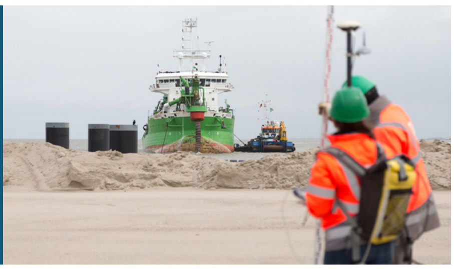
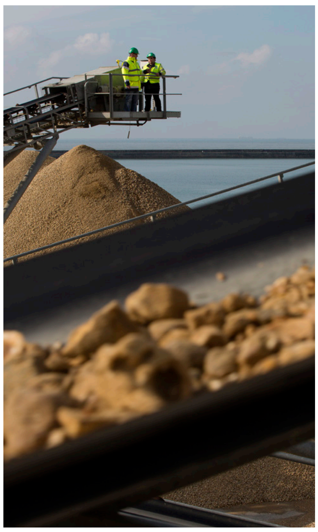
DEME

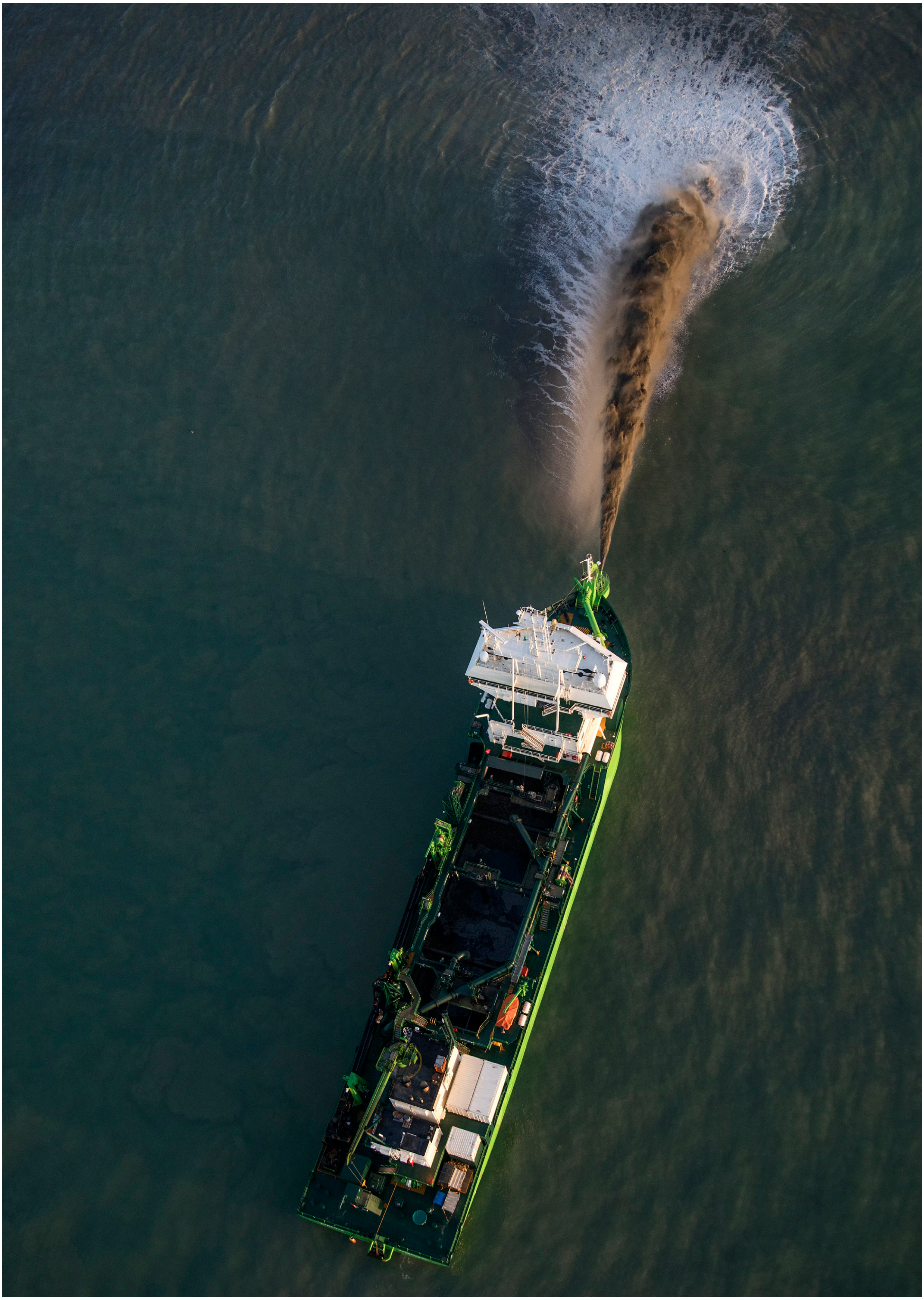
Dredging, Environmental
& Marine Engineering

FINANCIAL INFORMATION 2017





CREATING LAND FOR THE FUTURE



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 Euronext Growth (formerly known as 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.


VERTEX
BEST
PETZL
2017

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MINERVA

Financial highlights

DEME Group figures

as of December 31

according to IFRS (*) (in millions of EUR)	2017	2016	2015
Turnover	2,356.0	1,978.2	2,286.1
EBITDA	455.5	447.4	489.2
EBIT	230.5	227.0	269.2
Net result share of the Group	155.1	155.3	199.2
Order book	3,520.0	3,800.0	3,185.0
Average # personnel (in FTE)	4,440	4,232	4,099
Shareholders' equity (excl. minority interests)	1,321.8	1,220.6	1,132.9
Net financial debt	-285.7	-151.2	-269.5
Total assets	3,521.2	3,288.7	3,149.8
Total investments	622.9	258.1	343.1
Dividend of the year	55.0	55.0	60.0

DEME Group economic figures

as of December 31

according to IFRS (**) (in millions of EUR)	2017	2016	2015
Turnover	2,365.7	1,978.2	2,351.0
EBITDA	456.2	450.1	558.4
EBIT	222.6	217.6	318.4
Net result share of the Group	155.1	155.3	199.2
Order book	3,520.0	3,800.0	3,185.0
Average # personnel (in FTE)	4,488	4,284	4,186
Shareholders' equity (excl. minority interests)	1,321.8	1,220.6	1,132.9
Net financial debt	-296.2	-154.6	-266.7
Total assets	3,572.4	3,312.4	3,233.4
Total investments	627.1	272.0	343.9
Dividend of the year	55.0	55.0	60.0

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 realised a solid increase in (economic) **turnover** to 2,365.7 million EUR in 2017, compared to 1,978.2 million EUR in 2016. For the first time a turnover of more than 1 billion EUR was accounted for in the segment of marine and offshore solutions and more specifically in the European offshore renewables market. This favourable development is the result of DEME's strategic decision many years ago to focus fully on the development of offshore wind energy. This choice and the many years of sustained investment in human resources and equipment led to the strong market position of the DEME Group in the market of renewable energy.

GeoSea reported buoyant activity in 2017 with amongst others the installation of 42 monopile foundations for the Rentel wind farm off the Belgian coast, as well as on the offshore wind farms Horns Rev in Denmark and Merkur and Hohe See in Germany, and Galloper in the United Kingdom.

DEME was able to offset the temporary downturn in its traditional dredging activity by its diversification into offshore wind energy, environmental activities, the extraction of sand and gravel at sea, marine civil engineering and concessions.

Besides maintenance dredging works in Belgium, Germany and Africa, the main dredging projects were located in Singapore (extension of Jurong Island/JIWE and construction of the first phase of the Tuas container terminal) and in the port of Port Louis (Mauritius). DEME continued working on the Panama Canal to widen and deepen the access channel on the Atlantic side.

Despite the change in its mix of activities, the DEME Group realised an **EBITDA** of 456.2 million EUR. This EBITDA margin of 19.3% is lower than last year but entirely in line with the historical average of 16-20%. The **net result share of the Group** of 155.1 million EUR almost equals that of 2016.

As for the **order book** many major contracts were acquired in 2017.

- the contract for the design, construction and two-year maintenance of the new Terneuzen lock in the Netherlands;
- the DBFM (Design Build Finance Maintain) contract for the new Rijnlandroute link in the Netherlands;
- the contract for the redevelopment of the old port of Doha in Qatar;
- the contract for the supply, installation and maintenance of three submarine power cables that will connect the MOG (Modular Offshore Grid), an offshore platform to which four Belgian wind farms will be connected, with a substation in Belgium;
- maintenance dredging contracts for the river Elbe in Germany, a gas terminal in Angola, the Freeport in Liberia, and the port of Abidjan in Ivory Coast;
- land reclamation works for 10 islands on the Maldives for the development of tourism infrastructure and dredging works in India;
- phase 2 of the Ayer Merbau land reclamation project in Singapore;
- installation of the offshore foundations for the EnBW offshore wind farm Albatros in Germany.

DEME's order book at year-end 2017 amounted to 3,520 million EUR, compared with 3,800 million EUR at year-end 2016. Following contracts (worth a total of 1,744 million EUR) have not yet been included in this order book awaiting their financial close or grant of final permits.

- the Fehmarnbelt project, which involves the construction of the world's longest immersed road and rail tunnel between Denmark and Germany. DEME is part of the consortium for the immersed tunnel and for its connection to the existing road infrastructure;
- the contract for the design, construction, financing and 20-year maintenance of the A24 Blankenburg link between the A20 and A15 motorways in the Netherlands;
- the EPCI contract for the design, procurement, transport and installation of 100 wind turbine foundations and the transport and installation of three electrical substations for the future Moray East offshore wind farm in the United Kingdom;
- the contract for the transport and installation of 90 wind turbines for the Triton Knoll offshore wind farm, also situated in the United Kingdom.

During 2017, DEME **invested** for a total of 447 million EUR in the expansion and renewal of its fleet. The trailing suction hopper dredgers 'Minerva' and 'Scheldt River', with a capacity of 3,500 m^3 and 8,400 m^3 came into use in 2017. Both are dual fuel vessels that can also run on LNG to reduce the emission of Sulphur, NOx and atmospheric particles. Six more vessels are under construction and will become operational between 2018 and 2020. The latest two new vessels which DEME commissioned at the beginning of 2017 are worth a total of 500 million EUR. 'Spartacus' is the most powerful and most advanced cutter suction dredger (44,180 kW) in the world, and 'Orion' is an offshore crane vessel (44,180 kW) with dynamic positioning and a lifting capacity of 5,000 tonnes.

Besides investing in (in)tangible fixed assets, the DEME Group also invested in the acquisition of the companies A2SEA and G-tec.

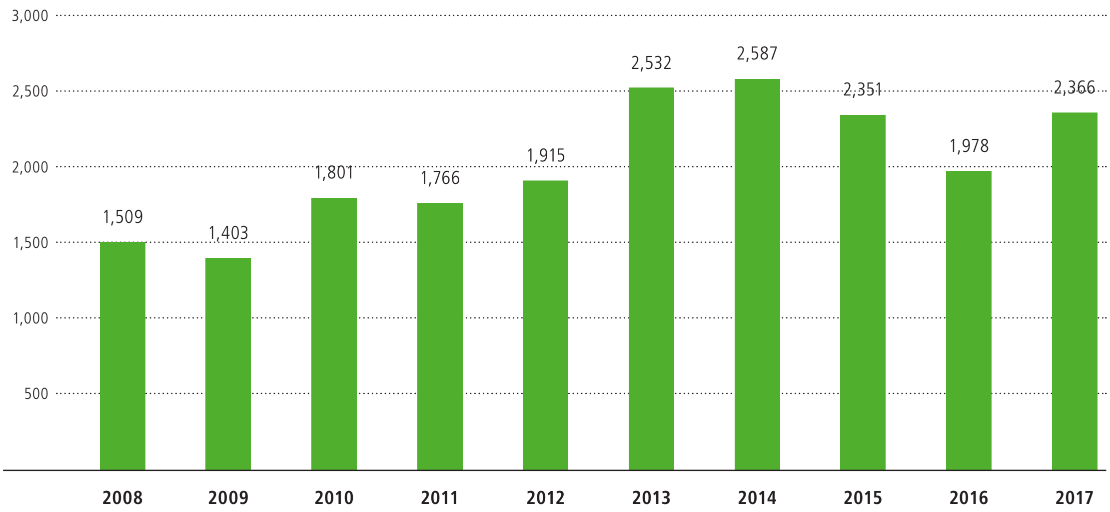
At the end of August, GeoSea successfully closed the acquisition of A2SEA, a leading player in the installation of offshore wind turbines. With A2SEA, a team of 160 highly qualified staff have come to join the ranks of DEME, and two high-tech installation vessels, 'Sea Installer' and 'Sea Challenger' (built in 2012 and 2014) have been added to the fleet. The impact of this acquisition on the net financial debt of DEME amounts to 167 million EUR.

At the beginning of November, GeoSea also acquired 72.5% of G-tec, a Belgian company specializing in offshore geotechnical and geological investigation, and in deep-sea engineering services. G-tec owns an offshore geotechnical investigation vessel 'Omalius'.

DEME's **net financial debt** amounts to 296.2 million EUR. This low level of debt in relation to the level of investments in 2017 is explained by the operating cash flows and the significant improvement in the working capital requirement.

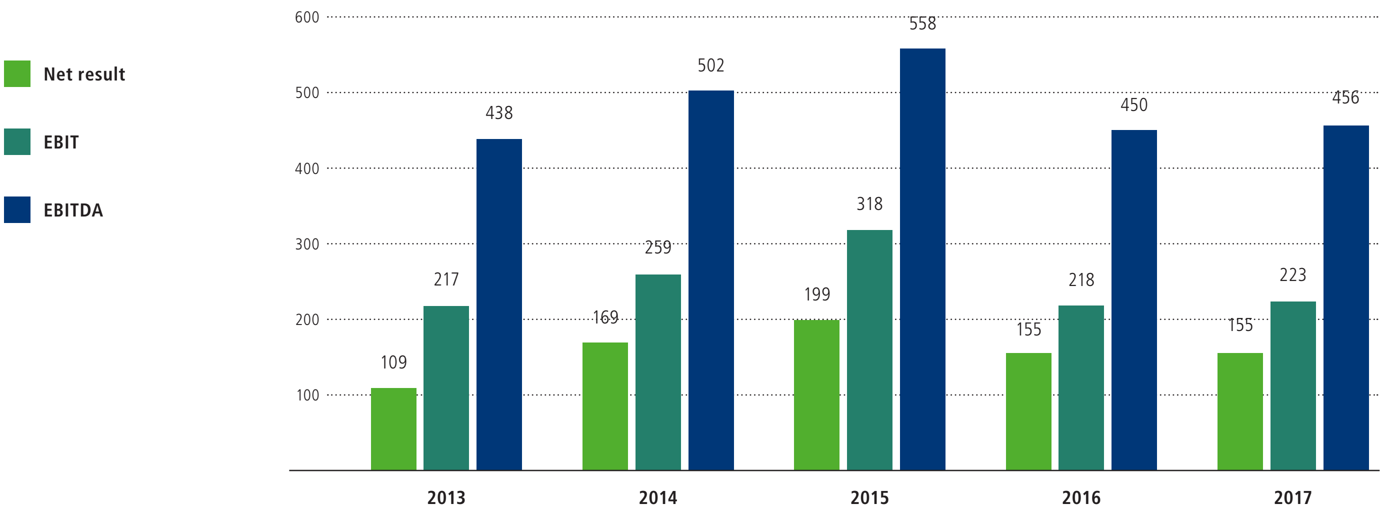
DEME Group evolution of consolidated turnover

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 turnover by region, by activity and by customer

economic figures (*) (in %)

BY REGION

	2017	2016
Europe - EU	69%	56%
Asia & Oceania	12%	13%
Africa	10%	12%
Indian subcontinent	4%	4%
America	3%	8%
Europe - non EU	2%	4%
Middle East	0%	3%

BY ACTIVITY

	2017	2016
Marine works	47%	34%
Capital dredging	21%	34%
Maintenance dredging	14%	12%
Fallpipe & landfalls	8%	7%
Environmental	7%	10%
Civil works	3%	3%

BY CUSTOMER

	2017	2016
Renewables	48%	29%
Government	34%	43%
Other	10%	15%
Oil & Gas	6%	11%
Mining	2%	2%

(*) 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	2017	2016
REVENUES			2,386,867	1,997,273
Turnover			2,356,014	1,978,250
Movement in contracts in progress			-	-26,043
Other operating income		(1)	30,853	45,066
OPERATING EXPENSES			-2,156,360	-1,770,317
Raw materials, consumables, services and subcontracted work			-1,532,599	-1,167,280
Personnel expenses		(2)	-381,866	-364,006
Depreciation and impairment losses			-225,015	-220,433
Goodwill impairment			-	-
Other operating expenses		(1)	-16,880	-18,598
OPERATING RESULT			230,507	226,956
FINANCIAL RESULT			-21,117	-33,797
Interest income			11,288	8,191
Interest expense			-21,406	-33,049
Realised/unrealised foreign currency translation effects			-4,715	-3,678
Other financial income and expenses			-6,284	-5,261
RESULT BEFORE TAXES			209,390	193,159
Income taxes and deferred taxes		(9)	-43,269	-20,417
RESULT AFTER TAXES			166,121	172,742
Share of profit (loss) of joint ventures and associates		(6)	-12,732	-13,278
RESULT FOR THE PERIOD			153,389	159,464
Attributable to:	non-controlling interests		-1,666	4,130
	the Group		155,055	155,334

DEME IFRS

Consolidated statement of comprehensive income

as of December 31

(in thousands of EUR)		2017	2016
Result attributable to non-controlling interests		-1,666	4,130
Result attributable to the Group		155,055	155,334
Net result for the period		153,389	159,464
Comprehensive income that may be reclassified to profit and loss in subsequent periods			
Changes in fair value related to hedging instruments		6,147	4,181
Changes in cumulative translation adjustment reserve		-3,798	178
Comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
Remeasurement of net liabilities relating to defined benefit plans		-1,024	-12,084
Total other comprehensive income		1,325	-7,725
Total comprehensive income:		154,714	151,739
Attributable to:	non-controlling interests	-1,491	3,959
	the Group	156,205	147,780

DEME IFRS

Consolidated balance sheet

as of December 31

Assets

(in thousands of EUR)	Notes	2017	2016
NON-CURRENT ASSETS		2,343,659	1,945,098
Intangible assets	(3)	5,551	9,141
Goodwill	(4)	26,142	18,732
Property, plant and equipment	(5)	2,041,315	1,612,274
Investments in joint ventures and associates	(6)	74,657	60,374
Other non-current financial assets	(7)	94,137	98,861
Non-current financial derivatives	(8)	921	510
Other non-current assets		4,300	22,506
Deferred tax assets	(9)	96,636	122,700
CURRENT ASSETS		1,177,578	1,343,578
Inventories	(10)	15,714	25,261
Amounts due from customers under construction contracts	(10)	209,986	287,646
Trade and other operating receivables	(11)	497,698	479,722
Current financial derivatives	(8)	4,154	2,311
Other current assets		15,309	20,860
Cash and cash equivalents	(12)	434,717	527,778
TOTAL ASSETS		3,521,237	3,288,676

DEME IFRS

Consolidated balance sheet

as of December 31

Group equity and liabilities

(in thousands of EUR)	Notes	2017	2016
SHAREHOLDERS' EQUITY		1,321,842	1,220,638
Issued capital		31,110	31,110
Share premium		5,645	5,645
Reserves and retained earnings		1,320,811	1,220,757
Hedging reserve		-4,455	-10,600
Remeasurements on defined benefit pension plans		-24,732	-23,541
Cumulative translation adjustment		-6,537	-2,733
NON-CONTROLLING INTERESTS		14,405	14,862
GROUP EQUITY		1,336,247	1,235,500
NON-CURRENT LIABILITIES		749,285	703,006
Employee benefit obligations	(14)	39,715	42,384
Provisions		3,466	2,721
Interest-bearing debt	(12)	601,486	527,046
Non-current financial derivatives	(8)	7,209	18,475
Other non-current liabilities		-	-
Deferred tax liabilities	(9)	97,409	112,380
CURRENT LIABILITIES		1,435,705	1,350,170
Interest-bearing debt	(12)	118,889	151,947
Current financial derivatives	(8)	7,445	23,502
Amounts due to customers under construction contracts	(10)	130,321	43,214
Advances received		113,328	104,477
Trade payables		880,865	846,533
Remuneration and social security		87,877	76,818
Current income taxes		31,144	21,094
Other current liabilities	(15)	65,836	82,585
TOTAL GROUP EQUITY AND LIABILITIES		3,521,237	3,288,676

DEME IFRS

Consolidated statement of cash flows

as of December 31

(in thousands of EUR)	2017	2016
CASH AND CASH EQUIVALENTS, OPENING BALANCE	**527,778**	**378,464**
Profit (loss) from operating activities	**230,507**	**226,956**
Dividends from participations accounted for using the equity method	**1,432**	**8,075**
Reclassification of (income) loss from sales of property, plant and equipment and financial participation to cash flow from divestments	**-7,102**	**-9,823**
Income taxes paid	**-27,131**	**-48,171**
Non-cash adjustments	**221,727**	**215,020**
Depreciation and impairment losses	225,015	220,433
(Decrease) increase of provisions	-3,288	-5,413
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**419,433**	**392,057**
Changes in working capital	**150,795**	**45,963**
Decrease (increase) in inventories and advances received	6,679	72,358
Decrease (increase) in amounts receivable	94,146	-11,412
Increase (decrease) in current liabilities (other than borrowings)	49,970	-14,983
CASH FLOW FROM OPERATING ACTIVITIES	570,228	438,020
Investments	**-622,877**	**-258,133**
Acquisition of intangible assets and of property, plant and equipment	-441,638	-178,500
Cash outflows on acquisition of subsidiaries, associates and joint ventures	-171,313	-20,679
New borrowings given to joint ventures and associates	-9,926	-58,954
Divestments	**14,954**	**33,267**
Sale of intangible assets and of property, plant and equipment	14,954	5,030
Cash inflows on disposal of subsidiaries, associates and joint ventures	-	19,148
Repayment of borrowings given to joint ventures and associates	-	9,089
CASH FLOW FROM INVESTING ACTIVITIES	-607,923	-224,866
Interest received	11,288	8,140
Interest paid	-22,421	-33,531
Other financial income (costs)	-10,399	-8,888
New interest-bearing debt	196,402	215,104
Repayment of interest-bearing debt	-173,046	-184,039
Gross dividend paid to the shareholders	-55,002	-60,003
Gross dividend paid to non-controlling interests	-	-
CASH FLOW FROM FINANCIAL ACTIVITIES	-53,178	-63,217
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-90,873**	**149,937**
Change in consolidation scope or method	-	-
Impact of exchange rate changes on cash and cash equivalents	-2,188	-623
CASH AND CASH EQUIVALENTS, ENDING BALANCE	**434,717**	**527,778**

DEME IFRS

Consolidated statement of changes in equity

as of December 31

2017 (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, 2017	**36,755**	**-10,600**	**-23,541**	**-**	**1,220,757**	**-2,733**	**1,220,638**	**14,862**	**1,235,500**
Profit					155,055		155,055	-1,666	153,389
Other comprehensive income		6,145	-1,191			-3,804	1,150	175	1,325
Total comprehensive income		**6,145**	**-1,191**	**-**	**155,055**	**-3,804**	**156,205**	**-1,491**	**154,714**
Dividends paid					-55,001		-55,001	-528	-55,529
Other							-	1,562	1,562
Ending, December 31, 2017	**36,755**	**-4,455**	**-24,732**	**-**	**1,320,811**	**-6,537**	**1,321,842**	**14,405**	**1,336,247**

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**

DEME IFRS
Share capital and reserves

The share capital on December 31, 2017 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 20, 2018, 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, 2017. The final dividend for the year ended December 31, 2016 was also 55,001,772 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, 2017.

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 20, 2018.

The accounting principles used, IFRS as adopted by the European union, are the same as those used for the consolidated annual accounts at December 31, 2016.

New IFRS standards and interpretations that became effective for 2017 are improvements to IFRS 2014-2016 cycle, amendments to IAS 7 *statement of cash flows,* amendments to IAS 12 *income taxes*, *recognition of deferred tax assets for unrealised losses*. The financial position and performance of the Group was not affected by the initial application of above standards and interpretations. The Group has applied the amendments to IAS 7 as of 1 January 2017 and included a movement schedule of interest-bearing debt (see note 12).

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 and to IFRS 2015-2017 cycle, IFRS 2 *classification and measurement of share-based payment transactions*, IFRS 10 and IAS 28 *investments in associates and joint ventures*, IFRIC 22 *foreign currency transactions and advance consideration* and IFRIC 23 *uncertainty over income tax treatments*. 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 as explained hereafter.

The new **IFRS 9 standard *financial instruments***, which is due to replace the present standard IAS 39, addresses the classification, measurement and recognition of financial assets and financial liabilities. This new standard does not change hedge accounting and allows more hedges to qualify for hedge accounting. It will however change the methodology of impairing the Group's financial assets, with IFRS 9 imposing a model based on projected losses. An analysis of historical write-offs of receivables towards customers over the last years demonstrated that no material uncollectible amounts have been written off. This is amongst others due to the fact that credit risks on major projects are covered by a credit insurance company. No deterioration in credit quality of the trade receivables in the next reporting period is expected. IFRS 9 is not expected to have a material impact on the Group's consolidated financial statements at the date of initial application and in subsequent periods.

The IASB published a new standard **IFRS 15 *revenue from contracts with customers***. This standard will replace IAS 18 *revenue* and IAS 11 *construction contracts*. IFRS 15 defines how and when a company should recognise revenues from its activities. The recognition of revenue from contracts with customers will be ruled by one standard based on a five-step model and an additional explanatory disclosure will have to be provided. The rule will be applicable from January 1st, 2018. The Group applies the modified retrospective approach for implementing this new standard meaning that the opening balance of equity at the 1st of January 2018 is adjusted without adjusting the prior year comparatives. Under this approach, IFRS 15 is applied to contracts that are not yet completed at the date of initial application and those contracts are evaluated as if the Group had always applied IFRS 15. To measure the progress of contracts, the Group uses a method based on percentage of completion by reference to costs. This approach remains in compliance with the provisions of the IFRS 15 standard. For some EPCI contracts however, the Group identified separate performance obligations, mainly linked to procurement and installation activities, whereas under the previous revenue recognition principles these EPCI contracts were considered as a single contract which of course has an impact on the timing of revenue recognition. Applying IFRS 15 for the first time, the Group will decrease the opening balance of the equity at the 1st of January 2018 with 15,550 (000) EUR to reflect the total impact, net of taxes, on those major EPCI contracts that are not completed at the end of 2017.

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. The assessment of the potential impact on the Group's financial statements is still in progress.

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 in the consolidated financial statements.

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 control or joint control over 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 associates 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. Interests in joint ventures or joint operations are accounted for from the date when the entity becomes a joint venture or joint operation. 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 pages.

MAIN SUBSIDIARIES (FULLY CONSOLIDATED)

as of December 31, 2017

NAME	PLACE	COUNTRY	% OF SHARE HOLDING
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%
Eversea, 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%
G-tec, SA	Vottem	Belgium	72.50%
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%
Grond Recyclage Centrum, 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%
Bellsea, Ltd.	Nicosia	Cyprus	100%
DEME Cyprus, Ltd.	Nicosia	Cyprus	100%
Dredging International Cyprus, Ltd.	Nicosia	Cyprus	100%
Dredging International Services Cyprus, Ltd.	Nicosia	Cyprus	100%
Novadeal, Ltd.	Nicosia	Cyprus	100%
DEME Shipping Company, Ltd.	Nicosia	Cyprus	100%
A2SEA, A/S	Fredericia	Denmark	100%
Energies du Nord, SAS	Lambersart	France	100%
Société de Dragage International, SA	Lambersart	France	100%
GeoSea Infra Solutions, GmbH	Bremen	Germany	100%
Nordsee Nassbagger- und Tiefbau, GmbH	Bremen	Germany	100%
Oam-Deme Mineraliën, GmbH	Grosshansdorf	Germany	70%
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%
PT Dredging International Indonesia	Jakarta	Indonesia	60%
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%
Maritime Services & Solutions, SA	Luxembourg	Luxembourg	100%
Société de Dragage Luxembourg, SA	Luxembourg	Luxembourg	100%
Safindi, SA	Luxembourg	Luxembourg	100%
Dredging International Malaysia, Sdn Bhd	Kuala Lumpur	Malaysia	100%
Dredging International Mexico, SA de CV	Mexico D.F.	Mexico	100%

NAME	PLACE	COUNTRY	% OF SHARE HOLDING
Dragamoz, Lda.	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%
Baggerwerken Decloedt en Zoon España, SA	Madrid	Spain	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%
Innovation Holding, BV	Breda	The Netherlands	100%
De Vries & van de Wiel Kust- en Oeverwerken, BV	Amsterdam	The Netherlands	87.45%
De Vries & van de Wiel Beheer, BV	Amsterdam	The Netherlands	74.90%
Dredging International Ukraine, LLC	Odessa	Ukraine	100%

MAIN JOINT VENTURES AND ASSOCIATES (EQUITY METHOD)

as of December 31, 2017

NAME	PLACE	COUNTRY	% OF SHARE HOLDING
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%
Bluepower, NV	Zwijndrecht	Belgium	35%
Sédisol, SA	Farciennes	Belgium	37.45%
Silvamo, NV	Roeselare	Belgium	37.45%
Renewable Energy Base Ostend, NV	Ostend	Belgium	25.50%
Bluechem Building, NV	Gent	Belgium	25.47%
C-Power Holdco, NV	Zwijndrecht	Belgium	10%
Otary RS, NV	Ostend	Belgium	18.89%
Rentel, NV	Ostend	Belgium	18.89%
Seastar, NV	Ostend	Belgium	18.89%
C-Power, NV	Ostend	Belgium	6.46%
DEME Brazil Serviços de Dragagem, Ltda.	Rio de Janeiro	Brazil	50%
Guangzhou Coscocs DEME New Energy Engineering Co., Ltd.	Guangzhou	China	50%
Earth Moving Worldwide Cyprus, Ltd.	Nicosia	Cyprus	50%
Extract - Ecoterres, SAS	Villeneuve-le-Roi	France	37.45%
Merkur Offshore, GmbH	Hamburg	Germany	12.50%
Hithermoor soil treatments, Ltd.	London	Great Britain	37.45%
Normalux Maritime, SA	Luxembourg	Luxembourg	37.50%
Gulf Earth Moving Qatar, WLL	Doha	Qatar	50%
Middle East Dredging Company, Q.S.C.	Doha	Qatar	44.10%
Mordraga, LLC.	St. Petersburg	Russia	40%
Deeprock, CV	Breda	The Netherlands	50%
K3 DEME, BV	Amsterdam	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 *employee benefits* 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 *share-based payment* 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 asset*s, 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 adjustments at acquisition date are recognised).

BUSINESS COMBINATIONS AND DISPOSALS IN THE COURSE OF 2017

ACQUISITION OF 100% OF THE SHARES OF A2SEA A/S

On 31 August 2017, GeoSea, a subsidiary of DEME, acquired 100 % of the shares of the fully consolidated company A2SEA A/S. The fair value of the identifiable assets and liabilities was provisionally assessed on 31 December 2017 as follows:

A2SEA (in thousands of EUR)	**31/08/2017**
Property, plant and equipment and intangible assets	166,073
Cash	37,891
Current assets and liabilities	734
Total net assets acquired	204,698
Goodwill	-
Acquisition price	204,698

Property, plant and equipment primarily includes two vessels 'Sea Challenger' and 'Sea Installer' the provisional fair value of which was determined on the basis of an estimate of the value in use of that equipment.

The fair value assessment of the identifiable assets and liabilities could not be completed within the time limits set by the annual closing. The values assigned to the assets and liabilities that were acquired may be changed during a period of 12 months after the acquisition date.

ACQUISITION OF 72.5% OF THE SHARES OF G-TEC

In the fourth quarter of 2017, GeoSea, a subsidiary of DEME, acquired 72.5% of the shares of the fully consolidated Belgian company G-tec. The fair value of the identifiable assets and liabilities was provisionally assessed on 31 December 2017 as follows:

G-tec (in thousands of EUR)	**31/10/2017**
Property, plant and equipment and intangible assets	20,602
Other non-current assets	114
Cash	1,054
Non-current liabilities	-18,025
Current assets and liabilities	-6,297
Total net assets acquired	-2,552
% of interest	72.5%
Total net assets acquired - share of the Group	-1,850
Goodwill	7,410
Acquisition price	5,560

The fair value assessment of the identifiable assets and liabilities could not be completed within the time limits set by the annual closing. The values assigned to the assets and liabilities that were acquired may be changed during a period of 12 months after the acquisition date.

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.

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 (major repair 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 with an estimated residual value. 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. Buildings are depreciated over 25 years. The depreciation periods of the floating and other construction materials range from 3 years (such as for pipelines) to 21 years. The main component of trailing suction hopper dredgers and cutter suction dredgers is depreciated over a period of 18 years. Furniture and other fixed assets are depreciated over a period between 3 and 10 years.

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

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 and advance payments 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. 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 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 31 December 2015, until the employee leaves the company. The new guaranteed rate of return (1.75% per 1 January 2016) is only applicable on contributions after 31 December 2015.

In view of the minimum guaranteed rates of return, these "defined contribution" plans classify 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 - 125%. 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. 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.

Note 1 - Other operating income and expenses

Balance at December 31

(in thousands of EUR)	2017	2016
Gain on sale of property, plant and equipment and intangible assets	8,177	2,479
Other operating income	22,676	42,587
Total other operating income	**30,853**	**45,066**
Loss on sale of property, plant and equipment and intangible assets	1,076	123
Other operating expenses	18,489	17,143
Movement in amounts written off inventories and trade receivables	-2,685	1,332
Total other operating expenses	**16,880**	**18,598**

Note 2 - Employment

Balance at December 31

Average number of persons employed during the year (in FTE)	2017	2016
Workers	2,320	2,223
Employees and management personnel	2,120	2,009
Total	**4,440**	**4,232**

Personnel expenses (in thousands of EUR)	2017	2016
Remuneration and social charges	372,928	361,213
Pension expenses	8,938	2,793
Total	**381,866**	**364,006**

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, 2017		**3,297**	**24,294**	**8,628**	**36,219**
Movements during the year:	Acquisitions, including fixed assets, own production	1	409	-	410
	Sales and disposals	-	-384	-	-384
	Transfers from one heading to another	-75	75	-	-
	Translation differences	-	-21	-	-21
	Acquisitions through business combinations	-	1,945	-	1,945
At December 31, 2017		**3,223**	**26,318**	**8,628**	**38,169**
Cumulative depreciation and impairment at January 1, 2017		**3,296**	**15,154**	**8,628**	**27,078**
Movements during the year:	Recorded	-8	4,239	-	4,231
	Written down after sales and disposals	-	-169	-	-169
	Transfers from one heading to another	-65	65	-	-
	Translation differences	-	-7	-	-7
	Acquisitions through business combinations	-	1,485	-	1,485
At December 31, 2017		**3,223**	**20,767**	**8,628**	**32,618**
Net book value at the end of the year		**-**	**5,551**	**-**	**5,551**

Note 4 - Goodwill

Balance at December 31

(in thousands of EUR)		2017	2016
Balance at January 1		**18,732**	**18,732**
Movements during the year:	Acquisitions through business combinations	7,410	-
	Disposals	-	-
	Impairment losses	-	-
Balance at December 31		**26,142**	**18,732**

Additional goodwill in 2017 is the amount booked on the purchase of 72.5 % of the G-tec shares.
In accordance with IAS 36 impairment of assets, goodwill was tested for impairment at 31 December 2017.

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, 2017		**95,132**	**2,894,757**	**23,986**	**1,831**	**124,895**	**3,140,601**
Movements during the year:	Acquisitions, including fixed assets, own production	2,598	100,898	1,769	42	369,195	474,502
	Sales and disposals	-7,780	-101,496	-639	-	-683	-110,598
	Transfers from one heading to another	-344	71,179	85	-	-70,920	-
	Translation differences	-275	-5,522	-346	-	-82	-6,225
	Acquisitions through business combinations	-	320,430	3,801	-	-	324,231
At December 31, 2017		**89,331**	**3,280,246**	**28,656**	**1,873**	**422,405**	**3,822,511**
Cumulative depreciation and impairment at January 1, 2017		**39,162**	**1,467,786**	**20,004**	**1,375**	**-**	**1,528,327**
Movements during the year:	Recorded	4,161	214,522	2,037	64	-	220,784
	Written down after sales and disposals	-4,308	-98,115	-539	-	-	-102,962
	Transfers from one heading to another	-1,008	1,031	-23	-	-	-
	Translation differences	-206	-2,632	-128	-	-	-2,966
	Acquisitions through business combinations	-	134,810	3,203	-	-	138,013
At December 31, 2017		**37,801**	**1,717,402**	**24,554**	**1,439**	**-**	**1,781,196**
Net book value at the end of prior year		**55,970**	**1,426,971**	**3,982**	**456**	**124,895**	**1,612,274**
Net book value at the end of the year		**51,530**	**1,562,844**	**4,102**	**434**	**422,405**	**2,041,315**

In 2015, the DEME Group started building six new vessels and begin 2017 an order for two additional vessels, 'Spartacus' and 'Orion', was confirmed.
In 2017 'Scheldt River' and 'Minerva', two hopper dredgers were brought into use.
At 31 December 2017 a remaining amount of 452,736 million EUR from assets under construction still has to be invested in the coming years.
At 31 December 2017 an amount of 113,231 million EUR mortgage on vessels is outstanding compared to 290,395 million EUR at 31 December 2016.
The acquisitions through business combinations in 2017 mainly relate to two high-tech installation vessels, 'Sea Installer' and 'Sea Challenger' from A2SEA and to 'Omalius', an offshore geotechnical investigation vessel from G-tec.

Note 6 - Investments in joint ventures and associates

(in thousands of EUR)		Equity value	Goodwill allocated	Total 2017	Total 2016
Balance at January 1		**56,997**	**3,377**	**60,374**	**64,660**
Movements during the year:	Additions	24,923	-	24,923	19,050
	Disposals (-)	-	-	-	-10,819
	Share in the result of participations accounted for using the equity method	-12,732	-	-12,732	-13,278
	Dividends distributed by the participations	-1,432	-	-1,432	-8,074
	Other comprehensive income	-5	-	-5	3,028
	Transfer (to) from other items	745	-	745	-8,833
	Other movements	-2,008	-	-2,008	19,091
	Translation differences	4,792	-	4,792	-4,451
Balance at December 31		**71,280**	**3,377**	**74,657**	**60,374**

Note 7 - Other non-current financial assets

(in thousands of EUR)		2017	2016
Balance at January 1		98,861	58,058
Movements during the year:	Additions	12,674	59,595
	Disposals (-)	-2,599	-9,089
	Transfer (to) from other items	-	-
	Impairment / reversal of impairment	-	-
	Other movements	-9,917	-10,653
	Translation differences	-4,882	950
Balance at December 31		**94,137**	**98,861**
of which			
Loans to joint ventures and associates		87,114	92,903
Other non-current financial assets		7,023	5,958
		94,137	**98,861**

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)	921	-109	4,051	-421	**4,442**	**162,292**
Interest rate swaps	-	-5,250	-	-3,453	**-8,703**	**675,348**
Fuel hedges	-	-1,850	103	-3,571	**-5,318**	**33,886**
Balance at December 31, 2017	**921**	**-7,209**	**4,154**	**-7,445**	**-9,579**	
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**	

Note 9 - Income taxes and deferred taxes

Income taxes and deferred taxes recognised in comprehensive income (in thousands of EUR)	2017	2016
Current tax expense	37,018	37,793
Deferred tax expense / (income)	6,251	-17,376
Income taxes and deferred taxes recognised in the income statement	**43,269**	**20,417**
Income taxes and deferred taxes recognised in other elements of the comprehensive income	**5,366**	**-5,624**
Income taxes and deferred taxes recognised in comprehensive income	**48,635**	**14,793**

Reconciliation of the effective tax rate (in thousands of EUR)	2017	2016
Result before taxes	**209,390**	**193,159**
Tax expense at 33.99 %, nominal tax rate in Belgium	**71,172**	**65,655**
Increase (decrease) in tax rate resulting from:		
Tax effect of non-deductible expenses	1,854	2,667
Tax effect of non-taxable revenue	-148	-6,598
Tax credits and impact of notional interest	-468	-17,154
Effects of different tax rates applicable to subsidiaries operating in other jurisdictions or income taxable under special tax regimes such as tonnage tax	-36,564	-30,787
Tax impact of adjustments to current and deferred tax relating to previous periods	-927	1,924
Tax impact of deferred tax assets on unrecognised losses for the period	8,350	4,710
Tax expense	**43,269**	**20,417**
Effective tax rate for the period	**20.66%**	**10.57%**

Carrying amount of deferred taxes (in thousands of EUR)	Deferred tax assets		Deferred tax liabilities	
	2017	2016	2017	2016
Balance at January 1	**122,700**	**96,984**	**112,380**	**109,049**
Recognised in the income statement	-39,277	14,537	-33,026	-2,839
Charged to equity	-5,366	5,624	-	-
Acquisition of subsidiary or change in %	-	-	-	-
Disposal of subsidiary or change in %	-	-	-	-
Translation differences	-	-	-524	615
Other items	6,103	6,141	6,103	6,141
Netting of deferred taxes (*)	12,476	-586	12,476	-586
Balance at December 31	**96,636**	**122,700**	**97,409**	**112,380**

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	
	2017	2016	2017	2016
Property, plant and equipment and intangible assets	11,794	12,287	60,958	82,765
Employee benefits	9,405	13,477	-	-
Financial derivative instruments	2,369	5,978	423	-
Working capital items	43,069	57,913	5,181	6,935
Tax losses and tax credits	69,735	85,257	-	-
Other items	-	-	70,583	74,892
Netting of deferred taxes (*)	-39,736	-52,212	-39,736	-52,212
Total	**96,636**	**122,700**	**97,409**	**112,380**

(*) 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	2017	2016
Inventories		
Raw materials and consumables	15,714	25,261

Construction contracts		
Advances received	-113,328	-104,477
Amounts due from customers	209,986	287,646
Amounts due to customers	-130,321	-43,214
Balance	**79,665**	**244,432**

Cumulative incurred costs plus profit in proportion to progress less provisions for losses	3,649,890	2,978,895
Progress billings	-3,570,225	-2,734,463
Balance	**79,665**	**244,432**

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)	2017	2016
Trade receivables	431,823	396,301
Corporation taxes and VAT	43,948	41,626
Other operating receivables	21,927	41,795
Total trade and other operating receivables	**497,698**	**479,722**

Note 12 - Interest-bearing debt and net financial debt

Net financial debt as defined by the Group

(in thousands of EUR) / (-) is credit balance	Non-current	Current	Total 2017	Non-current	Current	Total 2016
Balance at December 31						
Subordinated loan	5,354	-	5,354	1,294	-	1,294
Bond	199,927	-	199,927	199,853	-	199,853
Finance Leases	34,579	6,615	41,194	41,215	46,604	87,819
Credit institutions	359,749	104,536	464,285	281,438	102,343	383,781
Other loans	1,877	1,637	3,514	3,246	-	3,246
Short term credit facilities	-	6,101	6,101	-	3,000	3,000
Other current financial liabilities	-	-	-	-	-	-
Total interest-bearing debt	**601,486**	**118,889**	**720,375**	**527,046**	**151,947**	**678,993**
Cash and cash equivalents	-	-434,717	-434,717	-	-527,778	-527,778
Total net financial debt	**601,486**	**-315,828**	**285,658**	**527,046**	**-375,831**	**151,215**

Debt maturity schedule of total long-term financial liabilities

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than one year	Total
Balance at December 31, 2017				
Subordinated loan	-	5,354	-	**5,354**
Bond	-	199,927	-	**199,927**
Finance Leases	12,133	22,446	6,615	**41,194**
Credit institutions	50,144	309,605	104,536	**464,285**
Other loans	-	1,877	1,637	**3,514**
Total	**62,277**	**539,209**	**112,788**	**714,274**

Cash flows related to financial liabilities

(in thousands of EUR)		2017	2016
Total interest-bearing debt			
Balance at January 1		**678,993**	**647,929**
Movements during the year	Cash flow movements		
	New interest-bearing debt	196,402	215,103
	Repayment of interest-bearing debt	-173,046	-184,039
Movements during the year	Non-cash movements		
	Assumed in business combinations	18,026	-
Balance at December 31		**720,375**	**678,993**

Credit facilities and bank term loans

At 31 December 2017, DEME has confirmed bank credit facilities of 95 million EUR which are not drawn at year end 2017. Moreover, DEME has confirmed long-term credit facilities of 240 million EUR, which are not drawn at year end 2017, intended to finance the development of its fleet.

Financial covenants

Bilateral loans are subject to specific covenants. At 31 December 2017 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 one year	Total 2017	Total 2016
Gross lease payments	12,499	24,628	7,503	44,630	93,585
Interest payments	-366	-2,182	-888	-3,436	-5,766
Finance lease present value	**12,133**	**22,446**	**6,615**	**41,194**	**87,819**

Lease payments per class of property, plant and equipment

(in thousands of EUR)	Total 2017	Total 2016
Land and buildings	-	323
Floating and other construction equipment	41,194	87,496
Total finance leases	**41,194**	**87,819**

Operating lease

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	Total 2017	Total 2016
Future lease payments under non-cancellable operating leases	10,209	9,174	7,529	26,912	28,952

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)	2017	2016
Retirement benefit obligations	37,724	40,761
Other employee benefits	1,991	1,623
Balance at December 31	**39,715**	**42,384**

Retirement benefit obligations

(in thousands of EUR)	2017	2016
Present value of wholly or partially funded obligations	176,055	179,120
Fair value of plan assets	-138,331	-138,359
Net funded benefit obligation as recorded in the balance sheet	**37,724**	**40,761**

Movement of retirement benefit obligations

(in thousands of EUR)	2017	2016
Balance at January 1	**40,761**	**29,715**
Charges recognised in income	8,938	2,473
Charges recognised in other comprehensive income	-2,065	18,110
Contributions from employer	-9,910	-9,537
Balance at December 31	**37,724**	**40,761**
Charges recognised in income		
Current service cost	8,590	8,885
Past service cost (**) & other	-132	-6,941
Interest cost	2,283	2,907
Interest income on plan assets (-)	-1,803	-2,378
Total charges recognised in income	**8,938**	**2,473**
Charges recognised in other comprehensive income		
Actuarial (gains)/losses	-7,663	38,682
Return on plan assets (-) (excluding interest income)	5,598	-20,572
Total charges recognised in other comprehensive income	**-2,065**	**18,110**

(**) 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)	2017	2016
Employee benefit plan obligations balance at January 1	**179,120**	**113,014**
Current service cost	8,590	8,885
Interest cost	2,283	2,907
Contributions from employees	219	468
Benefits paid to beneficiaries	-4,952	-4,008
Remeasurement of liabilities resulting in actuarial gains/losses	-7,663	38,683
due to changes to demographic assumptions (***)	*-*	*13,492*
due to changes to financial assumptions	*-10,519*	*22,329*
due to experience adjustments	*2,856*	*2,862*
Past service cost (**)	-132	-6,941
Other movements	-1,410	-1,131
Reclassification of Belgian defined contribution plans (*)	-	27,243
Employee benefit plan obligations balance at December 31	**176,055**	**179,120**
Employee benefit plan assets balance at January 1	**138,359**	**83,299**
Return on plan assets (+) (excluding interest income)	-5,598	20,572
Interest income on plan assets (+)	1,803	2,378
Contributions from employer/employees	10,129	10,005
Benefits paid to beneficiaries	-4,952	-4,008
Reclassification of Belgian defined contribution plans (*)	-	27,229
Other movements	-1,410	-1,116
Employee benefit plan assets balance at December 31	**138,331**	**138,359**

(*) 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)	2017	2016
Other current taxes	26,193	38,999
Other amounts payable	24,724	23,550
Accruals and deferred income	14,919	20,036
Other current liabilities	**65,836**	**82,585**

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

Balance at December 31

(in thousands of EUR)	2017	2016
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.	113,231	290,395
Bank guarantees or corporate guarantees as security for commitments of enterprises included in the consolidation.	963,704	1,029,501

(in thousands of EUR)	2017	2016
Commitments received		
Bank guarantees received as security for commitments to enterprises included in the consolidation.	335,336	104,708

Independent auditor's report

DREDGING ENVIRONMENTAL & MARINE ENGINEERING NV
Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2017

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors

In accordance with our engagement letter dated 12 January 2018, 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 31 December 2017, 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.

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 3,521,237 (000) EUR and the consolidated income statement shows a consolidated profit (Group share) for the year then ended of 155,055 (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 31 December 2017 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, 6 April 2018

The statutory auditor
DELOITTE Bedrijfsrevisoren /
Réviseurs 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.

DEME NV
Balance sheet
as of December 31 (according to Belgian GAAP)

Assets

(in thousands of EUR)	2017		2016	
FIXED ASSETS		535,647		351,532
Formation expenses		**73**		**147**
Intangible assets		**266**		**682**
Property, plant and equipment		**201,414**		**35,516**
Land and buildings	-		-	
Plant, machinery and equipment	774		1,224	
Furniture and vehicles	-		-	
Leasing and other similar rights	-		-	
Other tangible fixed assets	-		-	
Assets under construction and advance payments	200,640		34,292	
Financial assets		**333,894**		**315,187**
Affiliated enterprises	325,675		308,466	
Participating interests	*290,594*		*277,884*	
Amounts receivable	*35,081*		*30,582*	
Other enterprises linked by participating interests	8,197		6,699	
Participating interests	*8,197*		*6,699*	
Amounts receivable	-		-	
Other financial assets	22		22	
Shares	*22*		*22*	
Amount receivable and cash guarantees	-		-	
CURRENT ASSETS		166,542		168,000
Amounts receivable after more than one year		**149,000**		**149,000**
Trade receivables	-		-	
Other amounts receivable	149,000		149,000	
Inventories and contracts in progress	**-**		**-**	
Amounts receivable within one year		**17,303**		**18,888**
Trade receivables	16,890		13,961	
Other amounts receivable	413		4,927	
Own shares and other investments		**-**		**-**
Cash at bank and in hand		**239**		**112**
Deferred charges and accrued income		**-**		**-**
TOTAL ASSETS		702,189		519,532

DEME NV
Balance sheet
as of December 31 (according to Belgian GAAP)

Liabilities

(in thousands of EUR)	2017		2016	
CAPITAL AND RESERVES		125,068		155,649
Capital		**31,110**		**31,110**
Issued capital	31,110		31,110	
Uncalled capital (-)	-		-	
Share premium account		**5,645**		**5,645**
Revaluation surplus		**-**		**-**
Reserves		**35,304**		**35,644**
Legal reserves	3,111		3,111	
Reserves not available for distribution	-		-	
Untaxed reserves	28,922		29,262	
Reserves available for distribution	3,271		3,271	
Profit carried forward		**53,010**		**83,251**
PROVISIONS AND DEFERRED TAXES		-		175
Provisions for liabilities and charges		**-**		**-**
Deferred tax liabilities		**-**		**175**
CREDITORS		577,121		363,708
Amounts payable after more than one year		**337,566**		**221,393**
Financial liabilities		337,566		221,393
Subordinated loans	*30,400*		-	
Bond	*200,000*		*200,000*	
Finance leases	-		-	
Credit institutions	-		-	
Other long term financial liabilities	*107,166*		*21,393*	
Amounts payable within one year		**232,242**		**135,002**
Current portion of amounts payable after more than one year		-		6,435
Financial liabilities		-		-
Credit institutions	-		-	
Other current financial liabilities	-		-	
Trade payables		41,750		17,423
Advances received on contracts in progress		-		-
Taxes, remuneration and social security		512		262
Taxes	*105*		-	
Remuneration and social security	*407*		*262*	
Other amounts payable		189,980		110,882
Accrued charges and deferred income		**7,313**		**7,313**
TOTAL LIABILITIES		702,189		519,532

DEME NV
Profit and loss statement
as of December 31 (according to Belgian GAAP)

(in thousands of EUR)	2017	2016
Operating income	**23,030**	**19,338**
Turnover	22,983	19,305
Increase (+), decrease (-) in contracts in progress	-	-
Fixed assets - own construction	-	-
Other operating income	47	33
Operating charges	**-21,315**	**-20,543**
Raw materials and consumables	-3,941	-
Purchases	*-3,941*	-
Increase (-), decrease (+) in inventories	-	-
Services and other goods	-5,260	-10,685
Remuneration, social security costs and pensions	-7,606	-8,830
Depreciation and other amounts written off on (in)tangible fixed assets	-940	-968
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	-3,568	-60
OPERATING RESULT	1,715	-1,205
Financial income	**41,811**	**62,788**
Income from financial assets	27,409	45,435
Income from current assets	6,155	6,198
Other financial income	24	1,015
Non-recurring financial income	8,223	10,140
Financial charges	**-19,260**	**-40,154**
Interests and other debt charges	-9,225	-8,934
Other financial charges	-4,335	-220
Non-recurring financial charges	-5,700	-31,000
RESULT FOR THE FINANCIAL PERIOD BEFORE TAXATION	24,266	21,429
Transfer from (to) deferred taxes	**175**	**27**
Income taxes	**-20**	**25**
Income taxes	-20	-36
Adjustment of income taxes and write-back of tax provisions	-	61
RESULT FOR THE FINANCIAL PERIOD	24,421	21,481
Transfer from (to) the untaxed reserves	**-340**	**-54**
Profit for the period available for appropriation	**24,761**	**21,535**
Transfer from profit carried forward	**83,251**	**116,718**
Transfer to legal reserves	**-**	**-**
Distribution of dividends	**-55,002**	**-55,002**
Transfer to profit carried forward	**53,010**	**83,251**

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Internal & External Communication

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PHOTOS
We wish to thank all members of our personnel who provided us with pictures of the projects and activities worldwide. Special thanks to the photographers Casper Van der Kloet, Tom D'Haenens, René Van der Kloet and Ulrich Wirrwa.

DEME

Dredging, Environmental
& Marine Engineering

Haven 1025, Scheldedijk 30
2070 Zwijndrecht, Belgium
T +32 3 250 52 11
info@deme-group.com
www.deme-group.com