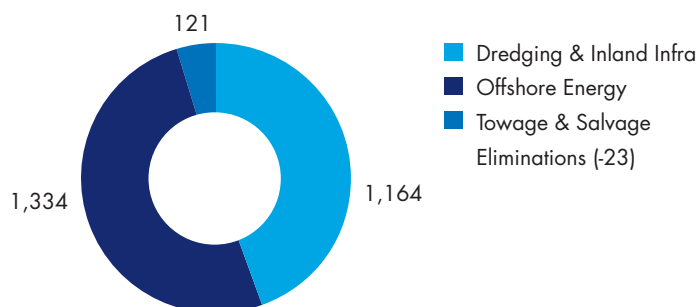
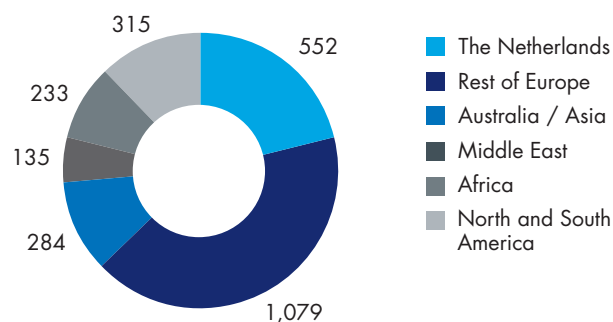
SHARE INFORMATION	2016	2015
(Share price in EUR)		
High	37.60	49.21
Low	27.89	35.70
Close	32.99	37.63
Average daily trading volume	492,459	468,176
Number of issued ordinary shares at year-end (x 1,000)	130,077	125,627
Average number of outstanding shares (x 1,000)	128,205	124,182
Stock market capitalization (in EUR billion)	4.291	4.727

DEVELOPMENT BOSKALIS SHARE PRICE 2016, AEX-INDEX REBASED TO BOSKALIS (in EUR)



REVENUE (in EUR million)**NET PROFIT** (in EUR million)**CAPITAL EXPENDITURE** (in EUR million)

■ Net capital expenditure ■ Disposals

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

This document is an excerpt from the Boskalis Annual Report 2016 published on 8 March 2017 to be presented for adoption by the General Meeting of Shareholders. The Annual Report 2016 can be read on www.boskalis.com. The external auditor has issued an unqualified auditor's report on the 2016 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 2016 financial statements.

FINANCIAL PERFORMANCE

Royal Boskalis Westminster N.V. achieved a net profit, adjusted for the EUR 840 million impairment charges net of taxes, of EUR 276 million in 2016, in line with expectations. Including impairment charges the company reported a net loss of EUR 564 million (2015: net profit of EUR 440 million).

Revenue declined by 20 per cent to EUR 2.60 billion (2015: EUR 3.24 billion). Adjusted for consolidation, deconsolidation and currency effects, revenue was down 26 per cent.

EBITDA amounted to EUR 660 million and the operating result was EUR 385 million, both adjusted for impairment charges (2015 EBITDA: EUR 885 million and operating result: EUR 577 million).

Given that 2015 was still an exceptionally good year with strong fleet utilization rates and outstanding project margins the transition to and contrast with 2016 was equally exceptionally large.

Dredging & Inland Infra had a quiet year. The sharp decline in revenue was partly due to a very busy 2015 with the execution of the Suez Canal project, but also reflects the conditions in the market. Moreover, revenue and fleet utilization were negatively impacted by the suspension of work on the Pluit project in Indonesia. The results on projects in progress were reasonable.

Revenue rose at Offshore Energy due to the addition of the offshore activities acquired from VolkerWessels. These activities also made a good contribution to the result. The remaining activities made a reasonable to good contribution despite the deteriorated market conditions.

Towage & Salvage reported a lower result compared to the previous year, partly as a result of deconsolidation effects at Towage. Salvage had a good but very quiet year.

The order book increased to EUR 2.92 billion (end-2015: EUR 2.49 billion).



Dredging work by the world's largest and most efficient backhoe dredger Magnor.

OPERATIONAL AND FINANCIAL DEVELOPMENTS

As a result of the strongly deteriorated market conditions and outlook in the offshore energy sector, non-cash impairment charges of in total EUR 842.6 million, including those within joint ventures, have substantially impacted the Boskalis 2016 annual result. For comparison purposes the operating result, share in result joint ventures and associates and EBITDA, as well as the divisional results have where applicable been adjusted for impairment charges. Excluding the after tax impairment charges of EUR 840.1 million, the 2016 net profit amounts to EUR 276.4 million. The dividend proposed for 2016 has been based on this adjusted net profit.

REVENUE

During the past year revenue decreased by 20% to EUR 2.596 billion (2015: EUR 3.240 billion). Following a very busy 2015, organic revenue declined in all three divisions, mainly as a result of the prevailing market conditions. Adjusted for consolidation, deconsolidation and currency effects, revenue declined by 26%.

In line with the first half of 2016 Dredging & Inland Infra also had a quiet second half. The sharp decline in revenue compared to the previous year was partly due to a very strong 2015, with the completion of the Suez Canal project, but it was also a reflection of market conditions. Furthermore, revenue and fleet utilization levels were adversely affected by the suspension of work on the Pluit project in Indonesia.

The Offshore Energy segment reported an increase in revenue, which was fully attributable to the acquisition of the VolkerWessels offshore activities. Adjusted for this acquisition and for the effects of the divestment of SMIT Amandla Marine, revenue was lower with 15%.

The revenue decline of the Towage & Salvage segment was partly attributable to the elimination of revenue from the European harbor towage services. Following the transfer of these activities at the start of the second quarter into the KOTUG SMIT Towage strategic joint venture, only our share in the net result is recognized from the second quarter onwards. Revenue at Salvage was lower due to a generally weak emergency response market and the absence of larger wreck removal projects. In 2015 two large wreck removal projects were executed.

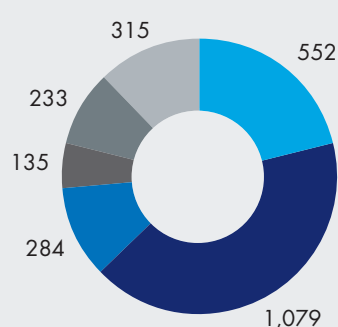
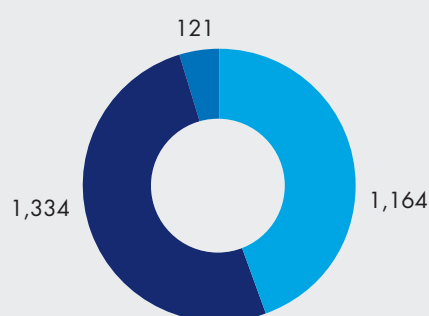
RESULT

In 2016 the operating result before interest, taxes, depreciation, amortization and impairment charges (EBITDA) totaled EUR 660.5 million (2015: EUR 884.7 million). The EBITDA includes the contribution from our share in the net result of joint ventures and associated companies, adjusted for impairment charges taken within joint ventures.

The operating result fell 33%, to EUR 384.6 million (2015: EUR 577.3 million).

REVENUE BY SEGMENT	2016	2015
(in EUR million)		
Dredging & Inland Infra	1,164.5	1,727.2
Offshore Energy	1,333.7	1,233.4
Towage & Salvage	121.4	294.9
Eliminations	-23.1	-15.2
Total	2,596.3	3,240.3

REVENUE BY GEOGRAPHICAL AREA	2016	2015
(in EUR million)		
The Netherlands	552.2	640.2
Rest of Europe	1,078.6	779.3
Australia / Asia	283.7	540.1
Middle East	134.6	250.5
Africa	232.6	615.3
North and South America	314.6	414.9
Total	2,596.3	3,240.3



The operating result includes our share in the net result of joint ventures and associated companies (adjusted for impairment charges), which amounted to EUR 11.3 million (2015: EUR 43.3 million). This decline was largely attributable to the results related to our investment in Fugro, which on balance amounted to EUR 30.1 million loss (2015: EUR 3.1 million loss).

After pre-tax impairment charges of EUR 842.6 million (2015: EUR 14.5 million), the EBIT amounted to a negative EUR 458.1 million (2015: positive EUR 562.8 million).

Within Dredging & Inland Infra, lower revenues and an associated decline in equipment utilization led to a lower result. The results on projects in progress or in the process of being completed were reasonable.

Offshore Energy achieved a still satisfactory result, despite worsened market conditions. This result was supported by a strong contribution from offshore wind projects, including the VolkerWessels activities that were acquired mid-2016.

Towage & Salvage closed the year with a lower result as a consequence of the deconsolidation of the European harbor towage activities, a lower result from several joint ventures and associated companies, and a lower level of activity of Salvage.

Non-allocated group income and expenses amounted to a positive EUR 6.5 million (2015: negative EUR 51.8 million). In addition to the usual non-allocated head office costs this included a book profit on the KOTUG SMIT transaction (EUR 34.0 million pretax), a book profit from the revaluation to fair value of our existing 50% share in VBMS (EUR 39.8 million) on acquiring the remaining 50% of VBMS, a book profit on the sale of SMIT Amandla Marine (EUR 8.3 million) and the results related to our investment in Fugro (EUR 30.1 million loss).

RESULT BY SEGMENT (EBIT)	2016	2015
(in EUR million)		
Dredging & Inland Infra	119.7	299.5
Offshore Energy	209.5	250.5
Towage & Salvage	48.8	79.1
Non-allocated group income and expenses	6.5	-51.8
Impairment charges	-842.6	-14.5
Total	-458.1	562.8

NET PROFIT

EBIT was a negative EUR 458.1 million. Net financing expenses, including a non-recurring cost of EUR 40.3 million related to the early repayment of the 2010 US Private Placement, amounted to EUR 71.3 million, resulting in a pre-tax loss of EUR 529.4 million.

The net loss attributable to shareholders was EUR 563.7 million, compared to a profit of EUR 440.2 million in 2015.

For the purpose of determining the dividend, the net loss attributable to shareholders will be adjusted for the post-tax effect of impairment charges of EUR 840.1 million, resulting in an adjusted net profit of EUR 276.4 million.

ORDER BOOK

In 2016 Boskalis acquired, on balance, EUR 2,543 million worth of new contracts, excluding the effects from acquisitions and divestments. 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 2,924 million (end-2015: EUR 2,490 million).

ORDER BOOK	2016	2015
(in EUR million)		
Dredging & Inland Infra	1,892.5	1,506.9
Offshore Energy	1,023.9	975.2
Towage & Salvage	7.5	7.9
Total	2,923.9	2,490.0

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	2016	2015
(in EUR million)		
Revenue	1,164.5	1,727.2
EBITDA	223.0	400.4
Net result from JVs and associates	3.6	2.9
Operating result*	119.7	299.5
Order book at year-end	1,892.5	1,506.9

* Excluding impairments

REVENUE

Revenue in the Dredging & Inland Infra segment amounted to EUR 1,164 million (2015: EUR 1,727 million).

REVENUE BY MARKET	2016	2015
(in EUR million)		
The Netherlands	465.9	455.2
Rest of Europe	272.7	287.9
Rest of the world	425.9	984.1
Total	1,164.5	1,727.2

The Netherlands

In 2016 revenue in the Dutch market increased to EUR 465.9 million. Both the first and second half of the year saw a lot of work performed on various Room for the River projects. The SAAone project (A1-A6 motorway) and the Buitenring Parkstad Limburg projects also delivered a good contribution to revenue. The first phase of the construction of the Marker Wadden nature reserve island, commissioned by Dutch environmental organization Natuurmonumenten, in the Markermeer lake commenced in 2016.



Construction of the artificial island Punta Pacifica 2 in Panama.

Rest of Europe

Revenue in the rest of Europe amounted to EUR 272.7 million. In the home markets (Germany, the UK, Sweden and Finland) numerous smaller and medium-sized projects were executed on various port-related capital and maintenance projects, as well as dredging activities for various offshore wind farms. The largest project was the deepening of the approach channel and inner harbor area of Portsmouth harbor, in preparation for the arrival of two new aircraft carriers for the UK's Royal Navy.

Rest of the world

Outside of Europe revenue amounted to EUR 425.9 million. This was sharply down on the EUR 984.1 million reported for 2015, which was an exceptionally strong year, with a substantial contribution from the Suez Canal project. The decline in revenue was due to the absence of a similarly large project and a market characterized by pressure on volumes and delays, both in the award of new projects and in projects under execution. Activities related to the Pluit project in Jakarta Bay, Indonesia were suspended in early 2016, due to a dispute between the Indonesian authorities and the client and have yet to recommence. Countries where Boskalis was furthermore active include Singapore (Finger Pier I), South Korea (Incheon), Australia (Melbourne), Kuwait, Angola, Mexico (various port-related activities) and Panama (Punta Pacifica 2 artificial island).

FLEET DEVELOPMENTS

Utilization of the hopper and cutter fleet was considerably lower than in the previous year, in line with the lower volume of work and as a result of repairs. The hopper fleet had an effective

annual utilization rate of 27 weeks (2015: 43 weeks), with the cutter fleet utilization rate at 9 weeks (2015: 34 weeks).

In light of market conditions and after completion of its fleet rationalization study, Boskalis announced at the start of July that ten dredging vessels would be taken out of service in the 2016-2018 period. These include trailing suction hopper dredgers and cutter suction dredgers. The fleet rationalization will be implemented through the scrapping, sale and/or lay-up of vessels. Five of the ten vessels have been scrapped or sold.

SEGMENT RESULT

Dredging & Inland Infra achieved an EBITDA of EUR 223.0 million, with an operating result of EUR 119.7 million (2015: EUR 400.4 million and EUR 299.5 million, respectively).

Given the increasingly challenging market the results from dredging projects were reasonable. The result was negatively impacted by the considerably lower fleet utilization rate compared to the previous years. In addition, in 2016 there was a lower contribution from financial settlements on projects that were technically completed at an earlier stage, including former projects in Australia, Africa and the Middle East. Such settlements are not uncommon, although size and timing is unpredictable.

ORDER BOOK

At the end of the year the order book stood at EUR 1,893 million (end-2015: EUR 1,507 million). Noteworthy projects include the dredging activities for the Fehmarnbelt tunnel between Germany

and Denmark, the construction of artificial islands near Makassar (Indonesia), the deepening of Porto do Açú (Brazil), the construction of the Bremerhaven Offshore Terminal (Germany), the reinforcement of the Wadden Sea dike on the Dutch island of Texel and the reinforcement of the Wadden Sea dike between Eemshaven and Delfzijl (the Netherlands), as well as numerous medium-sized projects in the Netherlands. On balance EUR 1,522 million of new work was acquired during the course of the year.

After the close of the year Boskalis was awarded a large dredging project for the development of the port of Duqm (Oman) and a contract for the deepening of the port of Santos (Brazil). The new mega cutter Helios, which is due to be commissioned mid-2017, will be deployed on the Duqm project.

ORDER BOOK BY MARKET	2016	2015
(in EUR million)		
The Netherlands	723.5	747.1
Rest of Europe	590.4	219.8
Rest of the world	578.6	540.0
Total	1,892.5	1,506.9

OFFSHORE ENERGY

Offshore dredging and rock installation projects, heavy transport, lift and installation work, 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	2016	2015
(in EUR million)		
Revenue	1,333.7	1,233.4
EBITDA	374.6	418.4
Net result from JVs and associates	2.2	7.0
Operating result*	209.5	250.5
Order book at year-end	1,023.9	975.2

* Excluding impairments

REVENUE

Revenue within the Offshore Energy segment increased to EUR 1,334 million (2015: EUR 1,233 million). The offshore activities acquired from VolkerWessels were fully consolidated as



from the beginning of the second half of the year. The revenue contribution of these activities was EUR 291 million, of which EUR 121 million was related to the 50% share of VolkerWessels in the Veja Mate and Wikinger offshore wind farm projects that were largely completed in 2016. The activities of SMIT Amandla Marine were deconsolidated with effect from 1 December, following the sale of our share in the company.

Marine Contracting, which includes Dockwise's long-term Heavy Marine Transport activities and the Transport & Installation projects, had a busy year. The two largest projects were the transport and installation of the foundations for offshore wind turbines for the Veja Mate and Wikinger projects. These projects were initially acquired in 50/50 joint venture with VolkerWessels but were completed on a 100% basis following the acquisition of the offshore activities of VolkerWessels. Other notable projects include the transport and installation of modules for the Hebron (Canada) and Clair Ridge (United Kingdom) offshore developments, the Thien Ung topside installation (Vietnam) and various FPU/FPSO projects (Moho Nord, Madura and East Hub).

Subsea Contracting had a quiet first half of the year, but in the second half the Gasco pipeline project was started in Abu Dhabi. Various rock installation works were executed for offshore wind projects, including the Veja Mate project.

Logistical Management gradually slowed down in 2016, following a number of very busy years. The number of transports declined as work on the Wheatstone and Ichthys projects in Australia was completed. In the second half year a number of transports were carried out for Yamal LNG in Russia.

Within Transport & Marine Services, the challenging market conditions are increasingly being felt. The high-end Dockwise vessels were well utilized throughout the year, albeit at lower rates, whilst the low-end heavy marine transport vessels and wet towage activities were most affected by lower demand and highly competitive rates. Utilization levels for the other equipment, including the floating sheerleg cranes and Giant barges, were reasonable to good, albeit at lower prices.

Market conditions for Subsea Services remained difficult, in particular on the North Sea, but despite competitive pressures the performance was good. In addition to deploying equipment on own offshore wind energy projects and ordnance clearance projects in Northwest Europe, Subsea Services saw a project for Dubai Petroleum extended and was involved in projects for Total, Maersk and ConocoPhillips.

FLEET DEVELOPMENTS

In 2016 the Dockwise fleet achieved a utilization rate of 66% (2015: 76%). Two Type II closed stern vessels were laid up with effect from the end of 2016. In line with market conditions the utilization rate of the ocean-going tugs was low, with two of the five vessels laid up. The cable-laying vessels, Diving Support Vessels and the Rockpiper (fallpipe vessel) all saw good utilization levels.

In light of market conditions and after completion of its fleet rationalization study, Boskalis announced at the start of July that

fourteen vessels would be taken out of service in the 2016-2018 period. These include anchor handling tugs, ocean-going tugs and heavy transport vessels. The fleet rationalization will be implemented through the scrapping, sale and/or lay-up of vessels. Six of the fourteen vessels have been scrapped or sold.

In order to respond to opportunities in the offshore installation market, Boskalis is converting an existing heavy transport vessel into a crane vessel. The Finesse, a Type II open stern heavy transport vessel, is being modified for this purpose and will be equipped with features including dynamic positioning, additional accommodation and a rotating mast crane with a lifting capacity of 3,000 tons. The combination of a large amount of deck space for transport and a large lifting capacity for the installation of foundations will provide Boskalis with a unique installation vessel. The vessel will also be deployable on transport and installation activities in the offshore wind sector, oil and gas industry, as well as on decommissioning and salvage projects. The vessel is expected to be ready for deployment from the end of 2017. For more information please refer to pages 28 and 29.

SEGMENT RESULTS

In 2016 EBITDA for the Offshore Energy segment amounted to EUR 374.6 million, with an operating result of EUR 209.5 million (2015: EUR 418.4 million and EUR 250.5 million, respectively). The offshore activities acquired from VolkerWessels contributed EUR 30.4 million to EBITDA and EUR 24.9 million to the operating result.

The deteriorated market conditions in the oil and gas sector predominantly impacted results in the services business units, with the short-term wet towage and short-term Heavy Marine Transport activities under most pressure.

The segment result includes our share in the net result of joint ventures and associated companies, particularly VBMS for the period preceding the full acquisition, and Asian Lift. The contribution from these activities was EUR 2.2 million (2015: EUR 7.0 million). The Asian Lift joint venture in Singapore continues to be adversely affected by the decline in demand from the offshore sector and the resulting pressure on utilization and prices.

ORDER BOOK

At the end of 2016 the order book, excluding our share in the order books of joint ventures and associates, stood at EUR 1,023.9 million (end-2015: EUR 975.2 million). The sale and deconsolidation of the SMIT Amandla Marine business resulted in EUR 80 million of revenue being removed from the backlog. The offshore activities acquired from VolkerWessels were added to the order book with effect from 1 July.

On balance EUR 950.6 million of new work was acquired during the year. Acquired projects included a gas pipeline trenching and backfilling contract in Abu Dhabi, transport contracts for the Johan Sverdrup oil field and the Yamal LNG project, a balance of plant contract for Aberdeen Offshore Wind Farm, the installation of foundations for Hornsea Offshore Wind Farm Project One and

numerous cabling contracts for wind farms including Borssele Alpha. Boskalis will deploy its new 3,000 ton crane vessel on the Hornsea OWF Project One.

After the close of the year Boskalis was awarded the cabling contracts for the East Anglia ONE and EnBW Hohe See offshore wind farms.

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	2016	2015
(in EUR million)		
Revenue	121.4	294.9
EBITDA*	55.1	96.2
Net result from JVs and associates*	35.5	36.3
Operating result*	48.8	79.1
Order book at year-end	7.5	7.9

* Excluding impairments

REVENUE

Revenue within the Towage & Salvage segment declined to EUR 121.4 million (2015: EUR 294.9 million). The drop was largely due to the further implementation of the Towage strategy, aimed at transferring all the harbor towage activities to joint ventures. The joint venture with KOTUG, combining both partners' European harbor towage activities, became effective at the start of April. Consequently, the European harbor towage activities were deconsolidated from the start of the second quarter and from that date our share in the net result of the new KOTUG SMIT Towage joint venture is recognized under results from joint ventures and associated companies.

SMIT Salvage started the year with a number of impressive and successful emergency response assignments, such as rescuing a ro-ro carrier that had gone adrift in the Bay of Biscay, refloating a 19,000 TEU container ship on the Elbe River near the port of Hamburg in Germany and refloating a stranded oil rig off the coast of Scotland. After a busy start of the year, the remainder of the year was considerably weaker, as a result of a relatively low level of emergency response projects coming to the market. Contrary to the previous years, no major wreck removal projects were executed or added to the order portfolio. As a result, revenue at Salvage declined by around 50%.

SEGMENT RESULT

EBITDA generated within the Towage & Salvage segment totaled EUR 55.1 million, with an operating result of EUR 48.8 million (2015: EUR 96.2 million and EUR 79.1 million, respectively).

The Salvage result was positively impacted by the financial settlement of salvage projects that were executed in previous years. Such settlements are a common part of the salvage business, but size and timing of settlements 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, as from the second quarter, KOTUG SMIT Towage. The contribution from these activities was EUR 35.5 million (2015: EUR 36.3 million). The contribution to the result from both Smit Lamnalco and Keppel Smit Towage stayed behind previous years, due to the difficult market conditions.

ORDER BOOK

At end-2016 the order book, excluding our share in the order books of joint ventures and associated companies, stood at EUR 7.5 million (end-2015: EUR 7.9 million). The order book relates solely to the Salvage business unit.

HOLDING AND ELIMINATIONS

Non-allocated head office activities.

HOLDING AND ELIMINATIONS	2016	2015
(in EUR million)		
Revenue	-23.2	-15.2
EBITDA	7.7	-30.3
Impact Fugro	-30.1	-3.4
Net result from JVs and associates excluding Fugro	0.0	0.3
Operating result*	6.5	-51.8

* Excluding impairments

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.

In accordance with IFRS the transfer of the SMIT Towage Northwest Europe activities into the joint venture with KOTUG must for accounting purposes be treated as a divestment transaction of group companies, followed by the acquisition of a 50% share in a joint venture. This divestment of SMIT Towage Northwest Europe resulted in a book profit of EUR 34.0 million before taxation and EUR 37.0 million after taxation.

In accordance with IFRS, the acquisition of the remaining 50% share in VBMS was treated for accounting purposes as a divestment of Boskalis' existing 50% share, followed by the acquisition of 100% of the shares of a new group company. The divestment of the 50% share resulted in a book profit of EUR 39.8 million.

Early December, Boskalis sold SMIT Amandla Marine. This transaction resulted in a EUR 8.3 million book profit.

Boskalis' share in Fugro is accounted for in the Holding and Eliminations segment. Up until 13 December 2016, when the shareholding was reduced to below 20%, Fugro was accounted for as an associate. As per 13 December, our 9.38% holding in Fugro is reported as a financial instrument. On balance, a negative result of EUR 30.1 million was recognized related to our investment in Fugro in 2016.

OTHER FINANCIAL INFORMATION

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

As a result of the strongly deteriorated market conditions and outlook in the offshore energy sector, non-cash impairment charges of EUR 842.6 million pre-tax (EUR 840.1 million post tax), including those within joint ventures and associates, have been accounted for. These charges are almost entirely related to the services part of Boskalis' offshore oil and gas activities. Of the total amount, EUR 362.8 million is related to an impairment of vessels and EUR 382.3 million to an impairment of goodwill. The remaining amount of EUR 97.5 million was primarily related to associates and joint ventures, in particular Smit Lamnalco (EUR 89.2 million).

Depreciation and amortization amounted to EUR 277.2 million (2015: EUR 278.6 million). Impairment charges, excluding associates and joint ventures, amounted to EUR 748.5 million (2015: EUR 14.5 million, excluding the Fugro impairment charge).

Depreciation, amortization and impairments totaled EUR 1,025.7 million (2015: EUR 293.1 million, excluding the Fugro impairment charge).

INCOME FROM JOINT VENTURES AND ASSOCIATES

Our share in the net result from joint ventures and associates was EUR 11.3 million, excluding impairment charges taken within the joint ventures (2015: EUR 43.3 million). This result relates mainly to our share in the net results of Smit Lamnalco, VBMS (first half year only), the Singapore partnerships with Keppel (Keppel Smit Towage, Maju Maritime and Asian Lift), Saam Smit Towage, KOTUG SMIT Towage (as from the second quarter) and Fugro (until 13 December). The decrease in our share of the net result from joint ventures and associates compared to 2015 is mainly caused by the net effect of the results related to our investment in Fugro (EUR 30.1 million). Our share in the net results including impairment charges within the joint ventures was EUR 82.9 million negative.

TAX

The tax charge declined to EUR 32.4 million (2015: EUR 87.5 million). The effective tax rate, adjusted for impairment charges, was 11.1% (2015: 16.0%) and 17.0%, if adjusted for the net result from joint ventures and associates, the book profit on the KOTUG SMIT transaction, the book profit from the revaluation to fair value of our existing 50% share in VBMS and the book profit on the sale of SMIT Amandla Marine.



The ro-ro carrier Modern Express moored in the port of Bilbao, Spain following the successful salvage operation by SMIT Salvage in the Bay of Biscay.

CAPITAL EXPENDITURE AND BALANCE SHEET

In 2016 a total amount of EUR 182.1 million was invested in property, plant and equipment (2015: EUR 230.4 million), excluding the vessels acquired by way of the acquisition of STRABAG Wasserbau and the VolkerWessels transaction. Within Dredging, the construction of the new mega cutter Helios is progressing well, with delivery expected mid-2017. In 2016 the jumbo backhoe dredger Magnor was taken into service. Investments within the Offshore Energy segment included the start of the construction of an offshore transport and installation crane vessel, for which a F-class heavy transport vessel is currently being converted. This vessel is expected to be commissioned late 2017.

In 2016 divestments were made totaling EUR 5.4 million.

Capital expenditure commitments at the end of the year were EUR 62 million (end-2015: EUR 108 million). These commitments relate to the aforementioned mega cutter Helios and the F-class crane vessel.

In 2016 Boskalis used EUR 55.8 million in cash for the dividends related to the 2015 financial year (2015: EUR 47.6 million) for those shareholders who opted to receive a cash dividend. This represented around 28% of the dividend, with the remaining 72% being distributed in the form of 4,449,790 new ordinary shares. As a consequence, the total number of outstanding ordinary Boskalis shares equaled 130,076,852 at the end of 2016.

The cash flow amounted to EUR 464.0 million (2015: EUR 765.4 million). The cash position at the end of the year was EUR 965.3 million (year-end 2015: EUR 793.7 million). The solvency ratio remained stable, at 56.1% (year-end 2015: 56.3%).

The interest-bearing debt totaled EUR 762.6 million at year-end. The resulting net cash position was therefore EUR 202.7 million, excluding cash held under assets held for sale. At the end of 2015 the gross and net debt position was EUR 963.0 million and EUR 169.3 million respectively.

The largest component of the interest-bearing gross debt position relates to US Private Placements (USPPs), including an accrued liability for the early repayment of the USPP 2010 (USD 433 million and GBP 11 million). In January 2017 Boskalis executed an early repayment of its USPP 2010 and repaid the outstanding amount in full, including an amount of EUR 30.0 million as 'make whole' payment to the investors for interest foregone and EUR 9.9 million costs from unwinding the associated cross currency swaps. This USPP loan was placed in 2010, with a tenor of 7, 10 and 12 years and was used for the partial financing of the acquisition of SMIT Internationale N.V. At repayment, the average coupon on the outstanding loans was 5.1%. The costs incurred for the make whole and unwind of the cross currency swaps are accounted for as a financial expense in 2016. Boskalis has a second USPP in USD, for an amount equivalent to EUR 308 million still outstanding, with a remaining term of six years.

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-2016. 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 2016 the net debt : EBITDA ratio stood at -0.3 (net cash position) and the EBITDA : net interest ratio at 15.

OTHER DEVELOPMENTS

FUGRO

In 2016 Boskalis decreased its share in Fugro N.V., from 28.6% to 9.4%, through the sale of (certificates of) shares, with total cash proceeds of EUR 237 million. A large part of this reduction was achieved in December 2016 through an accelerated bookbuild via which 12.7 million (15%) certificates of shares in Fugro were placed with institutional investors at EUR 14.50 per share. As a consequence, under IFRS Boskalis is not deemed to have significant influence anymore and the remaining investment has therefore been reclassified as an available-for-sale financial asset. The book value of this investment at year-end was EUR 115.4 million (EUR 14.55 per share).

On 28 February 2017 Boskalis sold its remaining share in Fugro. This share was 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.

VOLKERWESSELS OFFSHORE ACTIVITIES

The acquisition of the maritime and offshore wind energy-related activities of VolkerWessels was closed on 1 July. The acquisition concerns Stemat, VSI (Volker Stevin International) and the remaining shares in VBMS, a joint venture in which Boskalis already had a 50% share. The transaction price was EUR 180 million. Due to the cash position of the companies involved and as a result of the full consolidation of VBMS, the effect on the net debt position on the date of acquisition was limited to EUR 78 million. The activities are fully consolidated in Boskalis' financial statements from the third quarter.

DIVIDEND PROPOSAL

In determining the dividend for 2016 it was decided to adjust the net result for the non-cash impairment charges.

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 light of this, the 2016 dividend will once again be distributed in a choice of cash or ordinary shares. In order to prevent the resulting dilution, the number of shares that will be issued in early June for this purpose will subsequently be repurchased.

Boskalis will propose to the General Meeting of Shareholders that a dividend of EUR 1.00 per share be distributed in the form of ordinary shares, unless the shareholder opts to receive a cash dividend (2015: EUR 1.60 per share).

OUTLOOK

The market picture for the year ahead 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 for the short term. For Boskalis the emphasis lies 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 occupied for 2017, albeit at lower margins than in previous years. The outlook for 2017 is less favorable at Offshore Energy. Following the conclusion of a number of long-term contracts from previous years and the completion of several large offshore wind farm projects revenue will decline and be more dependent on the spot market (services), where margins remain under continued pressure. The last of the Towing activities were transferred to joint ventures in 2016. Market volumes are relatively stable here, but even so there is increased pressure as well, especially for terminal services.

The market conditions combined with the outlook described gave rise in 2016 to the fleet rationalization project and resulted in the impairment of vessels and goodwill, particularly in the service-related part of the offshore oil and gas activities. A cost-reduction program has now also been launched, aimed at cutting head-office costs.

The project-based nature of a significant part of our activities, in addition to the uncertain market conditions, makes it difficult to give a specific quantitative forecast with regard to the 2017 full-year result early on in the year. It is, however, clear that the net result will be lower than the 2016 result adjusted for the impairment charges.

Capital expenditure in 2017 is expected to be around EUR 250 million, excluding acquisitions, and will be financed from the company's own cash flow. Boskalis has a very sound financial position and the solvency ratio equals 56%. At the end of 2016 Boskalis was net debt-free and comfortably met its financial covenants.



SUMMARY FINANCIAL INFORMATION 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Consolidated Income statement)

(in thousands of EUR)	Note	2016	2015
OPERATING INCOME			
Revenue	[6]	2,596,326	3,240,327
Other income	[5/7]	59,226	8,404
		2,655,552	3,248,731
OPERATING EXPENSES			
Raw materials, consumables, services and subcontracted work	[8]	- 1,593,083	- 1,918,116
Personnel expenses	[9]	- 451,455	- 513,088
Depreciation and amortization	[15/16]	- 277,244	- 278,558
Impairment losses	[10]	- 748,486	- 14,533
Other expenses	[5/7]	- 316	- 4,557
		- 3,070,584	- 2,728,852
Result of joint ventures and associated companies	[17]	- 82,882	43,260
Revaluation of investment in joint venture VBMS Holding B.V. prior to business combination	[5.1]	39,839	-
Revaluation of investment in Fugro N.V. prior to classification as associated company	[17/18]	-	28,478
Impairment on investment in associated company Fugro N.V.	[17]	-	- 28,824
		- 458,075	562,793
RESULTS FROM OPERATING ACTIVITIES (EBIT)			
FINANCE EXPENSES			
Finance income	[11]	1,001	1,163
Expenses prepayment US private placement		- 40,264	-
Interest and other finance expenses		- 32,052	- 32,974
Finance expenses	[11]	- 72,316	- 32,974
		- 71,315	- 31,811
Profit/loss (-) before taxation		- 529,390	530,982
Income tax expenses	[12]	- 32,360	- 87,452
		- 561,750	443,530
NET GROUP PROFIT/LOSS (-)			
NET GROUP PROFIT/LOSS (-) ATTRIBUTABLE TO:			
Shareholders		- 563,730	440,178
Non-controlling interests		1,980	3,352
		- 561,750	443,530
Average number of shares	[23.5]	128,204,536	124,181,528
Earnings per share	[23.5]	EUR -4.40	EUR 3.54
Earnings per share 2016, excluding impairment losses	[10/23.5]	EUR 2.16	
Diluted earnings per share	[23.5]	EUR -4.40	EUR 3.54

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Consolidated Statement of Recognized and Unrecognized Income and Expenses)

(in thousands of EUR)	Note	2016	2015
NET GROUP PROFIT/LOSS (-)		- 561,750	443,530
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]	- 4,520	45,554
Income tax on unrecognized income and expenses not to be reclassified to statement of profit or loss (-)	[14]	1,080	- 6,772
Share of other comprehensive income of joint ventures and associated companies, after tax		- 6,202	2,310
Total unrecognized income and expenses for the period that will not be reclassified to statement of profit or loss (-), net of income tax		- 9,642	41,092
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO THE STATEMENT OF PROFIT OR LOSS			
Reclassification of revaluation of investment in Fugro N.V.	[17]	-	- 28,478
Movement in fair value of investment in Fugro N.V.	[18.2]	357	- 20,093
Currency translation differences from joint ventures and associated companies, after tax		- 1,818	-
Currency translation differences on foreign operations		25,874	169,474
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]	13,261	7,013
Income tax on unrecognized income and expenses that are or may be reclassified subsequently to statement of profit or loss	[14]	- 2,034	- 847
Change in fair value of cash flow hedges from joint ventures and associated companies, after tax	[28.2]	75	-
Total unrecognized income and expenses for the period which are or may be reclassified to statement of profit or loss (-)		36,435	127,069
UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD, AFTER INCOME TAX		26,793	168,161
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		- 534,957	611,691
ATTRIBUTABLE TO:			
Shareholders		- 537,378	609,938
Non-controlling interests		2,421	1,753
TOTAL RECOGNIZED AND UNRECOGNIZED INCOME AND EXPENSES FOR THE REPORTING PERIOD		- 534,957	611,691

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Consolidated Balance Sheet)

		31 DECEMBER	
(in thousands of EUR)	Note	2016	2015
NON-CURRENT ASSETS			
Intangible assets	[15]	287,520	533,280
Property, plant and equipment	[16]	2,484,068	2,784,889
Joint ventures and associated companies	[17]	827,044	1,192,773
Non-current financial assets	[18]	116,440	5,915
Derivatives	[28]	4,110	50,779
Deferred income tax assets	[14]	10,505	12,020
		3,729,687	4,579,656
CURRENT ASSETS			
Inventories	[19]	90,049	82,610
Due from customers	[20]	87,194	182,302
Trade and other receivables	[21]	597,928	727,567
Derivatives	[28]	76,694	5,155
Income tax receivable	[13]	7,495	9,893
Cash and cash equivalents	[22]	965,331	793,720
Assets of disposal groups	[5]	9,627	224,444
		1,834,318	2,025,691
TOTAL ASSETS		5,564,005	6,605,347
GROUP EQUITY			
Issued capital	[23]	1,301	100,501
Share premium reserve	[23]	637,006	535,807
Other reserves	[23]	637,822	621,775
Retained earnings	[23]	1,845,044	2,456,230
SHAREHOLDERS' EQUITY		3,121,173	3,714,313
NON-CONTROLLING INTERESTS		2,031	7,593
TOTAL GROUP EQUITY		3,123,204	3,721,906
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	[24]	308,287	914,234
Employee benefits	[25]	30,334	43,703
Deferred income tax liabilities	[14]	23,374	26,005
Provisions	[26]	31,435	23,775
Derivatives	[28]	818	1,147
		394,248	1,008,864
CURRENT LIABILITIES			
Due to customers	[20]	315,632	320,977
Interest-bearing borrowings	[24]	453,144	18,127
Bank overdrafts	[22]	1,188	30,603
Income tax payable	[13]	152,331	182,886
Trade and other payables	[27]	1,085,684	1,264,099
Provisions	[26]	22,027	7,033
Derivatives	[28]	8,838	13,720
Liabilities of disposal groups	[5]	7,709	37,132
		2,046,553	1,874,577
TOTAL LIABILITIES		2,440,801	2,883,441
TOTAL GROUP EQUITY AND LIABILITIES		5,564,005	6,605,347

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of EUR)	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Group profit/loss (-)		- 561,750	443,530
Depreciation, amortization and impairment losses intangible assets and property, plant and equipment	[10/15/16]	1,025,730	293,091
Impairment on investment in Fugro N.V.		-	28,824
Cash flow		463,980	765,445
Adjustments for:			
Finance income and expenses		71,315	31,811
Income tax expenses		32,360	87,452
Results from disposals / divestments		- 47,927	- 3,847
Movement in provisions and employee benefits		17,180	11,389
Movement in inventories		- 10,791	17,560
Movement in trade and other receivables		272,069	- 57,584
Movement in trade and other payables		- 313,385	97,285
Movement due from and due to customers		- 46,356	19,250
Share in result of joint ventures and associated companies, including share in impairments		82,882	- 43,260
Revaluation result of reclassification of investment in Fugro N.V.		-	- 28,478
Result of revaluation of investment in VBMS Holding B.V.		- 39,839	-
Gain on acquisition of STRABAG business		- 10,983	-
Cash generated from operating activities		470,505	897,023
Dividends received		42,572	69,444
Interest received		1,001	1,163
Interest paid		- 30,059	- 31,252
Income tax paid		- 70,580	- 90,904
Net cash from operating activities		413,439	845,474
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment, excluding capitalized borrowing costs	[16]	- 164,898	- 276,062
Proceeds from disposals of property, plant and equipment		9,743	30,448
Investment in business combinations, net of cash acquired	[5]	- 149,328	-
Investment in Fugro N.V.	[17/18.2]	-	- 147,062
Reduction of investment in Fugro N.V.	[17/18.2]	236,982	-
Investment in and issued loans to other associated companies and/or joint ventures	[17]	- 422	- 179
Disposal of (a part of) group companies, net of cash disposed	[5]	124,660	29,444
Repayment of loans or share premium by associated company and/or joint venture	[17]	9,326	1,820
Net cash used in investing activities		66,063	- 361,591
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		-	19,253
Repayment of loans		- 217,123	- 87,192
Dividend paid to the Company's shareholders		- 55,762	- 47,562
Dividend paid to non-controlling interests		- 771	- 2,037
Net cash used in / from financing activities		- 273,656	- 117,538
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		205,846	366,345
Net cash and cash equivalents as at 1 January	[22]	766,696	395,436
Net increase in cash and cash equivalents		205,846	366,345
Currency translation differences		- 2,793	4,915
MOVEMENT IN NET CASH AND CASH EQUIVALENTS		203,053	371,260
NET CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	[22]	969,749	766,696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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