DEME
Financial Information
2016

DEME

Dredging, Environmental
& Marine Engineering

Beach nourishment Wissant, France

Preliminary remark

To serve the needs of our shareholders, customers, banks and other stakeholders DEME chose to prepare an activity report accompanied by financial information that is prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The underlying consolidated financial statements do not contain all the explanatory notes required by IFRS and are therefore not fully compliant with IFRS as adopted by the EU.

This financial information report includes the financial highlights, consolidated balance sheet and consolidated statement of income, consolidated cash flow statement, consolidated statement of changes in equity and some relevant explanatory notes. The parent company balance sheet and statement of income is also included.

The financial annual report of DEME is a separate brochure, which contains both the officially approved and published parent company and consolidated accounts that are prepared in accordance with Belgian Generally Accepted Accounting Principles (Belgian GAAP). In February 2013 DEME successfully emitted a 6-year corporate bond of 200 million EUR on NYSE Alternext. The financial annual report of DEME is prepared in accordance with the Belgian Royal Decree on the obligations of issuers of financial instruments.

Nordsee One offshore wind farm, Germany

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Financial Highlights

DEME Group figures

AS OF DECEMBER 31

According to IFRS (*) (in millions of EUR)	2016	2015	2014
Turnover	1,978.2	2,286.1	2,419.7
EBITDA	447.4	489.2	443.6
EBIT	227.0	269.2	223.5
Net result share of the Group	155.3	199.2	168.9
Average # personnel (in FTE)	4,232	4,099	4,194
Shareholders' equity (excl. minority interests)	1,220.6	1,132.9	986.7
Net financial debt	-151.2	-269.5	-126.8
Total assets	3,288.7	3,149.8	2,901.5
Total investments	258.1	343.1	172.1
Dividend of the year	55.0	60.0	50.7

DEME Group economic figures

AS OF DECEMBER 31

According to IFRS (**) (in millions of EUR)	2016	2015	2014
Turnover	1,978.2	2,351.0	2,586.9
EBITDA	450.1	558.4	501.5
EBIT	217.6	318.4	259.1
Net result share of the Group	155.3	199.2	168.9
Order book	3,800.0	3,185.0	2,420.0
Average # personnel (in FTE)	4,284	4,186	4,311
Shareholders' equity (excl. minority interests)	1,220.6	1,132.9	986.7
Net financial debt	-154.6	-266.7	-212.8
Total assets	3,312.4	3,233.4	3,132.7
Total investments	272.0	343.9	182.0
Dividend of the year	55.0	60.0	50.7

Definitions:

EBITDA is the sum of operating result (EBIT), depreciation and amortisation expenses.

EBIT is operating result excluding impairment losses.

Order book is the contract value of assignments that are acquired as of December 31 but that is not yet accounted for as turnover because of non-completion.

Net financial debt is the sum of current and non-current financial liabilities decreased with cash and cash equivalents.

Total investments is the amount paid for the acquisition of intangible, tangible and financial fixed assets.

(*) Following the introduction of the new accounting standards IFRS 10 and IFRS 11, group companies jointly controlled by DEME are accounted for using the equity method with effective date as from January 1, 2014.

(**) In this presentation, the group companies that are jointly controlled by DEME are still proportionally integrated. Although this is not in accordance with the new IFRS 10 and IFRS 11 accounting standards, it gives a more complete and economical view of the operations and assets/liabilities of those companies. In the equity accounting as applied under IFRS (*), the contribution of the group companies jointly controlled by DEME is summarised and presented as one single item on the balance sheet and in the income statement.

DEME Group financial performance

DEME's **turnover** according to the economic approach amounted to 1,978.2 million EUR compared to 2,351 million EUR in 2015, the year with, among other things, the large-scale works on the Suez Canal. The record profit of 2015, 199.2 million EUR, could not be matched in 2016 that ended with a **net profit share of the Group** of 155.3 million EUR. The execution of the many projects in which DEME is involved however progressed well, leading to an **EBITDA** of 450.1 million EUR which is 22.8% of turnover. Even though this figure is lower than in 2015 it is clearly better than expected and also above the historical range of 16% to 20% EBITDA margin.

Major projects carried out in 2016 included Jurong Island Westward Extension (JIWE) and Tuas Terminal Phase 1 in Singapore, and the widening and deepening of the Pacific access channel of the Panama Canal. DEME had a very busy second half of the year in the United Kingdom with the Galloper and Race Bank projects, as well as in Africa, India and in many places in Europe and expects to continue this positive trend in 2017. GeoSea was able to finish the transport and installation of the monopile foundations for the 54 wind turbines of the German Nordsee One wind farm sooner than expected.

DEME was able to add 2,593 million EUR worth of new contracts and increases on existing contracts to its **order book** in 2016. New contracts are the construction of offshore wind farms Merkur (Germany), Hornsea Project One (UK), Horns Rev (Denmark) and Rentel (Belgium). In traditional dredging activities we have the renewal of the maintenance dredging contract for the Belgian coast, Port Louis in Mauritius and in the environmental sector we have the Blue Gate remediation works in Antwerp. The order book increased to 3,800 million EUR at year-end 2016. It should be noted that the contracts for the Hohe See Phase 2 and the Fehmarnbelt project have been won, but have not yet been included in the order book end 2016 because of non-completion of financial close and because of pending final permits. Meanwhile the financial close of Hohe See Phase 2 has been completed. At the beginning of 2017, DEME also signed new contracts, worth 100 million EUR, in India and the Maldives where land reclamation works will be carried out for the construction of ten islands intended for the development of tourism infrastructure. In the Netherlands a contract worth 128 million EUR was awarded for the construction of the Rijnlandroute, a complex infrastructure project with a traffic junction and a bored tunnel.

In order to execute this sizeable order book, DEME continued its **investment programme**. Six new vessels are currently under construction: the self-propelled jack-up vessel 'Apollo', the multipurpose and cable laying vessel 'Living Stone', the self-propelled DP2 crane vessel 'Gulliver' (in joint venture) and the trailing suction hopper dredgers 'Scheldt River', 'Minerva' and 'Bonny River', together representing an investment of approximately 500 million EUR. Despite some delay at the shipyards building those vessels, the majority will be completed in 2017 and will be deployed immediately. This delay has led to a number of payments that were planned for 2016 being deferred to 2017. Consequently, the total investments in tangible and intangible fixed assets in 2016 is limited to 194.7 million EUR (according to the economic approach).

In February 2017, DEME confirmed the additional order of two new vessels, for a total amount of around 500 million EUR. The 'Spartacus', the most

Tuas Terminal Phase 1, Singapore

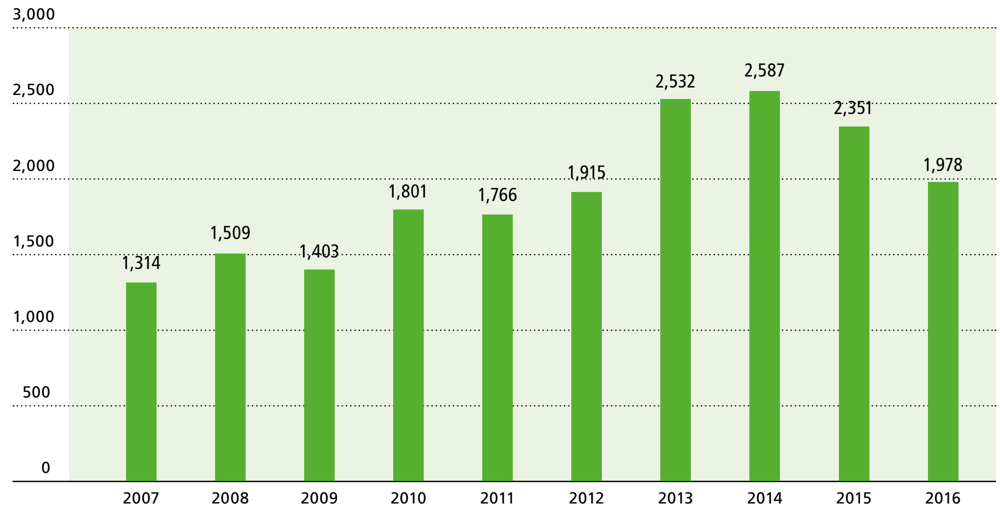
powerful state-of-the-art cutter suction dredger in the world (44,180 kW) for dredging works in the hardest and most compact rock and soil types also in offshore conditions, and the 'Orion', an offshore service vessel (44,180 kW) with dynamic positioning and a crane with a reach of more than 50 metres and a lifting capacity of 5,000 tonnes. The vessel will be used for construction works at sea, such as offshore wind farms, services for customers in the offshore oil and gas industry and the dismantling of old offshore structures.

In 2016, DEME, through its subsidiary DEME Concessions, also invested in a 12.5% stake in the company that will develop the Merkur offshore wind farm (396 MW) as well as in a 18.9% stake in Rentel (309 MW).

DEME's **net financial debt** according to the economic approach amounted to -154.6 million EUR at the end of 2016, which is a decrease of 112.1 million EUR compared to the end of 2015. A lower level of CAPEX because of deferral of several installments, together with strong operating cash flows and significant advance payments obtained from customers have led to this low amount. In view of the CAPEX described above the net financial debt of DEME will become more negative in the course of 2017.

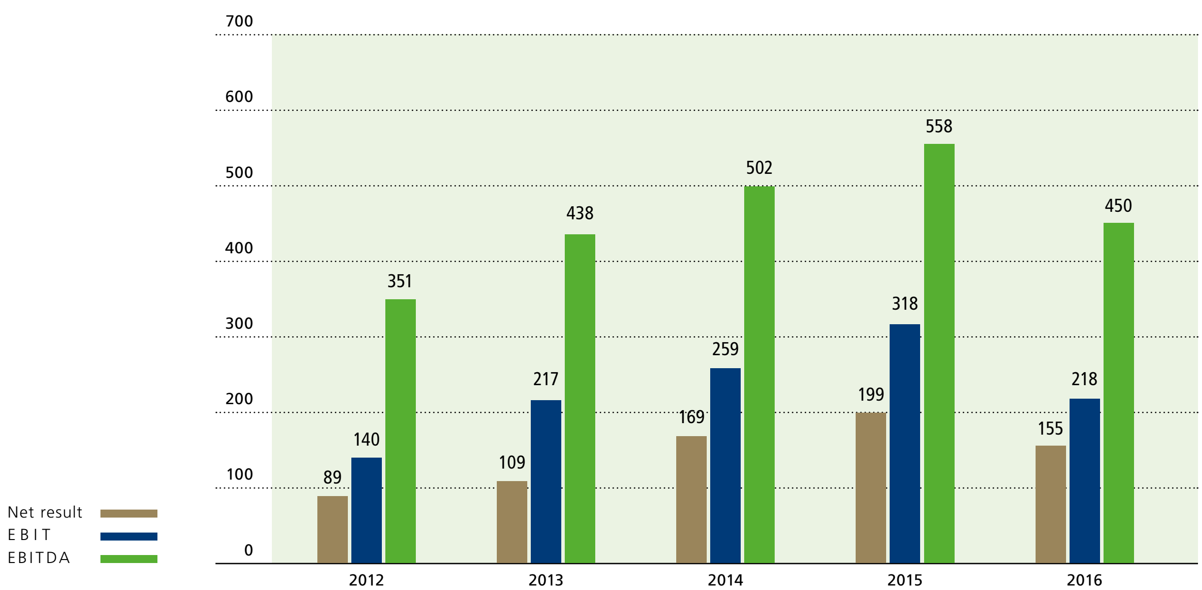
DEME Group evolution of consolidated turnover

economic figures* (in millions of EUR)



DEME Group evolution of net result, EBIT and EBITDA

economic figures* (in millions of EUR)

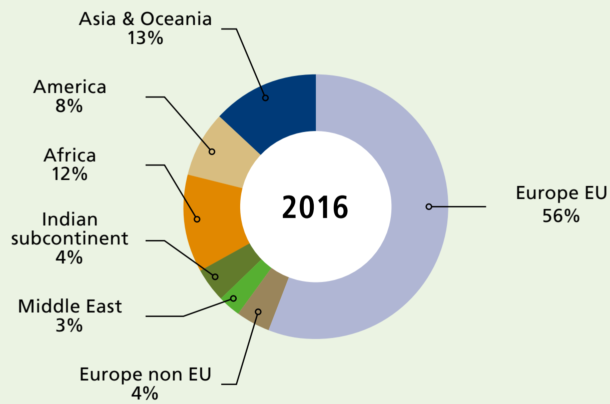


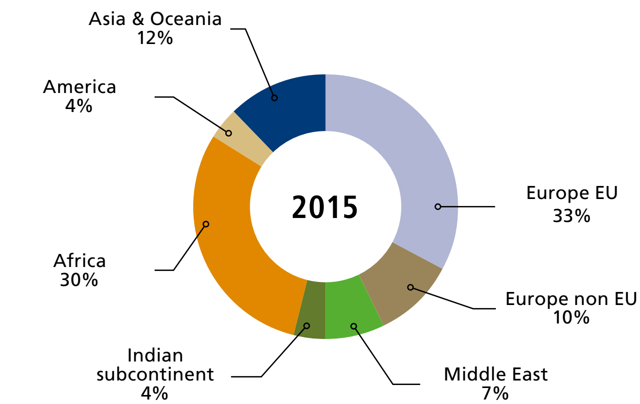
* In the economic figures the Group companies that are jointly controlled by DEME are still proportionally integrated which is not in accordance with the new IFRS 10 and IFRS 11 accounting standards. It nevertheless gives a more complete picture of the operations and assets/ liabilities of those companies.

DEME Group evolution of consolidated turnover

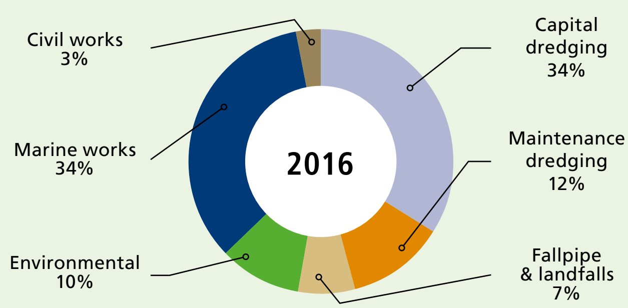
economic figures* (in %)

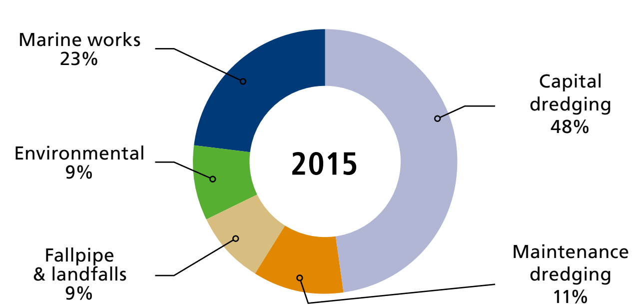
By region



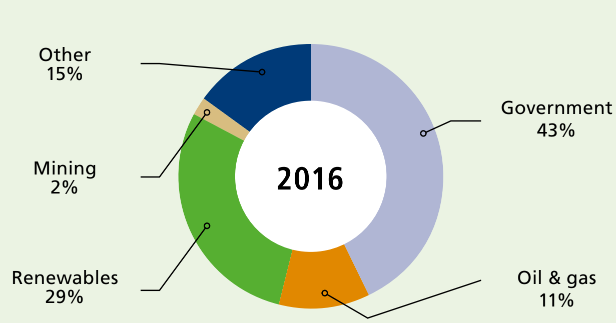


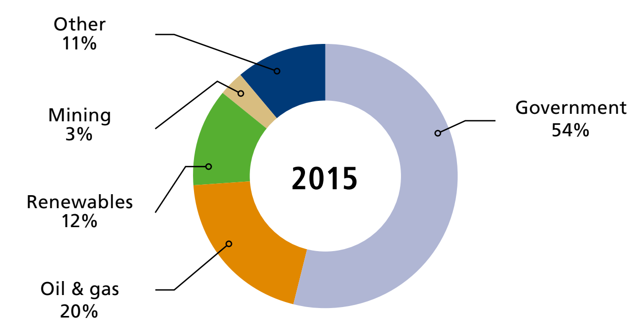
By activity





By customer





* In the economic figures the Group companies that are jointly controlled by DEME are still proportionally integrated which is not in accordance with the new IFRS 10 and IFRS 11 accounting standards. It nevertheless gives a more complete picture of the operations and assets/liabilities of those companies.

Consolidated financial statements

DEME IFRS

Consolidated statement of income

AS OF DECEMBER 31

(in thousands of EUR)		Notes	2016	2015
REVENUES			1,997,273	2,329,109
Turnover			1,978,250	2,286,124
Movement in contracts in progress			-26,043	9,318
Other operating income		(1)	45,066	33,667
OPERATING EXPENSES			-1,770,317	-2,066,155
Raw materials, consumables, services and subcontracted work			-1,167,280	-1,467,496
Personnel expenses		(2)	-364,006	-354,880
Depreciation and impairment losses			-220,433	-223,145
Goodwill impairment			–	-3,116
Other operating expenses		(1)	-18,598	-17,518
OPERATING RESULT			226,956	262,954
FINANCIAL RESULT			-33,797	-45,353
Interest income			8,191	4,270
Interest expense			-33,049	-31,840
Other financial income and expenses			-8,939	-17,783
RESULT BEFORE TAXES			193,159	217,601
Income taxes and deferred taxes			-20,417	-56,521
RESULT AFTER TAXES			172,742	161,080
Share of profit (loss) of joint ventures and associates		(6)	-13,278	39,597
RESULT FOR THE PERIOD			159,464	200,677
Attributable to:	non-controlling interests		4,130	1,481
	the Group		155,334	199,196

DEME IFRS

Consolidated statement of comprehensive income

AS OF DECEMBER 31

(in thousands of EUR)		2016	2015
Result attributable to non-controlling interests		4,130	1,481
Result attributable to the Group		155,334	199,196
Net result for the period		159,464	200,677
Comprehensive income that may be reclassified to profit and loss in subsequent periods			
Changes in fair value related to hedging instruments		4,181	4,645
Changes in cumulative translation adjustment reserve		178	-4,202
Comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
Remeasurement of net liabilities relating to defined benefit plans		-12,084	-2,301
Total other comprehensive income		-7,725	-1,858
Total comprehensive income:		151,739	198,819
Attributable to:	non-controlling interests	3,959	1,990
	the Group	147,780	196,829

DEME IFRS

Consolidated balance sheet

AS OF DECEMBER 31

(in thousands of EUR)	Notes	2016	2015

Assets

NON-CURRENT ASSETS		1,945,098	1,922,841
Intangible assets	(3)	9,141	12,378
Goodwill	(4)	18,732	18,732
Property, plant and equipment	(5)	1,612,274	1,652,499
Investments in joint ventures and associates	(6)	60,374	64,660
Other non-current financial assets	(7)	98,861	58,058
Non-current financial derivatives	(8)	510	1,381
Other non-current assets		22,506	18,149
Deferred tax assets	(9)	122,700	96,984

CURRENT ASSETS		1,343,578	1,226,928
Inventories	(10)	25,261	11,259
Amounts due from customers under construction contracts	(10)	287,646	233,421
Trade and other operating receivables	(11)	479,722	549,032
Current financial derivatives	(8)	2,311	8,514
Other current assets		20,860	46,238
Cash and cash equivalents	(12)	527,778	378,464

TOTAL ASSETS		3,288,676	3,149,769

DEME IFRS

Consolidated balance sheet

AS OF DECEMBER 31

Group equity and liabilities

(in thousands of EUR)	Notes	2016	2015
SHAREHOLDERS' EQUITY		1,220,638	1,132,861
Issued capital		31,110	31,110
Share premium		5,645	5,645
Reserves and retained earnings		1,220,757	1,125,427
Hedging reserve		-10,600	-14,781
Remeasurements on defined benefit pension plans		-23,541	-11,834
Cumulative translation adjustment		-2,733	-2,706
NON-CONTROLLING INTERESTS		14,862	10,963
GROUP EQUITY		1,235,500	1,143,824
NON-CURRENT LIABILITIES		703,006	724,021
Employee benefit obligations	(14)	42,384	31,031
Provisions		2,721	7,661
Interest-bearing debt	(12)	527,046	539,028
Non-current financial derivatives	(8)	18,475	33,359
Other non-current liabilities		–	3,893
Deferred tax liabilities	(9)	112,380	109,049
CURRENT LIABILITIES		1,350,170	1,281,924
Interest-bearing debt	(12)	151,947	108,901
Current financial derivatives	(8)	23,502	34,607
Amounts due to customers under construction contracts	(10)	43,214	35,048
Advances received		104,477	44,160
Trade payables		846,533	876,956
Remuneration and social security		76,818	65,021
Current income taxes		21,094	21,333
Other current liabilities	(15)	82,585	95,898
TOTAL GROUP EQUITY AND LIABILITIES		3,288,676	3,149,769

DEME IFRS

Consolidated statement of cash flows

AS OF DECEMBER 31

(in thousands of EUR)	2016	2015
Cash and cash equivalents, opening balance	**378,464**	**579,691**
Profit (loss) from operating activities	**226,956**	**262,954**
Dividends from participations accounted for using the equity method	**8,075**	**449**
Reclassification of (income) loss from sales of property, plant and equipment and financial participation to cash flow from divestments	**-9,823**	**-17,939**
Income taxes	**-48,171**	**-52,509**
Non-cash adjustments	**215,020**	**227,180**
Depreciation and impairment losses	220,433	226,261
(Decrease) increase of provisions	-5,413	919
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**392,057**	**420,135**
Changes in working capital	**45,963**	**-38,974**
Decrease (increase) in inventories and advances received	72,358	-8,305
Decrease (increase) in amounts receivable	-11,412	-131,297
Increase (decrease) in current liabilities (other than borrowings)	-14,983	100,628
CASH FLOW FROM OPERATING ACTIVITIES	438,020	381,161
Investments	**-258,133**	**-343,129**
Acquisition of intangible assets and of property, plant and equipment	-178,500	-263,132
Acquisition of subsidiaries	–	-49,035
Capital increase in joint ventures and associates	-20,679	-14,735
New borrowings given to joint ventures and associates	-58,954	-16,227
Divestments	**33,267**	**31,020**
Sale of intangible assets and of property, plant and equipment	5,030	26,009
Sale of subsidiaries, joint ventures and associates	19,148	682
Repayment of borrowings given to joint ventures and associates	9,089	4,329
CASH FLOW FROM INVESTING ACTIVITIES	-224,866	-312,109
Interest received	8,140	4,269
Interest paid	-33,531	-31,840
Other financial income (costs)	-8,888	-17,783
New interest-bearing debt	215,104	154,050
Repayment of interest-bearing debt	-184,039	-351,985
Gross dividend paid to the shareholders	-60,003	-50,704
Gross dividend paid to non-controlling interests	–	–
CASH FLOW FROM FINANCIAL ACTIVITIES	-63,217	-293,993
Net increase (decrease) in cash and cash equivalents	**149,937**	**-224,941**
Change in consolidation scope or method	–	24,014
Impact of exchange rate changes on cash and cash equivalents	-623	-300
Cash and cash equivalents, ending balance	**527,778**	**378,464**

DEME IFRS

Consolidated statement of changes in equity

AS OF DECEMBER 31, 2016 (in thousands of EUR)	Share capital and share premium	Hedging reserve	Defined benefit pension plans	Treasury shares	Consolidated reserves	Cumulative translation adjustment	Shareholders' equity	Equity non-controlling interests	Total equity
Opening, January 1, 2016	**36,755**	**-14,781**	**-11,833**	**–**	**1,125,426**	**-2,706**	**1,132,861**	**10,963**	**1,143,824**
Profit					155,334		155,334	4,130	159,464
Other comprehensive income		4,181	-11,708			-27	-7,554	-171	-7,725
Total comprehensive income		**4,181**	**-11,708**	**–**	**155,334**	**-27**	**147,780**	**3,959**	**151,739**
Dividends paid					-60,003		-60,003	-795	-60,798
Other							–	735	735
Ending, December 31, 2016	**36,755**	**-10,600**	**-23,541**	**–**	**1,220,757**	**-2,733**	**1,220,638**	**14,862**	**1,235,500**

AS OF DECEMBER 31, 2015 (in thousands of EUR)	Share capital and share premium	Hedging reserve	Defined benefit pension plans	Treasury shares	Consolidated reserves	Cumulative translation adjustment	Shareholders' equity	Equity non-controlling interests	Total equity
Opening, January 1, 2015	**36,755**	**-19,426**	**-9,594**	**–**	**976,934**	**2,067**	**986,736**	**11,007**	**997,743**
Profit					199,196		199,196	1,481	200,677
Other comprehensive income		4,645	-2,239			-4,773	-2,367	509	-1,858
Total comprehensive income		**4,645**	**-2,239**	**–**	**199,196**	**-4,773**	**196,829**	**1,990**	**198,819**
Dividends paid					-50,704		-50,704	-2,093	-52,797
Other							–	59	59
Ending, December 31, 2015	**36,755**	**-14,781**	**-11,833**	**–**	**1,125,426**	**-2,706**	**1,132,861**	**10,963**	**1,143,824**

DEME IFRS

Share capital and reserves

The share capital on December 31, 2016 was composed of 4,538,100 ordinary shares. These shares are without any nominal value. The owners of ordinary shares have the right to receive dividends and have one vote per share in Shareholders' General Meetings. On March 14, 2017, the board of directors proposed a dividend 55,001,772 EUR, corresponding to 12.12 EUR gross per share. The final dividend is subject to shareholder approval in the Shareholders' General Meeting. The appropriation of income was not included in the financial statements at December 31, 2016. The final dividend for the year ended 31 December 2015 was 60,002,758 EUR.

DEME IFRS

Summary of principal accounting policies

STATEMENT OF COMPLIANCE

To serve the needs of our shareholders, customers, banks and other stakeholders DEME chose to prepare an activity report accompanied by financial information that is prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the EU. The underlying consolidated financial statements do not contain all the explanatory notes required by IFRS and are therefore not fully compliant with IFRS as adopted by the EU.

BASIS OF PREPARATION

The consolidated financial statements are presented in thousands of euros. They are prepared on the historical cost basis except for derivative financial instruments, investments held for trading and investments available-for-sale which are stated at fair value.

The consolidated financial statements are prepared as of and for the period ending December 31, 2016.

They are presented before the effect of the profit appropriation proposed to the general assembly of shareholders.

The Board of Directors authorised the publication of the Group's consolidated financial statements on March 14, 2017.

The accounting principles used, IFRS as adopted by the EU, are the same as those used for the consolidated annual accounts at December 31, 2015.

New IFRS standards and interpretations that became effective for 2016 are improvements and amendments to IFRS 2010-2012 cycle, IFRS 2012-2014 cycle, IFRS 10,12 and IAS 28 *investment entities applying the consolidation exception*, IFRS 11 *accounting for acquisitions of interests in joint operations*, IAS 1 *disclosure initiative*, IAS 16 and IAS 38 *clarification of acceptable methods of depreciation and amortisation* and IAS 27 *equity method in separate financial statements*. The financial position and performance of the Group was not affected by the initial application of above standards and interpretations.

New IFRS standards and interpretations that are not yet effective, but available for early adoption are IFRS 9 *financial instruments*, IFRS 15 *revenue from contracts with customers*, IFRS 16 *leases* and improvements and amendments to IFRS 2014-2016 cycle, IFRS 2 *classification and measurement of share-based payment transactions*, IFRS 4 *insurance contracts*, IFRS 10 and IAS 28 *investments in associates and joint ventures*, IAS 40 *transfers of investment property* and IFRIC 22 *foreign currency transactions and advance consideration*. The Group did not perform any early adoption of above standards and interpretations but the potential impact of them on the consolidated accounts is being determined. The Group does not expect these changes to have a significant impact on the Group's financial position and performance, with the exception of IFRS 15 and IFRS 16.

The IASB published a new standard **IFRS 15 *revenue from contracts with customers***. This standard will replace IAS 18 and IAS 11 *construction contracts*. IFRS 15 defines how and when a company should recognise revenues from its activities. An additional explanatory disclosure will have to be provided. As a consequence, the recognition of revenue from contracts with customers will be ruled by one standard based on a five-step model. The rule will be applicable as from January 1, 2018. To determine the impact of the implementation of the standard, the ongoing contracts will be analysed to identify the performance obligations as defined by IFRS 15. Although the financial impact from the implementation of IFRS 15 cannot be estimated at this point in time, the Group expects that revenue recognition can still be based on the principle of the percentage of completion. Timing of revenue recognition could however differ for a limited number of contracts.

IFRS 16 *leases* was published in January 2016. This standard, not yet endorsed by the EU, defines how a company will account, measure and disclose leases in the financial statements. The standard requires from the lessee to account in the consolidated balance sheet all assets and liabilities related to leases with a duration higher than 12 months, except for leased assets having a very low value. The Group's obligations relating to non-cancellable operating leases are disclosed in note (13). The application of IFRS 16 will lead to an increase of assets and liabilities with the present value of future lease payments, an increase of the net financial debt and an increase of the EBITDA as a consequence of the presentation of the expenses from leases as depreciation and amortisations and as financial expenses instead of operating expenses.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of financial statements under IFRSs requires estimates to be used and assumptions to be made that affect the amounts shown in those financial statements, particularly as regards the following items:

- the period over which non-current assets are depreciated or amortised;
- the measurement of provisions and pension obligations;
- the measurement of income or losses on construction contracts using the percentage of completion method;
- estimates used in impairment tests;
- estimates used in the assessment of income taxes ;
- the fair value measurement of derivatives;
- the assessment of control.

These estimates assume the operation is a going concern and are made on the basis of the information available at the time. Estimates may be revised if the circumstances on which they were based alter or if new information becomes available. Actual results may be different from these estimates.

PRINCIPLES OF CONSOLIDATION AND LIST OF COMPANY'S SIGNIFICANT SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). An investment retained is initially measured at fair value. This fair value becomes the initial carrying amount at the date when control is lost and for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Associated companies are those in which the DEME group has significant influence. The significant influence is the power to take part in financial and operating policies of a company without having a control or joint control on these policies.

A joint venture is a joint arrangement whereby the parties exerting joint control over the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Assets, liabilities, revenues and expenses from joint ventures and joint operations are accounted for under the equity method in the consolidated financial statements. Under the equity method, an investment in a joint venture or associate is firstly recorded at cost in the consolidated financial statement and then adjusted to record the share of the Group in the net result and in the comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. These losses are recorded as provisions on the balance sheet. At the acquisition of the interest, any surplus between the cost of the investment and the share in the fair value of net assets of the entity is recorded as goodwill included in the carrying amount of the investment. Any surplus between the share of the group in the fair value of net assets and the cost of the investment after remeasurement is immediately recorded in the income statement during the period of acquisition of the investment.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. The gross amount on transactions with associates or joint ventures is not eliminated; only any gain or loss on these transactions is eliminated.

A joint operation is a joint arrangement in which the parties (joint operators) have direct rights over the assets and direct obligations with respect to the entity's liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a DEME Group entity starts activity in a joint operation, DEME recognises in relation to its interest in the joint operation:

– its assets, including its share of any assets held jointly;
– its liabilities, including its share of any liabilities incurred jointly;
– its revenue from the sale of its share of the output arising from the joint operation;
– its share of the revenue from the sale of its share of the output by the joint operation;
– its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

A listing of the Company's significant subsidiaries, jointly controlled entities and associates can be found on the next page.

MAIN SUBSIDIARIES (FULLY CONSOLIDATED)

AS OF DECEMBER 31, 2016

NAME	PLACE	COUNTRY	% OF SHAREHOLDING
Dredging International, NV	Zwijndrecht	Belgium	100%
Baggerwerken Decloedt en Zoon, NV	Ostend	Belgium	100%
DEME Building Materials, NV	Zwijndrecht	Belgium	100%
DEME Concessions, NV	Zwijndrecht	Belgium	100%
DEME Coordination Center, NV	Zwijndrecht	Belgium	100%
DEME Infrasea Solutions, NV	Zwijndrecht	Belgium	100%
DEME Infra Marine Contractors, NV	Zwijndrecht	Belgium	100%
GeoSea, NV	Zwijndrecht	Belgium	100%
GeoSea Maintenance, NV	Zwijndrecht	Belgium	100%
Global Sea Mineral Resources, NV	Ostend	Belgium	100%
M.D.C.C. Insurance Brokers, NV	Brussels	Belgium	100%
Agroviro, NV	Zwijndrecht	Belgium	74.90%
DEME Environmental Contractors, NV	Zwijndrecht	Belgium	74.90%
Ecoterres Holding, SA	Gosselies	Belgium	74.90%
Ecoterres, SA	Gosselies	Belgium	74.90%
Purazur, NV	Zwijndrecht	Belgium	74.90%
DEME Blue Energy, NV	Zwijndrecht	Belgium	69.99%
Scaldis Salvage & Marine Contractors, NV	Antwerp	Belgium	54.37%
Combined Marine Terminal Operations Worldwide, NV	Zwijndrecht	Belgium	54.37%
Grondrecyclagecentrum Kallo, NV	Zwijndrecht	Belgium	52.43%
Dragagem Angola Serviços, Lda.	Luanda	Angola	100%
Dredging International Australia Pty., Ltd.	Brisbane	Australia	100%
GeoSea Australia, Pty., Ltd.	Brisbane	Australia	100%
Dragabras Serviços de Dragagem, Ltda.	Rio de Janeiro	Brazil	100%
Far East Dredging, Ltd.	Hong Kong	China	100%
DEME Cyprus, Ltd.	Nicosia	Cyprus	100%
Dredging International Services Cyprus, Ltd.	Nicosia	Cyprus	100%
Novadeal, Ltd.	Nicosia	Cyprus	100%
Energies du Nord, SAS	Lambersart	France	100%
Société de Dragage International, SA	Lambersart	France	100%
GeoSea Infra Solutions, GmbH	Bremen	Germany	100%
Infrasea Solutions, GmbH & Co KG	Bremen	Germany	100%
Nordsee Nassbagger- und Tiefbau, GmbH	Bremen	Germany	100%
DEME Building Materials, Ltd.	Weybridge, Surrey	Great Britain	100%
NewWaves Solutions, Ltd.	Weybridge, Surrey	Great Britain	100%
DEME Environmental Contractors UK, Ltd.	Weybridge, Surrey	Great Britain	74.90%
International Seaport Dredging, Pvt Ltd.	Chennai	India	86%
Dredging International India, Pvt Ltd.	New Delhi	India	99.78%
Sidra, Spa	Rome	Italy	100%
Dredging International Luxembourg, SA	Luxembourg	Luxembourg	100%
GeoSea Luxembourg, SA	Luxembourg	Luxembourg	100%
GeoSea Procurement & Shipping, SA	Luxembourg	Luxembourg	100%
Safindi, SA	Luxembourg	Luxembourg	100%
Dredging International Mexico, SA	Mexico D.F.	Mexico	100%
Dragamoz, Limitada	Maputo	Mozambique	100%
Dredging International Services (Nigeria), Ltd.	Lagos	Nigeria	100%
Dredging International de Panama, SA	Panama	Panama	100%
Dragmorstroy, LLC.	St. Petersburg	Russia	100%
Dredging International Asia Pacific Pte., Ltd.	Singapore	Singapore	100%
Dredging International España, SA	Madrid	Spain	100%
Tideway, BV	Breda	The Netherlands	100%
DEME Infra Marine Contractors, BV	Dordrecht	The Netherlands	100%
DEME Building Materials, BV	Flushing	The Netherlands	100%
De Vries & van de Wiel Kust- en Oeverwerken, BV	Amsterdam	The Netherlands	87.45%
De Vries & van de Wiel, BV	Amsterdam	The Netherlands	74.90%

MAIN JOINT VENTURES AND ASSOCIATES (EQUITY METHOD)

AS OF DECEMBER 31, 2016

NAME	PLACE	COUNTRY	% OF SHAREHOLDING
Power@Sea, NV	Zwijndrecht	Belgium	51.10%
High Wind, NV	Zwijndrecht	Belgium	50.40%
Blue Open, NV	Zwijndrecht	Belgium	49.94%
Terranova, NV	Zwijndrecht	Belgium	43.73%
Sédisol, SA	Farciennes	Belgium	37.45%
Silvamo, NV	Roeselare	Belgium	37.45%
Renewable Energy Base Ostend, NV	Ostend	Belgium	25.50%
C-Power Holdco, NV	Zwijndrecht	Belgium	10%
Otary RS, NV	Ostend	Belgium	18.89%
Rentel, NV	Ostend	Belgium	18.89%
C-Power, NV	Ostend	Belgium	6.46%
DEME Brasil Serviços de Dragagem, Ltda.	Rio de Janeiro	Brazil	50%
Guangzhou Coscocs DEME New Energy Engineering Co., Ltd	Guangzhou	China	50%
Extract - Ecoterres, SA	Villeneuve-le-Roi	France	37.45%
Merkur Offshore, GmbH	Hamburg	Germany	12,50%
Normalux Maritime, SA	Windhof	Luxembourg	37.50%
Middle East Dredging Company, Q.S.C.	Doha	Qatar	44.10%
Mordraga, LLC.	St. Petersburg	Russia	40%
Deeprock, CV	Breda	The Netherlands	50%
Oceanflore, BV	Kinderdijk	The Netherlands	50%

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *income taxes* and IAS 19 respectively;
– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;
– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *non-current assets held for sale and discontinued operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *provisions, contingent liabilities and contingent assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

BUSINESS COMBINATIONS BETWEEN ENTITIES UNDER COMMON CONTROL

As current IFRSs do not specify recognition and measurement principles in respect of business combinations between entities under common control (these are excluded from the scope of IFRS 3 *business combinations*), the Group applied generally the same principles as specified under IFRS 3 except that the assets and liabilities of the acquiree are initially recognised at their carrying amount (no fair value adjustment at acquisition date are recognised).

BUSINESS COMBINATIONS AND DISPOSALS IN THE COURSE OF 2016

In the course of 2016, the DEME Concessions Group has reduced its participation in C-Power Holdco NV from 19.67% to 10%. C-Power Holdco NV remains consolidated according to the equity method. The company Power@Sea Thornton NV was dissolved.

The Group acquired in 2016 a 50% stake in the newly created company Guangzhou Coscocs DEME New Energy Engineering Co. LTD and a 49.94% stake in the newly created company Blue Open NV.

In 2016 the Group has participated in capital increases at some associates while DEME's interest percentage did not change as other shareholders also participated in these capital increases pro rata their interest share.

The companies Geka Bouw BV and CFE Nederland BV, which are 100% held by the DEME Group have been merged and renamed DIMCO BV.

BUSINESS COMBINATIONS AND DISPOSALS IN THE COURSE OF 2015

On May 13, 2015, GeoSea, a 100% affiliate of DEME, acquired the additional 50% in HGO Infrasea Solutions GmbH & Co KG (HGO) from the German Group Hochtief, and became as such sole shareholder of HGO. This company is the owner of the jack-up vessel 'Innovation', the most powerful self elevating platform for offshore wind farm construction. Since April 1, 2015, HGO was fully consolidated. Next to the acquisition of the shares, the sale and purchase agreement also included the sale of 3 pontoons ('Wismar', 'Bremen' and 'Stralsund') and the legal position as lessee of the jack-up vessel 'Thor'. A residual goodwill on the full transaction is booked for an amount of 1.26 million EUR, which was determined by comparing the consideration with the fair value of all identifiable assets and liabilities recognised at acquisition date. The fair value of the fleet was supported by a valuation report made by an independent valuator.

At the end of the financial year, the entities CFE Nederland BV and GEKA Bouw BV, direct subsidiaries of CFE NV, were repositioned under DEME Infra Marine Contractor NV (DIMCO). A residual goodwill of 3.5 million EUR was booked on this transaction.

At the end of 2015, DEME sold all of its shares, 50%, in the company FLiDAR N.V. to AXYS Technologies Inc., a Canadian company. FLiDAR N.V. was a joint venture established between 3E and OWA (DEME Group), to build, service and commercialise a floating LiDAR based measurement device.

FOREIGN CURRENCIES

The euro is used as presentation currency for the consolidated financial statements.

Financial statements of foreign entities whose functional currencies are other than the euro, are translated as follows:

- assets and liabilities are translated at the year-end rate;
- income and expenses are translated at the average exchange rate for the year;
- shareholders' equity accounts are translated at historical exchange rates.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

INTANGIBLE ASSETS

Acquired licences, patents and similar rights

These intangibles that are separately acquired and that have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Exploration for and evaluation of mineral resources

DEME has opted to expense costs incurred for the exploration and evaluation of mineral resources on the seabed.

GOODWILL

Goodwill arising from a business combination is recognised as an asset on the date on which control was obtained (the acquisition date). Goodwill is measured as the excess of the consideration transferred, the non-controlling interests in the acquired company and the fair value of the stake already owned by the Group in the acquired company (if any) over the net amount of identifiable assets acquired and liabilities assumed on the acquisition date.

Non-controlling interests are initially measured either at fair value, or at the non-controlling interests' share of the acquiree's recognised identifiable net assets. The basis of measurement is selected on a transaction-by-transaction basis.

Goodwill is not amortised, but is subject to impairment tests taking place annually or more frequently if there is an indication that the cash-generating unit to which it is allocated (generally a subsidiary) could have suffered a loss of value. Goodwill is stated on the balance sheet at cost less accumulated impairment losses, if any. Impairment of goodwill is not reversed in future periods. When a subsidiary is divested from the group, the resulting goodwill and other comprehensive income relating to the subsidiary are taken into account in determining the net gain or loss on disposal.

If, after reassessment, the net balance, at the acquisition date, of identifiable assets acquired and liabilities assumed is higher than the sum of the consideration transferred, non-controlling interests in the acquiree and the fair value of the stake in the acquiree previously owned by the Group (if any), the surplus is recognised immediately in the income statement as a gain from a bargain purchase.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location as well as for its intended use. Historical cost includes the original purchase price, borrowing costs incurred during the construction period, and related direct costs. Dredging equipment consists of components with different useful lives that are accounted for as separate items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The wear and tear of dredging equipment is highly dependent on project-specific combinations of soil conditions, material to be processed, maritime circumstances, and the intensity of the deployment of the equipment (factors that are difficult to predict). Due to these erratic and time-independent patterns, the maintenance and repair expenses for upkeep of the assets during the operation of the vessel are predominantly charged to the profit and loss account.

Dry-docking costs are recognised in the carrying amount of ships, rigs, etc. when incurred and depreciated over the period until the next dry-docking.

Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value as indicated in the table below. Land is not depreciated as it is deemed to have an infinite life, except for landfills used for sand production that are depreciated according to the tons extracted. Methods for depreciation, useful life and residual value are reassessed at the end of each financial year and amended if necessary.

At initial recognition, estimated useful lives and residual values are as follows:

Equipment	Useful life	Residual value
Buildings	25 years	
Trailing suction hopper dredgers	18 years	5%
Cutter suction dredgers	18 years	5%
Fallpipe vessels	21 years	5%
Bucket dredgers	25 years	5%
Self-propelled hopper and transportation barges	25 years	5%
Backhoe dredgers and pontoons	18 years	
Specific spare parts related to vessels	Identical to useful life of related vessel	
Other barges, auxiliaries and booster stations	18 years	
Self-propelled jack-up platforms: pontoon part	20 years	5%
Self-propelled jack-up platforms: crane and jack-up system	10 years	
Pilot boats	15 years	15%
Cranes	12 years	5%
Earth moving material	5 years	
Pipelines	3 years	
Site equipment and installations	5 years	
Transportation equipment	3 years	
Office equipment and furniture	10 years	
Computers	3 years	

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income.

THE GROUP AS LESSEE

Finance leases

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding liability, net of finance charges, is presented as part of financial debt. The interest element is charged to the income statement as a finance charge over the lease period. The depreciation policy for leased assets is consistent with that for depreciable assets which are owned. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, the asset is depreciated over the shorter of the lease term and its expected useful life.

Operating leases

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and variable selling expenses.

AMOUNTS DUE FROM AND DUE TO CUSTOMERS UNDER CONSTRUCTION CONTRACTS

Due from customers concerns the gross amount yet to be charged which is expected to be received from customers for contractual work performed up to the reporting date (hereinafter: “work in progress”) and services rendered. Work in progress is valued at the cost price of the work performed, plus a part of the expected results upon completion of the project in proportion to the progress made and less progress billings, and potential provisions for losses. Provisions are recognised for expected losses on work in progress as soon as they are foreseen and if necessary, any profits already recognised are reversed. Revenues from additional work and claims are included in the overall contract revenues if the client has accepted the sum involved in any way. The cost price includes project costs, consisting of payroll costs, materials, costs of subcontracted work, rental charges and maintenance costs for the equipment used and other project costs. The rates used are based on the expected average occupation in the long run. The progress of a project is determined on the basis of the cost of the work done in relation to the expected cost price of the project as a whole. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. It is considered that no such reliable estimate can be made when actual cost of the work is less than 10% of the total expected cost price of the project. The balance of the value of work in progress is determined per project. For projects where the progress billings exceed the value of work in progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are “due from customers” as a current asset and “due to customers” which is a current liability. In the DEME financial information brochure of last year the respective current asset was contracts in progress as part of the inventories and the respective current liability was invoices to receive as part of trade payables. The new presentation we use from 2016 onwards is also applied to the comparative figures of 2015 in this brochure. When there is any constraint on transferring cash from the working country to the head-office, the profit on a contract is only recognised on a cash basis.

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks and short-term investments. Cash, cash equivalents and short-term deposits are carried in the balance sheet at nominal value.

IMPAIRMENT TANGIBLE AND INTANGIBLE ASSETS INCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, and for goodwill, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (generally a subsidiary) exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss on goodwill is never reversed.

SHARE CAPITAL

Repurchase of share capital

When the company purchases its own shares the amount paid, including any directly imputable expenses, is recognised as a deduction in equity. Proceeds from selling shares are directly included in equity, with no impact on the income statement.

PROVISIONS

Provisions are recognised in the balance sheet when the Group has a presented obligation (legal or constructive) resulting from a past event, when it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

Belgian defined contribution plans with guaranteed return

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans. The IASB recognised that the accounting for such so-called contribution-based plans in accordance with the currently applicable defined benefit methodology is problematic. Considering as well the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, the Company until 2014 adopted a retrospective approach whereby the net liability recognised in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on the deficit measured at intrinsic value, if any).

As a result of the law of April 28, 2003 related to supplementary pension plans, the employer guaranteed a minimum rate of return on the employees' contributions (i.e. 3.75%) and, in case of a defined contribution plan 3.25% on the employers' contribution. As a result of the law of December 18, 2015 aiming to guarantee the sustainability and the social nature of the supplementary pension plans these minimum guaranteed rates of return have been adjusted. On contributions paid as from January 1, 2016 onwards, a new, variable minimum guaranteed rate of return is applicable. This percentage is calculated as 65% of the average 10 year OLO return considered over a period of 24 months, with a minimum of 1.75% and a maximum of 3.75%. In view of the overall low OLO returns over the last years, the current percentage is fixed at 1.75%. For the existing pensions plans at DEME, the old 3.25% and 3.75% guaranteed minimum rates of return remain applicable on the cumulative reserves per December 31, 2015, until the employee leaves the company. The new guaranteed rate of return (1.75% per January 1, 2016) is only applicable on contributions made during 2016.

In view of the minimum guaranteed rates of return, these defined contribution plans classify as defined benefit plans

Based on an analysis of the pension plans, the immaterial difference between the cumulative reserves and the minimum reserves per December 31, 2015, and the immaterial difference between the minimum guaranteed rate of return applicable to DEME and the technical rate of return guaranteed by the insurers, it is assumed that application of the Projected Unit method to defined contribution plans, would not have a material impact. Accordingly, no provision has been accounted for in this respect in the financial information as of December 31, 2015. In the consolidated balance sheet as of December 31, 2016 a provision of 3.6 million EUR was recorded for the Belgian defined contribution plans with guaranteed return that are as such accounted for as defined-benefit plans.

Defined benefit plans

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected as a separate reserve in equity and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income;
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Bonuses

Bonuses received by company employees and management are based on financial key indicators and personal performance.

INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are recognised initially at fair value adjusted for the attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between the proceeds (adjusted for transaction costs) and redemption value being recognised in the income statement over the period of the loan or borrowings on an effective interest rate basis.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at nominal value.

INCOME TAXES

Income taxes are classified as either current or deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income taxes include expected tax charges based on the accounting profit for the current year and adjustments to tax charges of prior years.

Deferred taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for defined benefit plans, fair value measurement of derivatives and tax losses carried forward.

Deferred taxes are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realised or settled, based on tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised; this criterion is reassessed at each balance sheet date.

INVESTMENT TAX CREDITS

Investment tax credits are excluded from the scope of IAS 12 *income taxes* and IAS 20 *accounting for government grants and disclosure of government assistance*. In accordance with IAS 8 *accounting policies, changes in accounting estimates and errors*, the Group defined an accounting policy in respect of investment tax credits by making an analogy to IAS 12 *income taxes*. By making this analogy a credit will be recognised in profit or loss, and the related asset in the statement of financial position recognised in the line item Deferred tax assets, when the entity satisfies the criteria to receive the credit.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

DEME uses derivative financial instruments to hedge its exposure to foreign exchange, interest-rate and commodity price risks (mainly fuel) arising from operational, financing and investment activities. The exposure of all subsidiaries is managed on a centralised basis, in accordance with the aims and principles laid down by general management. As a policy, the Group does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

Derivative financial instruments are initially recognised and subsequently measured at fair value. Recognition of any resulting unrealised gain or loss depends on the nature of the item being hedged.

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

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

The application of hedge accounting means that movements in the market value of cash flow hedges not yet settled – including results realised on the rolling forward of existing hedges as a result of differences between the duration of the hedges concerned and the underlying cash flows – will be directly added or charged to the hedging reserve in group equity, taking taxation into account. If a cash flow hedge added or charged to the group equity either expires, is closed or is settled, or the hedge relation with the underlying cash flows can no longer be considered effective, the accumulated result will continue to be recognised in group equity as long as the underlying cash flow is still expected to take place.

When the underlying cash flow actually takes place, the accumulated result is included directly in the income statement. Movements in the market value of cash flow hedges to which no hedge accounting is applied (ineffective cash flow hedges and the ineffective portion of effective cash flow hedges) are included in the income statement for the reporting period.

Results from settled effective cash flow hedges and the movements in the market value of ineffective cash flow hedges insofar these relate to non-current receivables, loans and other borrowings are recognised as finance income and finance expenses and otherwise in the related items within operating result. The purchase or sale of financial instruments is generally recorded at transaction rate. Derivatives are stated at fair value; attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described.

REVENUE

Revenue from construction contracts

Revenue from a construction contract includes the initial amount of revenue agreed in the contract and variations in the work specified by the contract, claims and performance bonuses to the extent that the client has accepted the sum involved in any way.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. A correction is made for the cost of material (e.g. steel) that is purchased but not yet manufactured or in production process at reporting date. This material cost will be accounted for as inventory. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

See also above for the accounting policy on amounts due from and due to customers.

Rendering of Services

The accounting policy applied is very similar to revenue from construction contracts.

Financial Income

Financial income comprises interest income, dividend income, foreign exchange gains and gains on financial derivatives that are recognised in the income statement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

EXPENSES

Financial expenses

Financial expenses comprise interest expense on borrowings, foreign exchange losses, and losses on hedging instruments that are recognised on the income statement.

All interest expense and other costs incurred in connection with borrowings, except those which were eligible to be capitalised, are taken to profit or loss as financial expenses. The interest expense is recognised in the income statement using the effective interest rate method.

Research and development, advertising and promotional costs and IT systems development costs

Research, advertising and promotional costs are expensed in the year in which they are incurred. Development costs and IT systems development costs are expensed in the year in which they are incurred if they do not meet the criteria for capitalisation.

Explanatory notes to the consolidated financial statements

Note 1 — Other operating income and expenses

Balance at December 31

(in thousands of EUR)	2016	2015
Gain on sale of property, plant and equipment and intangible assets	2,479	18,581
Other operating income	42,587	15,086
Total other operating income	**45,066**	**33,667**
Loss on sale of property, plant and equipment and intangible assets	123	642
Other operating expenses	17,143	15,184
Movement in amounts written off inventories and trade receivables	1,332	919
Total other operating expenses	**18,598**	**16,745**

Note 2 — Employment

Balance at December 31

Average number of persons employed during the year (in FTE)	2016	2015
Workers	2,223	2,135
Employees and management personnel	2,009	1,964
Total	**4,232**	**4,099**

Personnel expenses (in thousands of EUR)	2016	2015
Remuneration and social charges	361,213	348,651
Pension expenses	2,793	7,002
Total	**364,006**	**355,653**

Note 3 — Intangible assets

(in thousands of EUR)		Research and development expenses	Concessions, patents, licences, etc.	Other intangible assets	**Total**
Acquisition cost at January 1, 2016		**2,012**	**28,868**	**10,022**	**40,902**
Movements during the year:	Acquisitions, including fixed assets, own production	1,266	1,479	0	2,745
	Sales and disposals	–	-6,209	-1,394	-7,603
	Transfers from one heading to another	–	–	–	–
	Translation differences	19	156	–	175
	Acquisitions through business combinations	–	–	–	–
At December 31, 2016		**3,297**	**24,294**	**8,628**	**36,219**
Cumulative depreciation and impairment at January 1, 2016		**2,010**	**17,930**	**8,584**	**28,524**
Movements during the year:	Recorded	1,284	3,244	1,438	5,966
	Written down after sales and disposals	–	-6,209	-1,394	-7,603
	Transfers from one heading to another	–	–	–	–
	Translation differences	–	189	–	191
	Acquisitions through business combinations	–	–	–	–
At December 31, 2016		**3,296**	**15,154**	**8,628**	**27,078**
Net book value at the end of the year		**1**	**9,140**	**–**	**9,141**

Note 4 — Goodwill

Balance at December 31

(in thousands of EUR)		**2016**	**2015**
Balance at January 1		**18,732**	**17,055**
Movements during the year:	Acquisitions through business combinations	–	4,792
	Disposals	–	–
	Impairment losses	–	-3,115
Balance at December 31		**18,732**	**18,732**

Note 5 — Property, plant and equipment

(in thousands of EUR)		Land and buildings	Floating and other construction equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total property, plant and equipment
Acquisition cost at January 1, 2016		**79,380**	**2,930,975**	**23,987**	**13,381**	**87,319**	**3,135,042**
Movements during the year:	Acquisitions, including fixed assets, own production	6,123	104,582	1,403	152	65,321	**177,581**
	Sales and disposals	-2,899	-157,556	-949	-12,075	-1	**-173,480**
	Transfers from one heading to another	12,959	14,887	–	–	-27,846	**–**
	Translation differences	-431	1,869	-455	373	102	**1,458**
	Acquisitions through business combinations	–	–	–	–	–	**–**
At December 31, 2016		**95,132**	**2,894,757**	**23,986**	**1,831**	**124,895**	**3,140,601**
Cumulative depreciation and impairment at January 1, 2016		**36,359**	**1,414,054**	**19,130**	**13,001**	**–**	**1,482,543**
Movements during the year:	Recorded	3,237	209,019	2,136	75	–	**214,467**
	Written down after sales and disposals	-1,968	-155,849	-916	-12,075	–	**-170,808**
	Transfers from one heading to another	1,885	-1,885	–	–	–	**–**
	Translation differences	-351	2,447	-346	374	–	**2,125**
	Acquisitions through business combinations	–	–	–	–	–	**–**
At December 31, 2016		**39,162**	**1,467,786**	**20,004**	**1,375**	**–**	**1,528,327**
Net book value at the end of prior year		**33,182**	**1,526,761**	**4,857**	**380**	**87,319**	**1,652,499**
Net book value at the end of the year		**46,130**	**1,436,811**	**3,982**	**456**	**124,895**	**1,612,274**

In 2015, the DEME Group started building six new vessels and begin 2017 an order for two additional vessels, 'Spartacus' and 'Orion', was confirmed.
At December 31, 2016 a remaining amount of 808,684 thousand EUR from assets under construction still has to be invested in the coming years.
At December 31, 2016 an amount of 290,395 thousand EUR mortgage on vessels is outstanding compared to 526,499 thousand EUR at December 31, 2015.
The net carrying amount of finance lease assets amounts to 109,536 thousand EUR (2015: 112,554 thousand EUR). These finance leases mainly relate to vessels.
The recorded depreciations of 214,467 thousand EUR include impairment losses for an amount of 5,267 thousand EUR.

Note 6 — Investments in joint ventures and associates

(in thousands of EUR)		Equity value	Goodwill allocated	Total 2016	Total 2015
Balance at January 1		**61,283**	**3,377**	**64,660**	**83,197**
Movements during the year:	Additions including capital increases	19,050	–	19,050	16,184
	Disposals (-)	-10,819	–	-10,819	-35,867
	Share in the result of participations accounted for using the equity method	-13,278	–	-13,278	39,597
	Dividends distributed by the participations	-8,074	–	-8,074	-449
	Other comprehensive income	3,028	–	3,028	-1,047
	Transfer (to) from other items	-8,833	–	-8,833	-33,981
	Other movements	19,091	–	19,091	4,045
	Translation differences	-4,451	–	-4,451	-7,019
Balance at December 31		**56,997**	**3,377**	**60,374**	**64,660**

Note 7 — Other non-current financial assets

(in thousands of EUR)		2016	2015
Balance at January 1		**58,058**	**31,472**
Movements during the year:	Additions	59,595	34,615
	Disposals (-)	-9,089	-4,029
	Transfer (to) from other items	–	–
	Other movements	-10,653	-4,000
	Translation differences	950	–
Balance at December 31		**98,861**	**58,058**

Note 8 — Financial derivatives

(in thousands of EUR)	Non-current asset	Non-current liability	Current asset	Current liability	Total net balance Market value	Notional amount
Exchange rate instruments (forward sales/purchase agreements)	452	-661	1,592	-10,313	**-8,930**	**248,962**
Interest rate swaps	58	-8,598	–	-4,917	**-13,457**	**793,601**
Fuel hedges	–	-9,216	719	-8,272	**-16,769**	**73,506**
Balance at December 31, 2016	**510**	**-18,475**	**2,311**	**-23,502**	**-39,156**	
Exchange rate instruments (forward sales/purchase agreements)	1,381	-94	8,514	-4,795	**5,006**	**610,244**
Interest rate swaps	–	-8,517	–	-7,323	**-15,840**	**744,823**
Fuel hedges	–	-24,748	–	-22,489	**-47,237**	**118,967**
Balance at December 31, 2015	**1,381**	**-33,359**	**8,514**	**-34,607**	**-58,071**	

Note 9 — Deferred tax assets and liabilities

Carrying amount

(in thousands of EUR)	Deferred tax assets		Deferred tax liabilities	
	2016	**2015**	**2016**	**2015**
Balance at January 1	**96,984**	**102,930**	**109,049**	**81,732**
Recognised in the income statement	14,537	566	-2,839	28,518
Charged to equity	5,624	-2,077	–	–
Acquisition of subsidiary or change in%	–	–	–	3,211
Disposal of subsidiary or change in%	–	–	–	–
Translation differences	–	–	615	23
Other items	6,141	23,073	6,141	23,073
Netting of deferred taxes (*)	-586	-27,508	-586	-27,508
Balance at December 31	**122,700**	**96,984**	**112,380**	**109,049**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items (in thousands of EUR):	Deferred tax assets		Deferred tax liabilities	
	2016	**2015**	**2016**	**2015**
Property, plant and equipment and intangible assets	12,287	11,257	82,765	84,771
Employee benefits	13,477	9,348	–	–
Financial derivative instruments	5,978	4,690	–	88
Working capital items	57,913	42,656	6,935	10,991
Tax losses and tax credits	85,257	80,659	–	–
Other items	–	–	74,892	64,825
Netting of deferred taxes (*)	-52,212	-51,626	-52,212	-51,626
TOTAL	**122,700**	**96,984**	**112,380**	**109,049**

(*) The tax netting item reflects the netting of deferred tax assets and liabilities per entity.

Note 10 — Inventories and construction contracts

Balance at December 31

(in thousands of EUR) / (-) is credit balance	2016	2015
Inventories		
Raw materials and consumables	**25,261**	**11,259**
Construction contracts		
Advances received	-104,477	-44,160
Amounts due from customers	287,646	233,421
Amounts due to customers	-43,214	-35,048
Balance	**244,432**	**198,373**
Cumulative incurred costs plus profit in proportion to progress less provisions for losses	2,978,895	3,313,185
Progress billings	-2,734,463	-3,114,812
Balance	**244,432**	**198,373**

The payments due from customers include amounts which will be paid subject to specified conditions from third parties. The determination of the profits in proportion to the stage of completion and the provision for losses is based on estimated costs and revenues of the relating projects. These estimates contain uncertainties.

Note 11 — Trade and other operating receivables

Balance at December 31

(in thousands of EUR)	2016	2015
Trade receivables	396,301	482,166
Corporation taxes and VAT	41,626	23,211
Other operating receivables	41,795	43,655
Total trade and other operating receivables	**479,722**	**549,032**

Note 12 — Interest-bearing debt and net financial debt

Net financial debt as defined by the Group

(in thousands of EUR) / (-) is debit balance	Non-current	Current	Total 2016	Non-current	Current	Total 2015
Balance at December 31						
Subordinated loan	1,294	–	1,294	–	–	0
Bond	199,853	–	199,853	199,780	–	199,780
Finance Leases	41,215	46,604	87,819	86,028	13,799	99,827
Credit institutions	281,438	102,343	383,781	252,545	95,102	347,647
Other loans	3,246	–	3,246	675	–	675
Short term credit facilities	–	3,000	3,000	–	–	–
Other current financial liabilities	–	–	–	–	–	–
Total Interest-bearing debt	**527,046**	**151,947**	**678,993**	**539,028**	**108,901**	**647,929**
Cash and cash equivalents	–	-527,778	-527,778	–	-378,464	-378,464
Total net financial debt	**527,046**	**-375,831**	**151,215**	**539,028**	**-269,563**	**269,465**

Debt maturity schedule of total long-term financial liabilities

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	Total
Subordinated loan	–	1,294	–	**1,294**
Bond	–	199,853	–	**199,853**
Finance Leases	16,652	24,563	46,604	**87,819**
Credit institutions	55,588	225,850	102,343	**383,781**
Other loans	–	3,246	–	**3,246**
Total	**72,240**	**454,806**	**148,947**	**675,993**

Credit facilities and bank term loans

At December 31, 2016, DEME has confirmed bank credit facilities of 95 million EUR which are not drawn at year end 2016. Moreover, DEME has confirmed long-term credit facilities of 425 million EUR, which are not drawn at year end 2016, intended to finance the development of its fleet.

Financial covenants

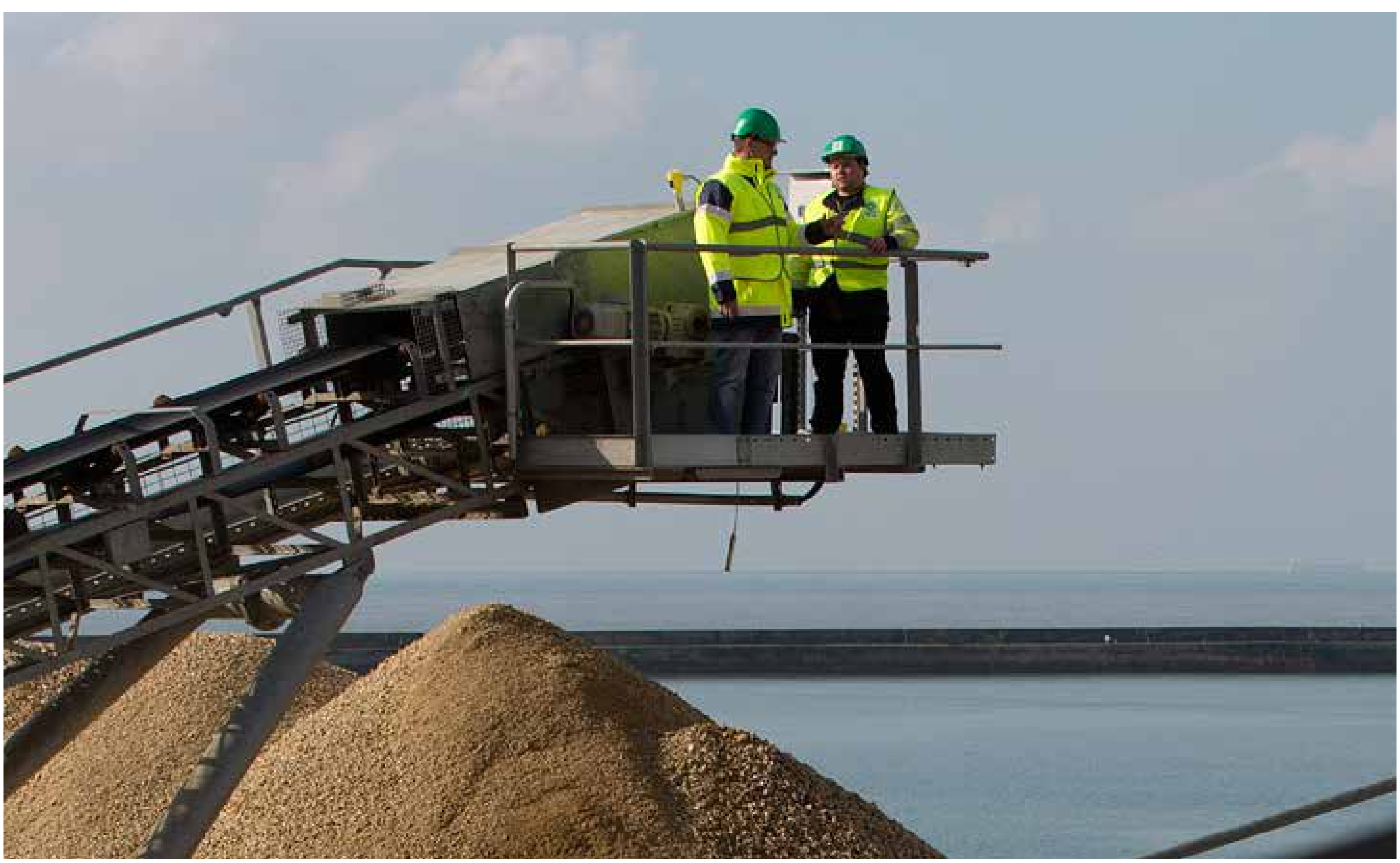
Bilateral loans are subject to specific covenants. At December 31, 2016 the Group complies with the solvency ratio, the debt/equity ratio, the debt/ebitda ratio and the interest cover ratio that were agreed upon within the contract loans.

Note 13 — Finance and operating lease

Finance lease					
(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	Total 2016	Total 2015
Gross lease payments	17,646	27,578	48,361	93,585	109,544
Interest payments	-994	-3,015	-1,757	-5,766	-9,717
Finance lease present value	**16,652**	**24,563**	**46,604**	**87,819**	**99,827**

Lease payments per class of property, plant and equipment		
(in thousands of EUR)	Total 2016	Total 2015
Land and buildings	323	358
Floating and other construction equipment	87,496	99,469
Total finance leases	**87,819**	**99,827**

Operating lease					
(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	Total 2016	Total 2015
Future lease payments under non-cancellable operating leases	10,447	10,144	8,361	28,952	29,212



Note 14 — Employee benefit obligations

The DEME Group contributes to pension and early retirement plans in several of the countries in which it operates.
These benefits are recognised in accordance with IAS 19.

Employee benefit obligations (in thousands of EUR)	**2016**	**2015**
Retirement benefit obligations	40,761	29,715
Other employee benefits	1,623	1,316
Balance at December 31	**42,384**	**31,031**

Retirement benefit obligations (in thousands of EUR)	**2016**	**2015**
Present value of wholly or partially funded obligations	179,120	113,014
Fair value of plan assets	-138,359	-83,299
Net funded benefit obligation as recorded in the balance sheet	**40,761**	**29,715**

Movement of retirement benefit obligations (in thousands of EUR)	**2016**	**2015**
Balance at January 1	**29,715**	**27,014**
Charges recognised in income	2,473	3,499
Charges recognised in other comprehensive income	18,110	3,462
Contributions from employer	-9,537	-4,260
Balance at December 31	**40,761**	**29,715**
Charges recognised in income		
Current service cost	8,885	3,148
Past service cost (**)	-6,941	-251
Interest cost	2,907	2,408
Interest income on plan assets (-)	-2,378	-1,806
Total charges recognised in income	**2,473**	**3,499**
Charges recognised in other comprehensive income		
Actuarial (gains)/losses	38,682	4,778
Return on plan assets (-) (excluding interest income)	-20,572	-1,316
Total charges recognised in other comprehensive income	**18,110**	**3,462**

(**) In 2016, the caption 'past service cost' includes the impact of the curtailment effect which is a consequence from the closing of some defined-benefit plans in the Netherlands.

Movement in employee benefit plan obligations and assets (in thousands of EUR)	**2016**	**2015**
Employee benefit plan obligations balance at January 1	**113,014**	**107,407**
Current service cost	8,885	3,148
Interest cost	2,907	2,408
Contributions from employees	468	442
Benefits paid to beneficiaries	-4,008	-4,440
Remeasurement of liabilities resulting in actuarial gains/losses	38,683	4,780
due to changes to demographic assumptions (***)	*13,492*	–
due to changes to financial assumptions	*22,329*	*3,680*
due to experience adjustments	*2,862*	*1,100*
Past service cost (**)	-6,941	-251
Other movements	-1,131	-480
Reclassification of Belgian defined contribution plans (*)	27,243	–
Employee benefit plan obligations balance at December 31	**179,120**	**113,014**
Employee benefit plan assets balance at January 1	**83,299**	**80,393**
Return on plan assets (+) (excluding interest income)	20,572	1,316
Interest income on plan assets (+)	2,378	1,806
Contributions from employer/employees	10,005	4,702
Benefits paid to beneficiaries	-4,008	-4,440
Reclassification of Belgian defined contribution plans (*)	27,229	–
Other movements	-1,116	-478
Employee benefit plan assets balance at December 31	**138,359**	**83,299**

(*) According to the change in the Belgian law at year end 2015, the defined contribution plans financed by insurance companies under ‘class 21’ are accounted as defined-benefit plans. This induced also an increase of ‘service cost’ in 2016.
(**) In 2016, the caption ‘past service cost’ includes the impact of the curtailment effect which is a consequence from the closing of some defined-benefit plans in the Netherlands
(***) Actuarial gains and losses resulting from changes to demographic assumptions shows in 2016 the consequences of the increase in life’s expectancies and the increase of the average age of retirement.

Note 15 — Other current liabilities

Balance at December 31

(in thousands of EUR)	**2016**	**2015**
Other current taxes	38,999	59,286
Other amounts payable	23,550	18,117
Accruals and deferred income	20,036	18,495
Other current liabilities	**82,585**	**95,898**

Note 16 — Rights and commitments not reflected in the balance sheet

Balance at December 31

(in thousands of EUR)	2016	2015
Commitments given		
Amount of real guarantees, given or irrevocably promised by the enterprises included in the consolidation on their own assets, as security for debts and commitments, of enterprises included in the consolidation.	290,395	526,499
Bank guarantees or corporate guarantees as security for commitments of enterprises included in the consolidation.	1,029,501	1,135,606
Commitments received		
Bank guarantees received as security for commitments to enterprises included in the consolidation.	104,708	60,111

Widening of Panama Canal Pacific Access Channel, Panama

Independent auditor's report

DREDGING ENVIRONMENTAL & MARINE ENGINEERING NV

Statutory auditor's report on the consolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2016

To the board of directors

In accordance with our engagement letter dated December 6, 2016, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our report on the consolidated financial statements. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of principal accounting policies and a selection of explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Dredging Environmental & Marine Engineering NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The consolidated statement of financial position shows total assets of 3,288,676 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 155,334 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA), as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Dredging Environmental & Marine Engineering NV as of December 31, 2016 are prepared, in all material respects, in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matter

We draw the attention to the 'Basis of Preparation' note of the consolidated financial statements that details the basis of preparation of the consolidated financial statements. The consolidated financial statements are based on the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union, but do not contain all the explanatory notes required by those standards and do not constitute a complete set of financial statements established in accordance with International Financial Reporting Standards as adopted by the European Union.

Antwerp – 18.04.2017

The statutory auditor
DELOITTE Bedrijfsrevisoren /
Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by
Luc Van Coppenolle

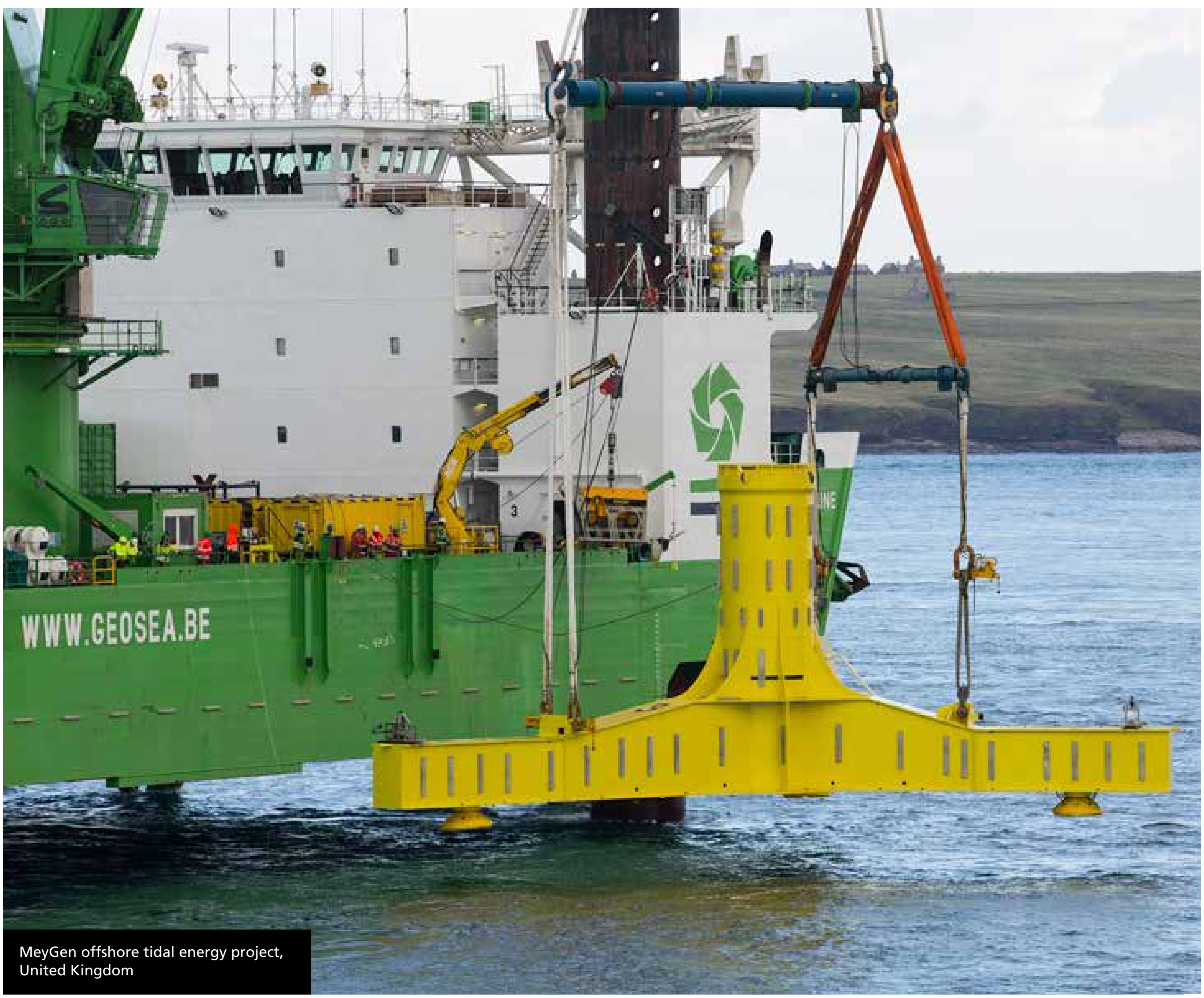
Parent company financial statements

DEME NV

Introduction

The statutory annual accounts of Dredging Environmental & Marine Engineering NV (DEME NV) are prepared in accordance with Belgian Generally Accepted Accounting Principles. The entire version of the statutory annual accounts of DEME NV, along with the annual report and the report of the statutory auditor, will be deposited within the legal time frame at the National Bank of Belgium and can be obtained for free through the website of the company (www.deme-group.com).

The statutory auditor has issued an unqualified auditor's report on the statutory annual accounts of DEME NV.



MeyGen offshore tidal energy project, United Kingdom

DEME NV

Balance sheet

AS OF DECEMBER 31 (ACCORDING TO BELGIAN GAAP)

(in thousands of EUR)		2016		2015

Assets

FIXED ASSETS		351,532		351,628
Formation expenses		**147**		**220**
Intangible assets		**682**		**1,098**
Property, plant and equipment		**35,516**		**19,774**
Land and buildings	–		–	
Plant, machinery and equipment	1,224		1,702	
Furniture and vehicles	–		–	
Leasing and other similar rights	–		–	
Other tangible fixed assets	–		–	
Assets under construction and advance payments	34,292		18,072	
Financial assets		**315,187**		**330,536**
Affiliated enterprises	308,466		326,514	
Participating interests	*277,884*		*296,882*	
Amounts receivable	*30,582*		*29,632*	
Other enterprises linked by participating interests	6,699		4,000	
Participating interests	*6,699*		*4,000*	
Amounts receivable	–		–	
Other financial assets	22		22	
Shares	*22*		*22*	
Amount receivable and cash guarantees				

CURRENT ASSETS		168,000		165,832
Amounts receivable after more than one year		**149,000**		**151,177**
Trade receivables	–		–	
Other amounts receivable	149,000		151,177	
Inventories and contracts in progress		**–**		**–**
Amounts receivable within one year		**18,888**		**14,592**
Trade receivables	13,961		9,533	
Other amounts receivable	4,927		5,059	
Own shares and other investments		**–**		**–**
Cash at bank and in hand		**112**		**60**
Deferred charges and accrued income		**–**		**3**

TOTAL ASSETS		519,532		517,460

DEME NV

Balance sheet

AS OF DECEMBER 31 (ACCORDING TO BELGIAN GAAP)

Liabilities

(in thousands of EUR)	2016	2016	2015	2015
CAPITAL AND RESERVES		155,649		189,169
Capital		**31,110**		**31,110**
Issued capital	31,110		31,110	
Uncalled capital (-)	–		–	
Share premium account		**5,645**		**5,645**
Revaluation surplus		**–**		**–**
Reserves		**35,644**		**35,697**
Legal reserves	3,111		3,111	
Reserves not available for distribution	–		–	
Untaxed reserves	29,262		29,315	
Reserves available for distribution	3,271		3,271	
Profit carried forward		**83,251**		**116,718**
PROVISIONS AND DEFERRED TAXES		175		202
Provisions for liabilities and charges		**–**		**–**
Deferred tax liabilities		**175**		**202**
CREDITORS		363,708		328,089
Amounts payable after more than one year		**221,393**		**200,000**
Financial liabilities	221,393		200,000	
Subordinated loans	*–*		*–*	
Bond	*200,000*		*200,000*	
Finance leases	*–*		*–*	
Credit institutions	*–*		*–*	
Other long term financial liabilities	*21,393*		*–*	
Amounts payable within one year		**135,002**		**120,776**
Current portion of amounts payable after more than one year	6,435		–	
Financial liabilities	–		–	
Credit institutions	*–*		*–*	
Other current financial liabilities	*–*		*–*	
Trade payables	17,423		5,099	
Advances received on contracts in progress	–		–	
Taxes, remuneration and social security	262		712	
Taxes	*–*		*286*	
Remuneration and social security	*262*		*426*	
Other amounts payable	110,882		114,965	
Accrued charges and deferred income		**7,313**		**7,313**
TOTAL LIABILITIES		519,532		517,460

DEME NV

Profit and loss statement

AS OF DECEMBER 31 (ACCORDING TO BELGIAN GAAP)

(in thousands of EUR)	2016		2015	
Operating income		**19,338**		**21,487**
Turnover	19,305		21,186	
Increase (+), decrease (-) in contracts in progress	–		–	
Fixed assets - own construction	–		–	
Other operating income	33		301	
Operating charges		**-20,543**		**-23,553**
Raw materials and consumables	–		–	
Purchases	–		–	
Increase (-), decrease (+) in inventories	–		–	
Services and other goods	-10,685		-15,370	
Remuneration, social security costs and pensions	-8,830		-7,087	
Depreciation and other amounts written off on (in)tangible fixed assets	-968		-978	
Increase (+), decrease (-) in amounts written off on inventories, contracts in progress and trade debtors	–		–	
Increase (+), decrease (-) in provisions for liabilities and charges	–		–	
Other operating charges	-60		-118	
OPERATING RESULT		-1,205		-2,066
Financial income		**62,788**		**101,686**
Income from financial assets	45,435		94,070	
Income from current assets	6,198		7,120	
Other financial income	1,015		496	
Non-recurring financial income	10,140		–	
Financial charges		**-40,154**		**-34,156**
Interests and other debt charges	-8,934		-9,095	
Other financial charges	-220		-252	
Non-recurring financial charges	-31,000		-24,809	
RESULT FOR THE FINANCIAL PERIOD BEFORE TAXATION		21,429		65,464
Transfer from (to) deferred taxes		**27**		**-64**
Income taxes		**25**		**-360**
Income taxes	-36		-375	
Adjustment of income taxes and write-back of tax provisions	61		15	
RESULT FOR THE FINANCIAL PERIOD		21,481		65,040
Transfer from (to) the untaxed reserves		**-54**		**124**
Profit for the period available for appropriation		**21,535**		**64,916**
Transfer from profit carried forward		**116,718**		**111,804**
Transfer to legal reserves		**–**		**–**
Distribution of dividends		**-55,002**		**-60,002**
Transfer to profit carried forward		**83,251**		**116,718**

COMPLIED AND COORDINATED BY DEME
Finance Department
Internal & External Communication

FINAL EDITING
Hilde Vermeire & Els Verbraecken

DESIGN AND REALISATION
Comfi

PHOTOS
We wish to thank all members of our personnel who provided us with pictures of the works. Special thanks to photographers Tom D'Haenens, Colin Turner and Ulrich Wirrwa.

FSC

DEME

Dredging, Environmental
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