

# FINANCIAL INFORMATION

## 2018



# 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 statement of financial position 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.

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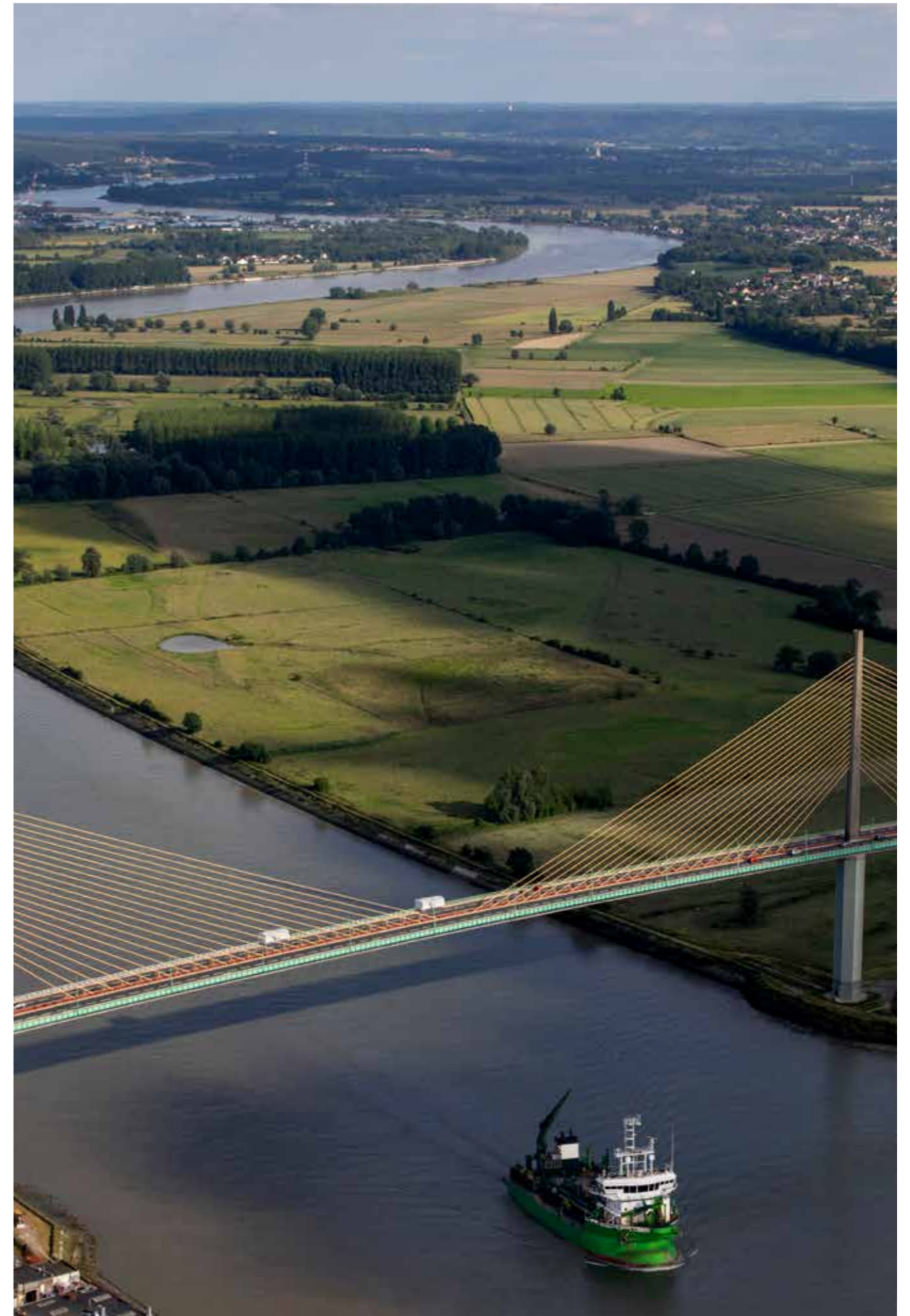
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# FINANCIAL HIGHLIGHTS



## DEME GROUP KEY FIGURES

As of December 31, according to IFRS (\*) (in millions of EUR)

	2018	2017	DELTA
Turnover	2,645.8	2,356.0	289.8
EBITDA	458.9	455.5	3.4
EBIT	196.0	230.5	-34.5
Net result share of the Group	155.6	155.1	0.5
Order book	4,010.0	3,520.0	490.0
Average # personnel (in FTE)	4,937	4,440	497
Shareholders' equity (excl. minority interests)	1,401.4	1,321.8	79.6
Net financial debt	-555.8	-285.7	-270.1
Balance sheet total	3,820.7	3,521.2	299.5
Total investments	410.2	622.9	-212.7
Dividend of the year	55.0	55.0	0.0

### Definitions:

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

EBIT is the operating result or earnings before interest and taxes.

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, which equals the total investment amount of the consolidated cash flow from investing activities.

## DEME GROUP FINANCIAL PERFORMANCE

DEME realised an increase in **turnover** by 12.3%, to 2,645.8 million EUR in 2018 compared to 2,356.0 million EUR in 2017. Just like in 2017, the Offshore business segment had a substantial contribution in this turnover. Since the beginning of 2019 the activities of the subsidiaries GeoSea, Tideway, A2Sea and EverSea are officially integrated into the DEME Offshore activity line. By integrating all offshore activities,

expertise and capabilities into a more agile organisation, DEME will be able to provide the most comprehensive offering of solutions, services and equipment to its oil, gas and renewable energy customers.

In Germany, DEME Offshore has been working on two EPCI projects: the Merkur project, which was finalised in 2018, and the Hohe See project, for which the production

of the monopile foundations and transition pieces is virtually completed, and for which 63 out of 87 foundations were already installed end of December 2018.

In the UK, good progress has been made on the Hornsea One offshore wind farm project: at the end of 2018, the multi-purpose vessel 'Living Stone' finished the installation of the submarine power cable connecting the wind farm and electrical substations to the onshore grid. Already 153 of the 174 monopile foundations are transported and installed.

In Denmark, DEME Offshore carried out the production, transport and installation of the 49 monopile foundations and transition pieces, as well as the installation of the wind turbines for the Horns Rev 3 offshore wind farm. The works are almost completed.

In the dredging segment, DEME continued working on the TTP1 project (Tuas Terminal – Phase 1), which has entered its final phase, and has just started the dredging works to deepen the access channel to the port of Szczecin in Poland. Maintenance dredging activity was mainly



concentrated in Belgium, Africa, India and Germany.

DEME's environmental division realised a revenue increase in 2018, although the Juliana Canal Widening project in the Netherlands was stopped due to a dispute with the client Rijkswaterstaat about the execution of the contract.

Within the Infra division, DIMCO, the subsidiary specialising in marine civil engineering, reported a substantial growth in business particularly in the Netherlands where three major projects are starting up: the RijnlandRoute link, the Terneuzen lock and the A24-Blankenburg connection.

DEME achieved a slight increase of its **EBITDA** to 458.9 million EUR, which results in an EBITDA margin on turnover of 17.3%.

The **EBIT** amounts to 196.0 million EUR, which is 34.5 million EUR lower than last year due, among other things, to an increase in the depreciation cost as several new vessels were brought into service in 2018.

The **net result share of the Group** of 2018 remained more or less stable at 155.6 million EUR compared to 155.1 million EUR last year. This means that the increase in the depreciation cost is compensated by a better financial result thanks to less interest expenses and positive foreign currency translation effects. The share of profit of joint ventures and associates amounts to 6.9 million EUR end 2018 compared to a loss of -12.7 million EUR last year. The tax rate evolves from 20.66% in 2017 to 22.80% in 2018.

The **order book** amounted to 4.01 billion EUR, which is 13.9% higher compared to year-end 2017. The following major contracts were granted in 2018:

- the deepening and maintenance dredging of the Martin Garcia Canal in Uruguay and Argentina (in joint venture);
- the deepening and widening of the navigation channel in Szczecin, Poland, over approximately 62 km (in joint venture);

- the contract for the installation of 94 foundations and turbines for the Orsted Borssele 1 & 2 offshore wind farm in the Netherlands;

- the EPCI contract for the development of the Moray East offshore wind farm in the United Kingdom. DEME Offshore will be responsible for the design, development, transport and installation of 100 foundations and for the transport and installation of three electrical substation platforms;

- the EPCI contract for the design, construction, transport and installation of 58 wind turbine foundations, electrical substations and two submarine power cables for the Seamide offshore wind farm 50 km off the Belgian coast. Offshore work will start in June 2019 and will finish at the end of 2020. The wind farm will have a capacity of 487 MW;

- the contract for the design, construction, financing and 20-year maintenance of the Blankenburg connection between the highways A20 and A15 in the Netherlands. This project reached its financial close on October 17, 2018.

(\*) Following the introduction of the 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.

The Fehmarnbelt project, which concerns the construction of the world's largest immersed road and rail tunnel between Denmark and Germany, has not yet been included in this order book. The final environmental permits were granted but may still be subject to appeal procedures.

In 2018, DEME **invested** a total of 441.3 million EUR (cash outflows) in the execution of its ambitious fleet investment programme, mainly for the 'Orion', 'Spartacus', 'Living Stone' and 'Apollo'. The Group placed an order for two self-propelled split barges 'Bengel' and 'Deugniet' (3,500 m<sup>3</sup>) and two trailing suction hoppers 'River Thames' (2,300 m<sup>3</sup>) and 'Meuse River' (8,300 m<sup>3</sup>) for a total value of 133 million EUR. The vessels will be constructed by Royal IHC and are expected to join the fleet in 2020.

In the third quarter of 2018, DEME acquired additional shares and economic rights in the results of the Qatar-based Middle East Dredging Company (MEDCO) up to 95% (previously 44.1%). The participation held in MEDCO is from July 1, 2018 onwards

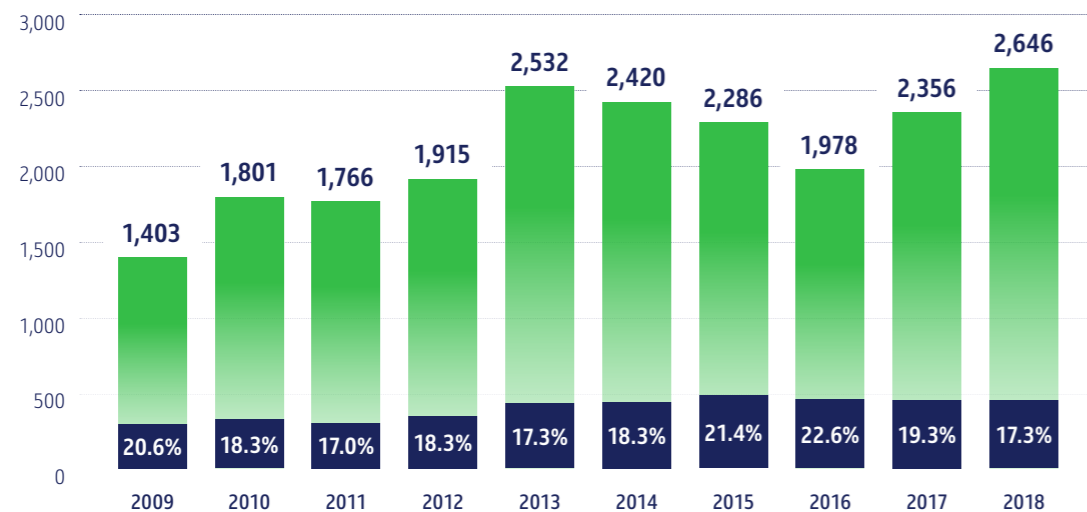
fully consolidated instead of according to the equity method. As a result DEME has included MEDCO's fleet in its figures for a total amount of 79.6 million EUR, mainly relating to the cutter vessels 'Al Jarraf' and 'Al Mahaar'.

In addition to investments in its fleet, DEME invested more than 30 million EUR in participations in and the financing of concessions of offshore wind farms.

DEME's **net financial debt** increased by 270.1 million EUR to 555.8 million EUR compared to 2017, mainly as a result of higher investments in the renovation and expansion of the fleet and because of a change in DEME's working capital. The working capital became less negative in 2018 as a result of the utilisation of the advance payments received at the end of 2017. DEME successfully refinanced its 200 million EUR bond, which matured on the 14<sup>th</sup> of February 2019. 🌱

## DEME GROUP EVOLUTION OF CONSOLIDATED TURNOVER AND EBITDA

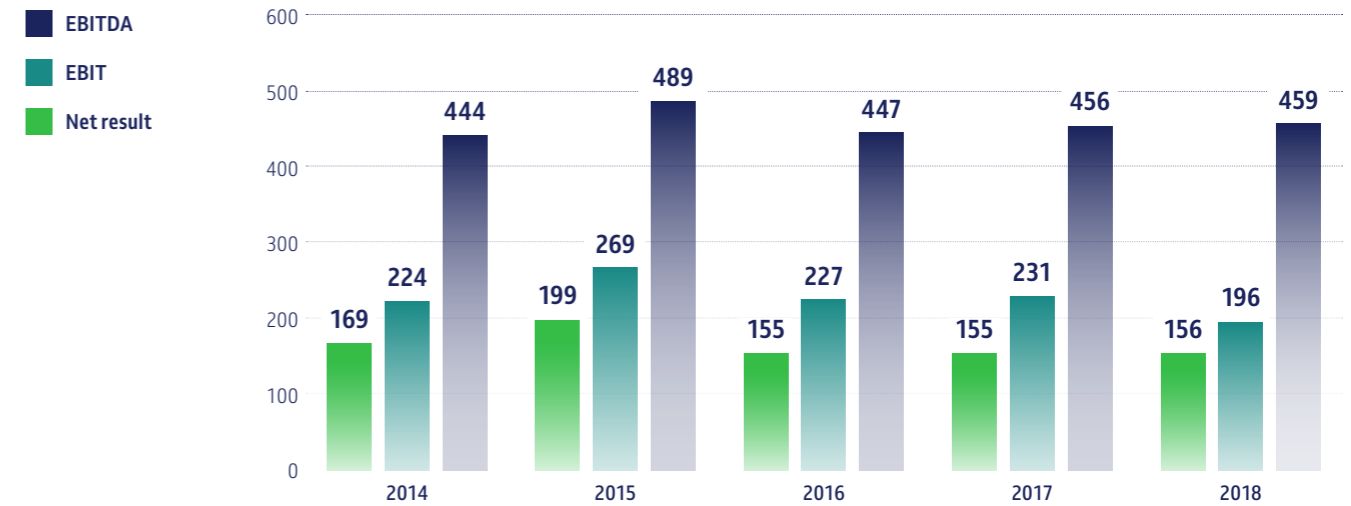
As of December 31, according to IFRS (\*) (in millions of EUR)



(\*) Following the introduction of the 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.

## DEME GROUP EVOLUTION OF NET RESULT, EBIT AND EBITDA

As of December 31, according to IFRS (\*) (in millions of EUR)

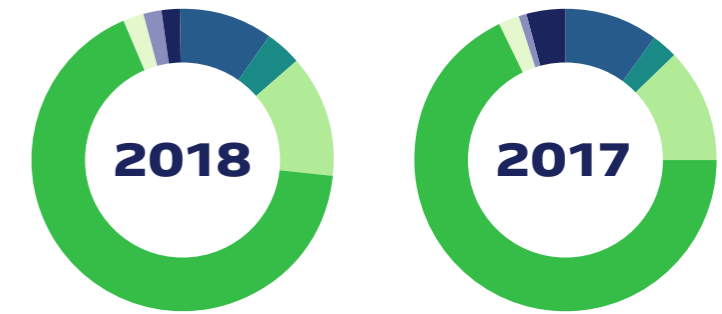


## DEME GROUP TURNOVER BY REGION, BY ACTIVITY AND BY CUSTOMER

As of December 31, according to IFRS (\*)

### BY REGION

	2018	2017
Europe - EU	67%	68%
Asia & Oceania	13%	12%
Africa	10%	10%
America	4%	3%
Indian subcontinent	2%	4%
Middle East	2%	1%
Europe - non EU	2%	2%



### BY ACTIVITY

	2018	2017
Marine works	37%	47%
Capital dredging	23%	21%
Fallpipe & landfalls	17%	8%
Maintenance dredging	11%	14%
Environmental	6%	7%
Civil works	6%	3%



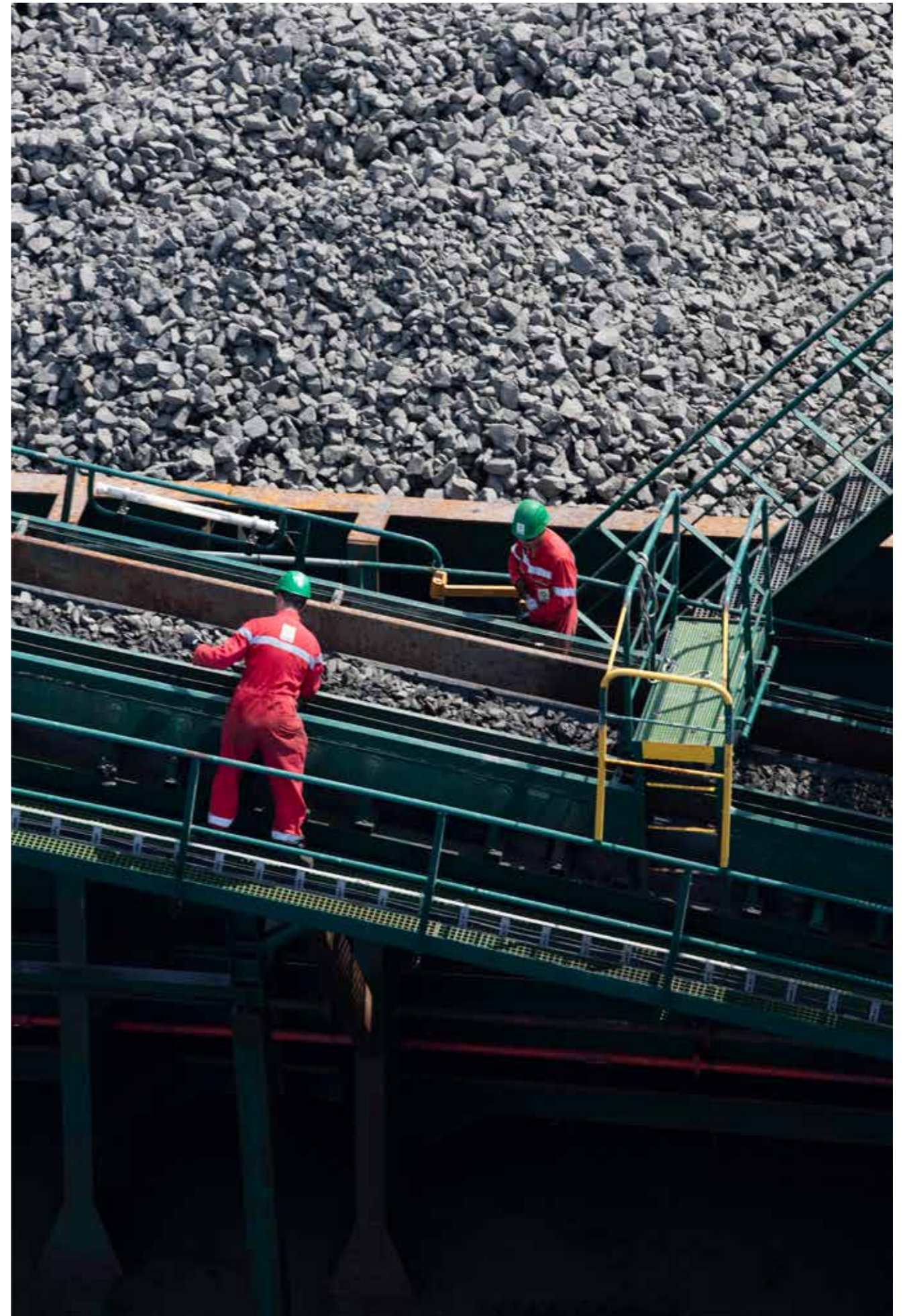
### BY CUSTOMER

	2018	2017
Renewables	46%	48%
Government	38%	34%
Oil & Gas	8%	6%
Others	6%	10%
Mining	2%	2%



(\*) Following the introduction of the 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.

# CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF INCOME

as of December 31

(in thousands of EUR)	Notes	2018	2017
<b>REVENUES</b>		<b>2,726,543</b>	<b>2,386,867</b>
Turnover		2,645,780	2,356,014
Other operating income	(1)	80,763	30,853
<b>OPERATING EXPENSES</b>		<b>-2,530,531</b>	<b>-2,156,360</b>
Raw materials, consumables, services and subcontracted work		-1,797,917	-1,532,599
Personnel expenses	(2)	-439,304	-381,866
Depreciation and impairment losses		-256,907	-225,015
Goodwill impairment		-5,986	-
Other operating expenses	(1)	-30,417	-16,880
<b>OPERATING RESULT</b>		<b>196,012</b>	<b>230,507</b>
<b>FINANCIAL RESULT</b>		<b>-6,391</b>	<b>-21,117</b>
Interest income		10,279	11,288
Interest expense		-15,711	-21,406
Realised/unrealised foreign currency translation effects		4,955	-4,715
Other financial income and expenses		-5,914	-6,284
<b>RESULT BEFORE TAXES</b>		<b>189,621</b>	<b>209,390</b>
Income taxes and deferred taxes	(9)	-43,231	-43,269
<b>RESULT AFTER TAXES</b>		<b>146,390</b>	<b>166,121</b>
Share of profit (loss) of joint ventures and associates	(6)	6,929	-12,732
<b>RESULT FOR THE PERIOD</b>		<b>153,319</b>	<b>153,389</b>
Attributable to non-controlling interests		-2,251	-1,666
<b>Attributable to the Group</b>		<b>155,570</b>	<b>155,055</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as of December 31

(in thousands of EUR)	2018	2017
Result attributable to non-controlling interests	-2,251	-1,666
Result attributable to the Group	155,570	155,055
<b>NET RESULT FOR THE PERIOD</b>	<b>153,319</b>	<b>153,389</b>
<b>Comprehensive income that may be reclassified to profit and loss in subsequent periods</b>		
Changes in fair value related to hedging instruments	-3,169	6,147
Changes in cumulative translation adjustment reserve	97	-3,798
<b>Comprehensive income that cannot be reclassified to profit and loss in subsequent periods</b>		
Remeasurement of net liabilities relating to defined benefit plans	-2,568	-1,024
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-5,640</b>	<b>1,325</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>147,679</b>	<b>154,714</b>
Attributable to non-controlling interests	-2,432	-1,491
<b>Attributable to the Group</b>	<b>150,111</b>	<b>156,205</b>





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31

## ASSETS

(in thousands of EUR)	Notes	2018	2017
<b>NON-CURRENT ASSETS</b>		<b>2,603,755</b>	<b>2,343,659</b>
Intangible assets	(3)	3,545	5,551
Goodwill	(4)	18,339	26,142
Property, plant and equipment	(5)	2,298,773	2,041,315
Investments in joint ventures and associates	(6)	82,310	74,657
Other non-current financial assets	(7)	108,066	94,137
Non-current financial derivatives	(8)	9	921
Other non-current assets		1,785	4,300
Deferred tax assets	(9)	90,928	96,636
<b>CURRENT ASSETS</b>		<b>1,216,967</b>	<b>1,177,578</b>
Inventories	(10)	15,244	15,714
Amounts due from customers under construction contracts	(10)	353,001	209,986
Trade and other operating receivables	(11)	540,736	497,698
Current financial derivatives	(8)	275	4,154
Other current assets		20,316	15,309
Cash and cash equivalents	(12)	287,395	434,717
<b>TOTAL ASSETS</b>		<b>3,820,722</b>	<b>3,521,237</b>

## GROUP EQUITY AND LIABILITIES

(in thousands of EUR)	Notes	2018	2017
<b>SHAREHOLDERS' EQUITY</b>		<b>1,401,402</b>	<b>1,321,842</b>
Issued capital		31,110	31,110
Share premium		5,645	5,645
Reserves and retained earnings		1,405,829	1,320,811
Hedging reserve		-7,596	-4,455
Remeasurements on defined benefit pension plans		-27,199	-24,732
Cumulative translation adjustment		-6,387	-6,537
<b>NON-CONTROLLING INTERESTS</b>		<b>14,052</b>	<b>14,405</b>
<b>GROUP EQUITY</b>		<b>1,415,454</b>	<b>1,336,247</b>
<b>NON-CURRENT LIABILITIES</b>		<b>645,802</b>	<b>749,285</b>
Employee benefit obligations	(14)	46,124	39,715
Provisions		6,742	3,466
Interest-bearing debt	(12)	494,795	601,486
Non-current financial derivatives	(8)	8,561	7,209
Deferred tax liabilities	(9)	89,580	97,409
<b>CURRENT LIABILITIES</b>		<b>1,759,466</b>	<b>1,435,705</b>
Interest-bearing debt	(12)	348,377	118,889
Current financial derivatives	(8)	10,990	7,445
Amounts due to customers under construction contracts	(10)	243,136	130,321
Advances received		95,132	113,328
Trade payables		890,368	880,865
Remuneration and social security		82,368	87,877
Current income taxes		35,602	31,144
Other current liabilities	(15)	53,493	65,836
<b>TOTAL GROUP EQUITY AND LIABILITIES</b>		<b>3,820,722</b>	<b>3,521,237</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

as of December 31

(in thousands of EUR)	2018	2017
<b>CASH AND CASH EQUIVALENTS, OPENING BALANCE</b>	<b>434,717</b>	<b>527,778</b>
Profit (loss) from operating activities	196,012	230,507
Dividends from participations accounted for using the equity method	2,438	1,432
Reclassification of (income) loss from sales of property, plant and equipment and financial participation to cash flow from divestments	-6,356	-7,102
Income taxes paid	-44,649	-27,131
<b>NON-CASH ADJUSTMENTS</b>	<b>267,285</b>	<b>221,727</b>
Depreciation and impairment losses	256,907	225,015
(Decrease) increase of provisions	13,448	-3,288
Other non-cash expenses (income)	-3,070	-
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>	<b>414,730</b>	<b>419,433</b>
<b>CHANGES IN WORKING CAPITAL</b>	<b>-192,350</b>	<b>150,795</b>
Decrease (increase) in inventories and advances received	-57,465	6,679
Decrease (increase) in amounts receivable	-300,800	94,146
Increase (decrease) in current liabilities (other than borrowings)	165,915	49,970
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>222,380</b>	<b>570,228</b>
<b>INVESTMENTS</b>	<b>-410,182</b>	<b>-622,877</b>
Acquisition of intangible assets and of property, plant and equipment	-441,298	-441,638
Cash (out) inflows on acquisition of subsidiaries, associates and joint ventures	62,381	-171,313
New borrowings given to joint ventures and associates	-31,265	-9,926
<b>DIVESTMENTS</b>	<b>18,059</b>	<b>14,954</b>
Sale of intangible assets and of property, plant and equipment	13,559	14,954
Cash inflows on disposal of subsidiaries, associates and joint ventures	4,500	-
Repayment of borrowings given to joint ventures and associates	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-392,123</b>	<b>-607,923</b>
Interest received	10,279	11,288
Interest paid	-16,163	-22,421
Other financial income (costs)	-1,511	-10,399
New interest-bearing debt	245,316	196,402
Repayment of interest-bearing debt	-158,026	-173,046
Gross dividend paid to the shareholders	-55,002	-55,002
Gross dividend paid to non-controlling interests	-	-
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>24,893</b>	<b>-53,178</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-144,850</b>	<b>-90,873</b>
Change in consolidation scope or method	-3,314	-
Impact of exchange rate changes on cash and cash equivalents	842	-2,188
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>287,395</b>	<b>434,717</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018 (in thousands of EUR)	SHARE CAPITAL AND SHARE PREMIUM	HEDGING RESERVE	DEFINED BENEFIT PENSION PLANS	CONSOLIDATED RESERVES	CUMULATIVE TRANSLATION ADJUSTMENT	SHARE-HOLDERS' EQUITY	NON-CONTROLLING INTERESTS	GROUP EQUITY
Ending, December 31, 2017	36,755	-4,455	-24,732	1,320,811	-6,537	1,321,842	14,405	1,336,247
Impact IFRS 15				-15,550		-15,550		-15,550
Opening, January 1, 2018	36,755	-4,455	-24,732	1,305,261	-6,537	1,306,292	14,405	1,320,697
Profit				155,570		155,570	-2,251	153,319
Other comprehensive income		-3,141	-2,467		150	-5,458	-182	-5,640
<b>Total comprehensive income</b>		<b>-3,141</b>	<b>-2,467</b>	<b>155,570</b>	<b>150</b>	<b>150,112</b>	<b>-2,433</b>	<b>147,679</b>
Dividends paid				-55,001		-55,001	-365	-55,366
Other				-1		-1	2,445	2,444
Ending, December 31, 2018	36,755	-7,596	-27,199	1,405,829	-6,387	1,401,402	14,052	1,415,454

We refer to page 19 of this report for more explanation about the impact of the new IFRS 15 accounting standard.

2017 (in thousands of EUR)	SHARE CAPITAL AND SHARE PREMIUM	HEDGING RESERVE	DEFINED BENEFIT PENSION PLANS	CONSOLIDATED RESERVES	CUMULATIVE TRANSLATION ADJUSTMENT	SHARE-HOLDERS' EQUITY	NON-CONTROLLING INTERESTS	GROUP 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
<b>Total comprehensive income</b>		<b>6,145</b>	<b>-1,191</b>	<b>155,055</b>	<b>-3,804</b>	<b>156,205</b>	<b>-1,491</b>	<b>154,714</b>
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





## DEME IFRS

### SHARE CAPITAL AND RESERVES

The share capital on December 31, 2018 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 27, 2019, the Board of Directors proposed a dividend of 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, 2018. The final dividend for the year ended December 31, 2017 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, 2018.

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 27, 2019.

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, 2017, except for **IFRS 9 financial instruments** and **IFRS 15 revenue from contracts with customers**.

**IFRS 9 financial instruments** that became effective for 2018 replaces the standard IAS 39. It 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 periods is expected. The introduction of IFRS 9 had no material impact on the results of the Group in the year under review and is not expected to materially impact results in future periods.

**IFRS 15 revenue from contracts with customers** also became effective for 2018. This standard replaces 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 is ruled by one standard based on a five-step model and an additional explanatory disclosure. The Group applies the modified retrospective approach for implementing this new standard, meaning that the opening balance of equity on the 1<sup>st</sup> of January 2018 was 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 contract with no distinct performance obligations, which of course has an impact on the timing of revenue recognition. Applying IFRS 15 for the first time, the Group decreased the opening balance of the equity at the 1<sup>st</sup> of January 2018 by 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.

Other new IFRS standards and interpretations that became effective for 2018 are improvements and amendments to IAS 40 *transfers of investment property*, IFRS 2 *classification and measurement of share-based payment transactions*, IFRS 4 *insurance contracts*, IFRS 2014-2016 cycle, and IFRIC 22 *foreign currency transactions and advance consideration*. The financial position and performance of the Group was not affected by the initial application of these standards and interpretations.

New IFRS standards and interpretations that are not yet effective, but available for early adoption are IFRS 16 *leases* and improvements and amendments to IFRS 2014-2016 cycle, IFRS 2015-2017 cycle, IAS 1 and IAS 8 *definition of material*, IAS 19 *plan amendment, curtailment and settlement*, IFRS 10 and IAS 28 *investments in associates and joint ventures*, IFRS 3 *business combinations*, IFRS 9 *prepayment features with negative compensation*, IFRIC 22 *foreign currency transactions and advance consideration*, IFRIC 23 *uncertainty over income tax treatments* and IFRS 14 *regulatory deferral accounts*. The Group did not perform any early adoption of the above standards and interpretations but their potential impact on the consolidated accounts is being determined, as explained hereafter.

**IFRS 16 leases** replaces the current standard for leases IAS 17 and provides a new framework for the recognition of lease contracts. The standard was issued in January 2016 and comes into force on January 1, 2019. This new standard relates to changes in accounting for operational lease commitments of the Group (see note 13). IFRS 16 requires lessees to recognise a liability in their statement of financial position and to capitalise the right-of-use of a leased asset if it is leased for a period exceeding one year. The application of IFRS 16 leads to an increase of assets and liabilities with the present value of future lease payments, to an increase of the net financial debt and to 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 Group will apply this standard, as allowed by IFRS 16, retrospectively with the cumulative effect of first adoption of IFRS 16 recognised as per January 1, 2019. Comparative figures 2018 will not be restated. During 2018 leases have been identified and preliminary calculations have been made. Based on our first assessment of these figures, we expect the total effect on the consolidated statement of financial position to be an increase of total assets and total liabilities between 65,000 (000) EUR

and 83,000 (000) EUR, an increase of EBITDA to be between 15,000 (000) EUR and 20,000 (000) EUR and a decrease of the net group result of less than 1,000 (000) EUR in 2019. As per effective date there will be no impact on group equity.

### 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.

Over the last few months, the Group has been closely following the developments around Brexit. We recognise that as Brexit unfolds, a number of parties will be affected, including our customers, suppliers and employees. Equally, within our own organisation, wide-ranging sections of our business such as Operations, Procurement, Finance, Compliance and Human Resources, are likely to see changes. Therefore we have executed a Brexit assessment, including the Moray East project, based on a no-deal (hard) Brexit scenario. No material risks have been identified; however, a risk mitigation strategy has been rolled out to reduce the impact of a Brexit.

### 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 the 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 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

NAME	PLACE	COUNTRY	% OF SHARE HOLDING
Dredging International, NV	Zwijndrecht	Belgium	100%
Baggerwerken Decloedt en Zoon, NV	Ostend	Belgium	100%
GeoSea, NV	Zwijndrecht	Belgium	100%
Logimarine, NV	Berchem	Belgium	100%
Cathie Associates Holding, CVBA	Brussels	Belgium	100%*
M.D.C.C. Insurance Brokers, NV	Brussels	Belgium	100%
Global Sea Mineral Resources, 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 Maintenance, NV	Zwijndrecht	Belgium	100%
Geowind, NV	Zwijndrecht	Belgium	100%*
Ecoterres, SA	Gosselies	Belgium	74.90%
G-tec, SA	Vottem	Belgium	72.50%
Agroviro, NV	Zwijndrecht	Belgium	74.90%
DEME Environmental Contractors, NV	Zwijndrecht	Belgium	74.90%
Purazur, NV	Zwijndrecht	Belgium	74.90%
DEME Blue Energy, NV	Zwijndrecht	Belgium	69.99%
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%
DEME Shipping Company, Ltd.	Nicosia	Cyprus	100%
Dredging International Cyprus, Ltd.	Nicosia	Cyprus	100%
Dredging International Services Cyprus, Ltd.	Nicosia	Cyprus	100%
Novadeal, Ltd.	Nicosia	Cyprus	100%
Middle East Marine Contracting, Ltd.	Nicosia	Cyprus	100%*
A2SEA, A/S	Fredericia	Denmark	100%
Energies du Nord, SAS	Lambersart	France	100%
Geosea, 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%
Dredging International India, Pvt Ltd.	New Delhi	India	99.78%
International Seaport Dredging, Pvt Ltd.	Chennai	India	86%
PT Dredging International Indonesia	Jakarta	Indonesia	60%
Sidra, Spa	Rome	Italy	100%
Apollo Shipping, SA	Luxembourg	Luxembourg	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%
Safindi, SA	Luxembourg	Luxembourg	100%
Société de Dragage Luxembourg, SA	Luxembourg	Luxembourg	100%
Dredging International Malaysia, Sdn Bhd	Kuala Lumpur	Malaysia	30% **
Dredging International Mexico, SA de CV	Mexico D.F.	Mexico	100%

\* Newly created or acquired during 2018

\*\* The economic rights in this company are 100%

NAME	PLACE	COUNTRY	% OF SHARE HOLDING
Dragamoz, Lda.	Maputo	Mozambique	100%
Dredging and Environmental Services Nigeria, Ltd.	Lagos	Nigeria	39%**
Dredging International Services (Nigeria), Ltd.	Lagos	Nigeria	39%**
Dredging International de Panama, SA	Panama	Panama	100%
Dredec PNG, Ltd.	Port Moresby	Papua new guinea	100%
Middle East Dredging Company, Q.S.C.	Doha	Qatar	44.10% ***
Dragmorstroy, LLC.	St. Petersburg	Russia	100%
Dredging International Asia Pacific Pte., Ltd.	Singapore	Singapore	100%
Naviera Living Stone, SLU	Alicante	Spain	100%*
Baggerwerken Decloedt en Zoon España, SA	Madrid	Spain	100%
Dredging International España, SA	Madrid	Spain	100%
Innovation Holding, BV	Breda	The Netherlands	100%
Tideway, BV	Breda	The Netherlands	100%
Tideway Shipping, BV	Breda	The Netherlands	100%
DEME Infra Marine Contractors, BV	Dordrecht	The Netherlands	100%
DEME Building Materials, BV	Flushing	The Netherlands	100%
De Vries & van de Wiel Beheer, BV	Amsterdam	The Netherlands	74.90%
De Vries & van de Wiel Kust- en Oeverwerken, BV	Amsterdam	The Netherlands	74.90%
Dredging International Ukraine, LLC	Odessa	Ukraine	100%
Dredging International Services Middle East, DCMEST	Dubai	United Arab Emirates	100%*

## MAIN JOINT VENTURES AND ASSOCIATES (EQUITY METHOD)

as of December 31

NAME	PLACE	COUNTRY	% OF HOLDING
Scaldis Salvage & Marine Contractors, NV	Antwerp	Belgium	54.37%
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%
C-Power Holdco, NV	Zwijndrecht	Belgium	10%
Sédisol, SA	Farciennes	Belgium	37.45%
Silvamo, NV	Roeselare	Belgium	37.45%
Bluechem Building, NV	Gent	Belgium	25.47%
Renewable Energy Base Ostend, NV	Ostend	Belgium	25.50%
Otary Bis, NV	Ostend	Belgium	18.89%*
Otary RS, NV	Ostend	Belgium	18.89%
Rentel, NV	Ostend	Belgium	18.89%
North Sea Wave, NV	Ostend	Belgium	13.22%*
Seamade, NV	Ostend	Belgium	13.22%
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%
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%
Mordraga, LLC.	St. Petersburg	Russia	40%
K3 DEME, BV	Amsterdam	The Netherlands	50%
Deeprack, CV	Breda	The Netherlands	50%
Baak Blankenburg-Verbinding, BV	Nieuwegein	The Netherlands	15%*

\* Newly created or acquired during 2018

\*\* The economic rights in this company are 100%

\*\*\* The economic rights in this company are 95%

## 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 assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment

would be appropriate if that interest were disposed of.

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

### Business combinations between entities under common control

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

### Business combinations and disposals in the course of 2018

On the 3<sup>rd</sup> of September 2018, DEME acquired additional economic rights from **Middle East Dredging Company QSC (MEDCO)**, increasing the Group's beneficial interest from 44.1% to 95%. As a result, MEDCO's consolidation method has changed from equity method to full consolidation as from the third quarter of 2018.

This acquisition of control meets the definition of a business combination in accordance with the standard IFRS 3 *business combinations*, which requires the application of the acquisition method. Under this method, the 44.1% historical stake must be remeasured at fair value through the income statement. Following the negative net asset value (not revaluated) at the time of the transaction, the revaluation of the historical participation generates a gain of 10,605(000) EUR which is recorded as

other operating income. Subsequently, MEDCO's identifiable assets and liabilities are revaluated at fair value at the acquisition date in DEME's consolidated financial statements. The total goodwill generated on this transaction results from the difference between the consideration transferred and the fair value of MEDCO's identifiable assets and liabilities. The work to value the identifiable assets and liabilities at fair value was completed within a time frame compatible with that of the annual closing of the 31<sup>st</sup> of December 2018.

The fair values assigned to the assets and liabilities that were acquired are summarised as follows:

(in thousands of EUR)	MEDCO
Property, plant and equipment	79,636
Trade and other operating receivables	52,925
Cash and cash equivalents	72,454
Employee benefit obligations	-757
Current and non-current interest-bearing debt	-35,330
Other non-current assets and liabilities	-14,829
Trade and other operating payables	-148,776
<b>Total net assets acquired</b>	<b>5,323</b>
Value of historic share of DEME in MEDCO (44.1%)	-10,605
Goodwill	-5,282
<b>Acquisition price</b>	<b>-</b>

The following valuation methods have been used to determine the fair value of the main identifiable assets and liabilities:

- for property, plant and equipment (mainly two cutters 'Al Mahaar' and 'Al Jarraf') the fair value was determined on the basis of a valuation exercise carried out by an independent expert;
- for other assets and liabilities the fair value has been based on the market value at which these assets or liabilities can be sold to an unrelated third party.

The transaction did not result in a cash settlement. At the end of the transaction, DEME acquired MEDCO's cash, generating a positive net cash flow of 72.5 million EUR. This explains the cash inflows on acquisition of subsidiaries in the cash flow from investing activities.

The revaluation of the historical stake generates a remeasurement gain of 10.6 million EUR. The total unallocated goodwill generated by the transaction amounts to 5.3 million EUR that was fully impaired in the result as of 31<sup>st</sup> of December 2018.

(in thousands of EUR)	A2SEA & G-TEC provisional assessment Dec 2017	A2SEA & G-TEC final assessment Dec 2018	DIFFERENCE
Property, plant and equipment	186,675	190,964	4,289
Cash and cash equivalents	38,945	38,945	-
Other current and non-current assets and liabilities	-23,474	-21,560	1,914
<b>Total net assets acquired (100%)</b>	<b>202,146</b>	<b>208,349</b>	<b>6,203</b>
Minority interests	702	869	167
<b>Total net assets acquired - share of the Group</b>	<b>202,848</b>	<b>209,218</b>	<b>6,370</b>
Goodwill	7,410	704	-6,706
<b>Acquisition price</b>	<b>210,258</b>	<b>209,922</b>	<b>-336</b>

Disposals of entities have no material impact during the period ended 31<sup>st</sup> of December 2018.

### Business combinations and disposals in the course of 2017

On the 31<sup>st</sup> of August 2017, GeoSea, a subsidiary of DEME, acquired 100% of the shares of the fully consolidated company **A2Sea**. In the fourth quarter of 2017, GeoSea also acquired 72.5% of the shares of the fully consolidated Belgian company **G-tec**. The fair value of the identifiable assets and liabilities of both new entities within the same business unit was provisionally assessed on the 31<sup>st</sup> of December 2017.

During the first half of 2018, the accounting of the business combinations A2Sea and G-tec was finalised and the following adjustments are reflected in the consolidated statements per 31<sup>st</sup> of December 2018.

As the total net impact of the difference between the provisional and final accounting of the business combination is not significant to the financial statements as a whole, the 2017 comparative financial statements have not been restated and the effect is reflected in the 2018 income statement. An amount of 0.7 mio EUR, the remaining goodwill, was impaired in the profit and loss statement of the 31<sup>st</sup> of December 2018 as impact of the final accounting of the business combination.

The following valuation methods were used:

- for property, plant and equipment (mainly vessels 'Sea Challenger', 'Sea Installer' and 'Omalius') the fair value was determined on the basis of a valuation exercise carried out by an independent expert;
- for other assets and liabilities the fair value has been based on the market value at which these assets or liabilities can be sold to an unrelated third party;
- for the order book the multi-period excess earnings method was used.

## 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 FIFO 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

Amounts 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 in 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. The 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 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 in such a way 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).

## Contingent assets and liabilities

Based on available information at the date on which the financial statements were approved by the Board of Directors, we are not aware of any contingent assets or liabilities, with the exception of contingent assets or liabilities related to construction contracts (for example, the Group’s claims against customers or claims by subcontractors) that can be described as normal in the

construction sector and which are treated by applying the percentage of completion method during the recognition of revenue.

In 2018, the Group was involved in a litigation against Rijkswaterstaat in the Netherlands related to the execution of the Juliana Canal widening project. Based on the available information, it is difficult to assess the financial consequences of this litigation.

The Group also takes care that all its entities respect the laws and regulations in force, including the compliance rules. We fully cooperate in a judicial investigation related to the award of a contract in Russia, which has been executed in the meantime. In the present circumstances, it is not possible to assess the financial consequences.

## 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 participants, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. net liability is based on the deficit measured at intrinsic value, if any).

As a result of the law of April 28, 2003 related to supplementary pension plans, the employer guaranteed a minimum rate of return on the employees’ contributions (i.e.

3.75%) and, in case of a defined contribution plan, 3.25% on the employers’ contribution. As a result of the law of December 18, 2015 aiming to guarantee the sustainability and the social nature of the supplementary pension plans, these minimum guaranteed rates of return have been adjusted. On contributions paid as from January 1, 2016 onwards, a new, variable minimum guaranteed rate of return is applicable. This percentage is calculated as 65% of the average 10-year OLO return considered over a period of 24 months, with a minimum of 1.75% and a maximum of 3.75%. In view of the overall low OLO returns over the last years, the current percentage is fixed at 1.75%. For the existing pensions plans at DEME, the old 3.25% and 3.75% guaranteed minimum rates of return remain applicable on the cumulative reserves per December 31, 2015, until the employee leaves the company. The new guaranteed rate of return (1.75% per January 1, 2016) is only applicable on contributions after December 31, 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 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 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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

When the underlying cash flow actually takes place, the accumulated result is

included directly in the income statement. Movements in the market value of cash flow hedges to which no hedge accounting is applied (ineffective cash flow hedges and the ineffective portion of effective cash flow hedges) are included in the income statement for the reporting period.

Results from settled effective cash flow hedges and the movements in the market value of ineffective cash flow hedges insofar these relate to non-current receivables, loans and other borrowings are recognised as finance income and finance expenses and otherwise in the related items within the 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.

### Revenues

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

DEME’s activities encompass dredging, land reclamation, hydraulic engineering, services for the offshore oil & gas and renewable energy industries and environmental works.

The consolidated revenue is recognised in accordance with IFRS 15. Most construction and service contracts with our customers involve only one performance obligation, which is fulfilled progressively.

For a limited number of “EPCI” contracts in the renewable business (offshore wind farms), multiple performance obligations were identified. In those contracts the EPC and T&I part for the monopiles can be separated, as well as the cable laying part and the EPC and T&I part for the offshore substations (OSS). Those parts of the contract are capable of being distinct and are distinct in the context of the contract and accordingly are considered as separate performance obligations.

Where a contract includes several distinct performance obligations, the Group allocates the overall price of the contract to each performance obligation in accordance with IFRS 15. That price corresponds to the



amount of the consideration to which it expects to be entitled. The most common variable considerations such as the steel price, fuel consumption or design price modifications shall only be included in the transaction price to the extent that it is highly probable that a significant reversal in the revenue recognised will not occur. When the price includes a variable component, such as a performance bonus or a claim, the Group only recognises that consideration from the time agreement is reached with the client.

The Group has assessed that revenue from construction and service contracts should be recognised over time. This method of revenue recognition was already used under the former IAS 11 standard. As such the revenue recognition reflects the rate at which our performance obligations are fulfilled corresponding to the transfer to our customers of control of a good or service. When there is no transfer of control throughout the contract we still recognise revenue over time based on the fact that the asset we create has no alternative use, as well as the fact that we have an enforceable right to payment for performance completed to date.

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 at the 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 will probably be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

The Group has assessed that the cost to attract a contract (e.g. commissions paid) and costs to fulfil a contract not covered by a specific IFRS standard (e.g. mobilisation costs) that are normally to be capitalised as defined in IFRS 15 when meeting some specific criteria, do not have a material impact on the recognition of revenues and margin of projects. As such, these costs to attract or fulfil a contract are not accounted for separately in accordance with IFRS 15, but are included in the project accounting and therefore recognised as incurred. Other 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.

#### FINANCIAL INCOME

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

Interest income is accrued on a time basis, by reference to the principal outstanding

and at the effective interest rate applicable. Dividend income is recognised when the shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

### Expenses

#### FINANCIAL EXPENSES

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

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

#### RESEARCH AND DEVELOPMENT, ADVERTISING AND PROMOTIONAL COSTS AND IT SYSTEMS DEVELOPMENT COSTS

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

**EXPLANATORY NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 1 - OTHER OPERATING INCOME AND EXPENSES**

Balance at December 31

(in thousands of EUR)	2018	2017
Gain on sale of property, plant and equipment and intangible assets	7,085	8,177
Remeasurement profit business combinations	10,605	-
Other operating income	63,073	22,676
<b>Total other operating income</b>	<b>80,763</b>	<b>30,853</b>
Loss on sale of property, plant and equipment and intangible assets	729	1,076
Other operating expenses	24,777	18,489
Movement in amounts written off inventories and trade receivables	4,911	-2,685
<b>Total other operating expenses</b>	<b>30,417</b>	<b>16,880</b>

See page 25 for information about business combinations in the course of 2018.

**NOTE 2 - EMPLOYMENT**

Balance at December 31

Average number of persons employed during the year (in FTE)	2018	2017
Employees and management personnel	2,663	2,320
Workers	2,274	2,120
<b>Total</b>	<b>4,937</b>	<b>4,440</b>

Personnel expenses (in thousands of EUR)	2018	2017
Remuneration and social charges	429,982	372,928
Pension expenses	9,322	8,938
<b>Total</b>	<b>439,304</b>	<b>381,866</b>

**NOTE 3 - INTANGIBLE ASSETS**

2018 (in thousands of EUR)	RESEARCH AND DEVELOPMENT EXPENSES	CONCESSIONS, PATENTS, LICENCES, ETC.	OTHER INTANGIBLE ASSETS	TOTAL
<b>Acquisition cost at January 1, 2018</b>	<b>3,223</b>	<b>26,318</b>	<b>8,628</b>	<b>38,169</b>
Movements during the year				
Acquisitions, including fixed assets, own production	180	1,068	-	1,248
Sales and disposals	-14	-1,172	-	-1,186
Transfers from one heading to another	77	-14	-	63
Translation differences	-	7	-	7
Acquisitions through business combinations	-	-	17	17
Scope exit	-	-28	-	-28
<b>At December 31, 2018</b>	<b>3,466</b>	<b>26,179</b>	<b>8,645</b>	<b>38,290</b>
<b>Cumulative depreciation and impairment at January 1, 2018</b>	<b>3,223</b>	<b>20,767</b>	<b>8,628</b>	<b>32,618</b>
Movements during the year				
Recorded	255	2,921	-	3,176
Written down after sales and disposals	-15	-1,173	-	-1,188
Transfers from one heading to another	-61	126	-	65
Translation differences	-	48	-	48
Acquisitions through business combinations	-	-	17	17
Scope exit	-	9	-	9
<b>At December 31, 2018</b>	<b>3,402</b>	<b>22,698</b>	<b>8,645</b>	<b>34,745</b>
<b>Net book value at the end of the year</b>	<b>64</b>	<b>3,481</b>	<b>-</b>	<b>3,545</b>

Total acquired intangible assets amount to 1,248 (000) EUR and consist mainly of software licences and concession rights. Amortisation of intangible assets is recognised under 'depreciation and impairment losses' in the consolidated income statement for an amount of 3,176 (000) EUR. Intangible assets according to the definition in IAS 38 *intangible assets* are only recognised to the extent that future economic benefits are probable.

2017 (in thousands of EUR)	RESEARCH AND DEVELOPMENT EXPENSES	CONCESSIONS, PATENTS, LICENCES, ETC.	OTHER INTANGIBLE ASSETS	TOTAL
<b>Acquisition cost at January 1, 2017</b>	<b>3,297</b>	<b>24,294</b>	<b>8,628</b>	<b>36,219</b>
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
Scope exit	-	-	-	-
<b>At December 31, 2017</b>	<b>3,223</b>	<b>26,318</b>	<b>8,628</b>	<b>38,169</b>
<b>Cumulative depreciation and impairment at January 1, 2017</b>	<b>3,296</b>	<b>15,154</b>	<b>8,628</b>	<b>27,078</b>
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
Scope exit	-	-	-	-
<b>At December 31, 2017</b>	<b>3,223</b>	<b>20,767</b>	<b>8,628</b>	<b>32,618</b>
<b>Net book value at the end of the year</b>	<b>-</b>	<b>5,551</b>	<b>-</b>	<b>5,551</b>

## NOTE 4 - GOODWILL

(in thousands of EUR)		2018	2017
<b>Balance at January 1</b>		<b>26,142</b>	<b>18,732</b>
Movements during the year	Acquisitions through business combinations	5,986	7,410
	Disposals	-7,803	-
	Impairment losses	-5,986	-
<b>Balance at December 31</b>		<b>18,339</b>	<b>26,142</b>

In 2017 GeoSea acquired 100% of the shares of A2Sea and 72.5% of the shares of G-Tec. In the course of 2018 the fair value assessment of the identifiable assets and liabilities of both participations was finalised and the provisional goodwill booked in 2017 was reversed, the impact of which is included in the line disposals. Additional goodwill in 2018 is the amount booked on the purchase of 50.9% additional economic rights in MEDCO for an amount of 5.3 million EUR as well as the final goodwill of 0.7 million EUR on the acquisition of A2Sea and G-tec. Both amounts are fully impaired as of December 31, 2018. In accordance with IAS 36 *impairment of assets*, goodwill was tested for impairment at December 31, 2018.

## NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

2018 (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	
<b>Acquisition cost at January 1, 2018</b>	<b>89,331</b>	<b>3,280,246</b>	<b>28,656</b>	<b>1,873</b>	<b>422,405</b>	<b>3,822,511</b>	
Movements during the year	Acquisitions, including fixed assets, own production	1,969	177,393	2,640	-	251,591	<b>433,593</b>
	Sales and disposals	-2,507	-131,193	-9,390	-	-3,942	<b>-147,032</b>
	Transfers from one heading to another	-	240,315	-178	-	-240,137	-
	Translation differences	179	1,901	120	-	26	<b>2,226</b>
	Acquisitions through business combinations	190	192,060	1,356	37	-	<b>193,643</b>
<b>At December 31, 2018</b>	<b>89,162</b>	<b>3,760,722</b>	<b>23,204</b>	<b>1,910</b>	<b>429,943</b>	<b>4,304,941</b>	
<b>Cumulative depreciation and impairment at January 1, 2018</b>	<b>37,801</b>	<b>1,717,402</b>	<b>24,554</b>	<b>1,439</b>	<b>-</b>	<b>1,781,196</b>	
Movements during the year	Recorded	3,920	247,202	2,544	64	-	<b>253,730</b>
	Written down after sales and disposals	-194	-130,402	-9,238	-	-	<b>-139,834</b>
	Transfers from one heading to another	-	67	-67	-	-	-
	Translation differences	157	811	55	-	-	<b>1,023</b>
	Acquisitions through business combinations	189	108,686	1,141	37	-	<b>110,053</b>
<b>At December 31, 2018</b>	<b>41,873</b>	<b>1,943,766</b>	<b>18,989</b>	<b>1,540</b>	<b>-</b>	<b>2,006,168</b>	
<b>Net book value at the end of prior year</b>	<b>51,530</b>	<b>1,562,844</b>	<b>4,102</b>	<b>434</b>	<b>422,405</b>	<b>2,041,315</b>	
<b>Net book value at the end of the year</b>	<b>47,289</b>	<b>1,816,956</b>	<b>4,215</b>	<b>370</b>	<b>429,943</b>	<b>2,298,773</b>	

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 'Schildt River' and 'Minerva', two hopper dredgers were brought into use. In 2018 the multipurpose vessel 'Living Stone', the crane ship 'Gulliver' and the self-propelled jack-up vessel 'Apollo' followed. In 2019 the hopper dredger 'Bonny River', the last of the six vessels ordered in 2015, will be operational. In 2018 the Group placed an order for two self-propelled split barges 'Bengel' and 'Deugnet' (3,500 m<sup>3</sup>) and two hopper dredgers 'River Thames' (2,300 m<sup>3</sup>) and 'Meuse River' (8,300 m<sup>3</sup>) for a total value of 133 million EUR. The vessels will be constructed by Royal IHC and are expected to join the fleet in 2020. At December 31, 2018 a remaining amount of 309.4 million EUR from assets under construction still has to be invested in the coming years. At December 31, 2018 an amount of 97.7 million EUR mortgage on vessels is outstanding compared to 113.2 million EUR at December 31, 2017. The net carrying amount of finance lease assets (all floating and construction equipment) amounted to 46.6 million EUR at December 31, 2018 compared to 52.4 million EUR at the end of last year. The acquisitions through business combinations in 2018 mainly relate to the increase of DEME's stake in the company MEDCO, which integrate investments for 79.6 million EUR (amongst others two cutter dredgers 'Al Mahaar' and 'Al Jarraf').

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

## NOTE 6 - INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(in thousands of EUR)	EQUITY VALUE	GOODWILL ALLOCATED	2018	2017	
<b>Balance at January 1</b>	<b>71,280</b>	<b>3,377</b>	<b>74,657</b>	<b>60,374</b>	
Movements during the year	Additions	7,943	-	7,943	24,923
	Disposals (-)	-2,564	-3,014	-5,578	-
	Share in the result of participations accounted for using the equity method	6,929	-	6,929	-12,732
	Dividends distributed by the participations	-2,438	-	-2,438	-1,432
	Other comprehensive income	-219	-	-219	-5
	Transfer (to) from other items	3,276	-	3,276	745
	Other movements	-1,083	-	-1,083	-2,008
	Translation differences	-1,177	-	-1,177	4,792
<b>Balance at December 31</b>	<b>81,947</b>	<b>363</b>	<b>82,310</b>	<b>74,657</b>	

The list of major companies contributing to DEME's invested amount in joint ventures and associates can be found earlier in this report. The disposals of the year mainly relate to the sale of Extract-Ecoterres SAS in which DEME held 37.45% of the shares. The equity accounted investees for whom the share in the net assets is negative, are allocated to other components of the investor's interest in the equity accounted investee and if the negative net asset exceeds the investor's interest, a corresponding liability is recognised. This is included in the transfer (to) from other items.

## NOTE 7 - OTHER NON-CURRENT FINANCIAL ASSETS

(in thousands of EUR)		2018	2017
<b>Balance at January 1</b>		<b>94,137</b>	<b>98,861</b>
Movements during the year	Additions	34,233	12,674
	Disposals (-)	-19,581	-2,599
	Transfer (to) from other items	-	-
	Impairment / reversal of impairment	-	-
	Other movements	-1,994	-9,917
	Translation differences	1,271	-4,882
<b>Balance at December 31</b>		<b>108,066</b>	<b>94,137</b>
Of which	Loans to joint ventures and associates	102,311	87,114
	Other non-current financial assets	5,755	7,023

## 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)	9	-308	275	-4,419	-4,443	345,761
Interest rate swaps	-	-5,376	-	-3,143	-8,519	800,847
Fuel hedges	-	-2,877	-	-3,428	-6,305	24,982
<b>Balance at December 31, 2018</b>	<b>9</b>	<b>-8,561</b>	<b>275</b>	<b>-10,990</b>	<b>-19,267</b>	
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
<b>Balance at December 31, 2017</b>	<b>921</b>	<b>-7,209</b>	<b>4,154</b>	<b>-7,445</b>	<b>-9,579</b>	

## NOTE 9 - INCOME TAXES AND DEFERRED TAXES

Income taxes and deferred taxes recognised in comprehensive income (in thousands of EUR)	2018	2017
Current tax expense	38,733	37,018
Deferred tax expense / (income)	4,498	6,251
<b>Income taxes and deferred taxes recognised in the income statement</b>	<b>43,231</b>	<b>43,269</b>
<b>Income taxes and deferred taxes recognised in other elements of the comprehensive income</b>	<b>4,377</b>	<b>5,366</b>
<b>Income taxes and deferred taxes recognised in comprehensive income</b>	<b>47,608</b>	<b>48,635</b>

Reconciliation of the effective tax rate (in thousands of EUR)	2018	2017
<b>Result before taxes</b>	<b>189,621</b>	<b>209,390</b>
<b>Tax expense at nominal tax rate in Belgium (29.58 % in 2018 and 33.99 % in 2017)</b>	<b>56,090</b>	<b>71,172</b>
Tax effect of non-deductible expenses	1,550	1,854
Tax effect of non-taxable revenue	-361	-148
Tax credits and impact of notional interest	1,981	-468
Effects of different tax rates applicable to subsidiaries operating in other jurisdictions or income taxable under special tax regimes such as tonnage tax	-12,965	-36,564
Tax impact of adjustments to current and deferred tax relating to previous periods	-6,467	-927
Tax impact on losses for which no deferred tax assets were recognised	3,403	8,350
<b>Tax expense</b>	<b>43,231</b>	<b>43,269</b>
<b>Effective tax rate for the period</b>	<b>22.80%</b>	<b>20.66%</b>

Carrying amount of deferred taxes (in thousands of EUR)	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
<b>Balance at January 1</b>	<b>96,636</b>	<b>122,700</b>	<b>97,409</b>	<b>112,380</b>
Recognised in the income statement	-5,172	-39,277	-674	-33,026
Charged to equity	1,300	-5,366	-3,077	-
Acquisition of subsidiary or change in %	4,777	-	2,526	-
Disposal of subsidiary or change in %	-	-	-	-
Translation differences	-	-	9	-524
Other items	-	6,103	-	6,103
Netting of deferred taxes (*)	-6,613	12,476	-6,613	12,476
<b>Balance at December 31</b>	<b>90,928</b>	<b>96,636</b>	<b>89,580</b>	<b>97,409</b>

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	
	2018	2017	2018	2017
Property, plant and equipment and intangible assets	21,860	11,794	53,982	60,958
Employee benefits	10,765	9,405	-	-
Financial derivative instruments	2,483	2,369	5	423
Working capital items	32,675	43,069	6,275	5,181
Tax losses and tax credits	69,493	69,735	-	-
Other items	-	-	75,666	70,583
Netting of deferred taxes (*)	-46,348	-39,736	-46,348	-39,736
<b>Total</b>	<b>90,928</b>	<b>96,636</b>	<b>89,580</b>	<b>97,409</b>

(\*) 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)	2018	2017
<b>Inventories</b>		
Raw materials and consumables	15,244	15,714
<b>Construction contracts</b>		
Advances received	-95,132	-113,328
Amounts due from customers under construction contracts	353,001	209,986
Amounts due to customers under construction contracts	-243,136	-130,321
<b>Balance</b>	<b>109,865</b>	<b>79,665</b>
Cumulative incurred costs plus profit in proportion to progress less provisions for losses	3,669,595	3,649,890
Progress billings	-3,559,730	-3,570,225
<b>Balance</b>	<b>109,865</b>	<b>79,665</b>

Advances are amounts received by DEME before the related work is performed. 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 related projects. These estimates contain uncertainties. According to the definition of IFRS 15 *revenue from contracts with customers*, the remaining performance obligations, meaning the turnover to execute in the future years regarding the ongoing projects, amount to 1,746.2 million EUR at December 31, 2018.

## NOTE 11 - TRADE AND OTHER OPERATING RECEIVABLES

Balance at December 31

(in thousands of EUR)	2018	2017
Trade receivables	440,615	431,823
Corporation taxes and VAT	56,417	43,948
Other operating receivables	43,704	21,927
<b>Total trade and other operating receivables</b>	<b>540,736</b>	<b>497,698</b>

## NOTE 12 - INTEREST-BEARING DEBT AND NET FINANCIAL DEBT

### Net financial debt as defined by the Group

(in thousands of EUR / (-) is debit balance)	Non-current	Current	2018	Non-current	Current	2017
<b>Balance at December 31</b>						
Subordinated loan	18,902	4,573	23,475	5,354	-	5,354
Bond	-	200,000	200,000	199,927	-	199,927
Finance Leases	28,043	6,840	34,883	34,579	6,615	41,194
Credit institutions	446,728	134,077	580,805	359,749	104,536	464,285
Other loans	1,122	137	1,259	1,877	1,637	3,514
Short term credit facilities	-	2,750	2,750	-	6,101	6,101
<b>Total interest-bearing debt</b>	<b>494,795</b>	<b>348,377</b>	<b>843,172</b>	<b>601,486</b>	<b>118,889</b>	<b>720,375</b>
Cash and cash equivalents	-	-287,395	-287,395	-	-434,717	-434,717
<b>Total net financial debt</b>	<b>494,795</b>	<b>60,982</b>	<b>555,777</b>	<b>601,486</b>	<b>-315,828</b>	<b>285,658</b>

## Debt maturity schedule of total long-term financial liabilities

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	Total
<b>Balance at December 31, 2018</b>				
Subordinated loan	-	18,902	4,573	23,475
Bond	-	-	200,000	200,000
Finance Leases	7,496	20,547	6,840	34,883
Credit institutions	31,646	415,082	134,077	580,805
Other loans	-	1,122	137	1,259
<b>Total long-term financial liabilities</b>	<b>39,142</b>	<b>455,653</b>	<b>345,627</b>	<b>840,422</b>

## Cash flows related to financial liabilities

(in thousands of EUR)	2018	2017
<b>Total interest-bearing debt</b>		
<b>Balance at January 1</b>	<b>720,375</b>	<b>678,993</b>
Movements during the year		
Cash flow movements		
New interest-bearing debt	245,316	196,402
Repayment of interest-bearing debt	-158,026	-173,046
Non-cash movements		
Assumed in business combinations	35,507	18,026
<b>Balance at December 31</b>	<b>843,172</b>	<b>720,375</b>

### Credit facilities and bank term loans

At December 31, 2018, DEME has confirmed bank credit facilities of 120 million EUR which are not drawn at year end 2018. Moreover, DEME has confirmed long-term credit facilities of 250 million EUR, which are not drawn at year end 2018, intended to finance the development of its fleet. At due date, the 14<sup>th</sup> of February 2019, DEME repaid the bond for an amount of 200 million EUR.

### Financial covenants

Bilateral loans are subject to specific covenants. At December 31, 2018 the Group complies with the solvency ratio, the debt/equity ratio, the debt/EBITDA ratio and the interest cover ratio that were agreed upon within the contract loans.

## NOTE 13 - FINANCE AND OPERATING LEASE

### Finance lease

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	2018	2017
Gross lease payments	7,613	22,215	7,581	37,409	44,630
Interest payments	-117	-1,668	-741	-2,526	-3,436
<b>Finance lease present value</b>	<b>7,496</b>	<b>20,547</b>	<b>6,840</b>	<b>34,883</b>	<b>41,194</b>
Land and buildings				-	-
Floating and other construction equipment				34,883	41,194
<b>Total finance lease payments per class of property, plant and equipment</b>				<b>34,883</b>	<b>41,194</b>

### Operating lease

(in thousands of EUR)	More than 5 years	Between 1 and 5 years	Less than 1 year	2018	2017
Future lease payments under non-cancellable operating leases	53,027	37,886	18,360	109,273	26,912

## 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)	2018	2017
Retirement benefit obligations	43,128	37,724
Other employee benefits	2,996	1,991
<b>Balance at December 31</b>	<b>46,124</b>	<b>39,715</b>

Retirement benefit obligations		
(in thousands of EUR)	2018	2017
Present value of wholly or partially funded obligations	193,335	176,055
Fair value of plan assets	-150,207	-138,331
<b>Net funded benefit obligation as recorded in the balance sheet</b>	<b>43,128</b>	<b>37,724</b>

Movement of retirement benefit obligations		
(in thousands of EUR)	2018	2017
<b>Balance at January 1</b>	<b>37,724</b>	<b>40,761</b>
Charges recognised in income	9,322	8,938
Charges recognised in other comprehensive income	3,413	-2,065
Contributions from employer	-10,090	-9,910
Other movements	2,759	-
<b>Balance at December 31</b>	<b>43,128</b>	<b>37,724</b>
<b>Charges recognised in income</b>		
Current service cost	8,776	8,590
Past service cost & other	-22	-132
Interest cost	2,966	2,283
Interest income on plan assets	-2,398	-1,803
<b>Total charges recognised in income</b>	<b>9,322</b>	<b>8,938</b>
<b>Charges recognised in other comprehensive income</b>		
Actuarial (gains)/losses	3,709	-7,663
Return on plan assets (excluding interest income)	-296	5,598
<b>Total charges recognised in other comprehensive income</b>	<b>3,413</b>	<b>-2,065</b>

Movement in employee benefit plan obligations and assets		
(in thousands of EUR)	2018	2017
<b>Employee benefit plan obligations balance at January 1</b>	<b>176,055</b>	<b>179,120</b>
Current service cost	8,776	8,590
Interest cost	2,966	2,283
Contributions from employees	229	219
Benefits paid to beneficiaries	-6,649	-4,952
Remeasurement of liabilities resulting in actuarial gains/losses	3,709	-7,663
<i>due to changes to financial assumptions</i>	-218	-10,519
<i>due to experience adjustments</i>	3,927	2,856
Past service cost	-22	-132
Other movements	8,271	-1,410
<b>Employee benefit plan obligations balance at December 31</b>	<b>193,335</b>	<b>176,055</b>

Movement in employee benefit plan obligations and assets		
(in thousands of EUR)	2018	2017
<b>Employee benefit plan assets balance at January 1</b>	<b>138,331</b>	<b>138,359</b>
Return on plan assets (excluding interest income)	261	-5,598
Interest income on plan assets	2,398	1,803
Contributions from employer/employees	10,385	10,129
Benefits paid to beneficiaries	-6,649	-4,952
Other movements	5,481	-1,410
<b>Employee benefit plan assets balance at December 31</b>	<b>150,207</b>	<b>138,331</b>

## NOTE 15 - OTHER CURRENT LIABILITIES

Balance at December 31

(in thousands of EUR)	2018	2017
Other current taxes	24,606	26,193
Other amounts payable	14,451	24,724
Accruals and deferred income	14,436	14,919
<b>Total other current liabilities</b>	<b>53,493</b>	<b>65,836</b>

## NOTE 16 - RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

Balance at December 31

(in thousands of EUR)	2018	2017
<b>Commitments given</b>		
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.	97,731	113,231
Bank guarantees or corporate guarantees as security for commitments of enterprises included in the consolidation.	1,279,417	963,704
<b>Commitments received</b>		
Bank guarantees received as security for commitments to enterprises included in the consolidation.	450,725	335,336



# INDEPENDENT AUDITOR'S REPORT

DREDGING, ENVIRONMENTAL AND MARINE ENGINEERING NV

## Statutory Auditor's Report on the Consolidated Financial Statements for the Year ended December 31, 2018

In accordance with our engagement letter dated February 4, 2019, 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 statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of principal accounting policies and a selection of explanatory notes.

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Unqualified opinion

We have audited the consolidated financial statements of Dredging, Environmental and 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 3,820,722 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 155,570 (000) EUR.

In our opinion, the consolidated financial statements of Dredging, Environmental & Marine Engineering NV as of December 31, 2018 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.

#### Basis for the unqualified opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the 'Responsibilities

of the statutory auditor for the audit of the consolidated financial statements' section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the Board of Directors and the company's officials the explanations and information necessary for performing our audit.

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

#### 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.

## Responsibilities of the Board of Directors 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

## Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;

– evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Statements regarding independence

Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.

# PARENT COMPANY FINANCIAL STATEMENTS

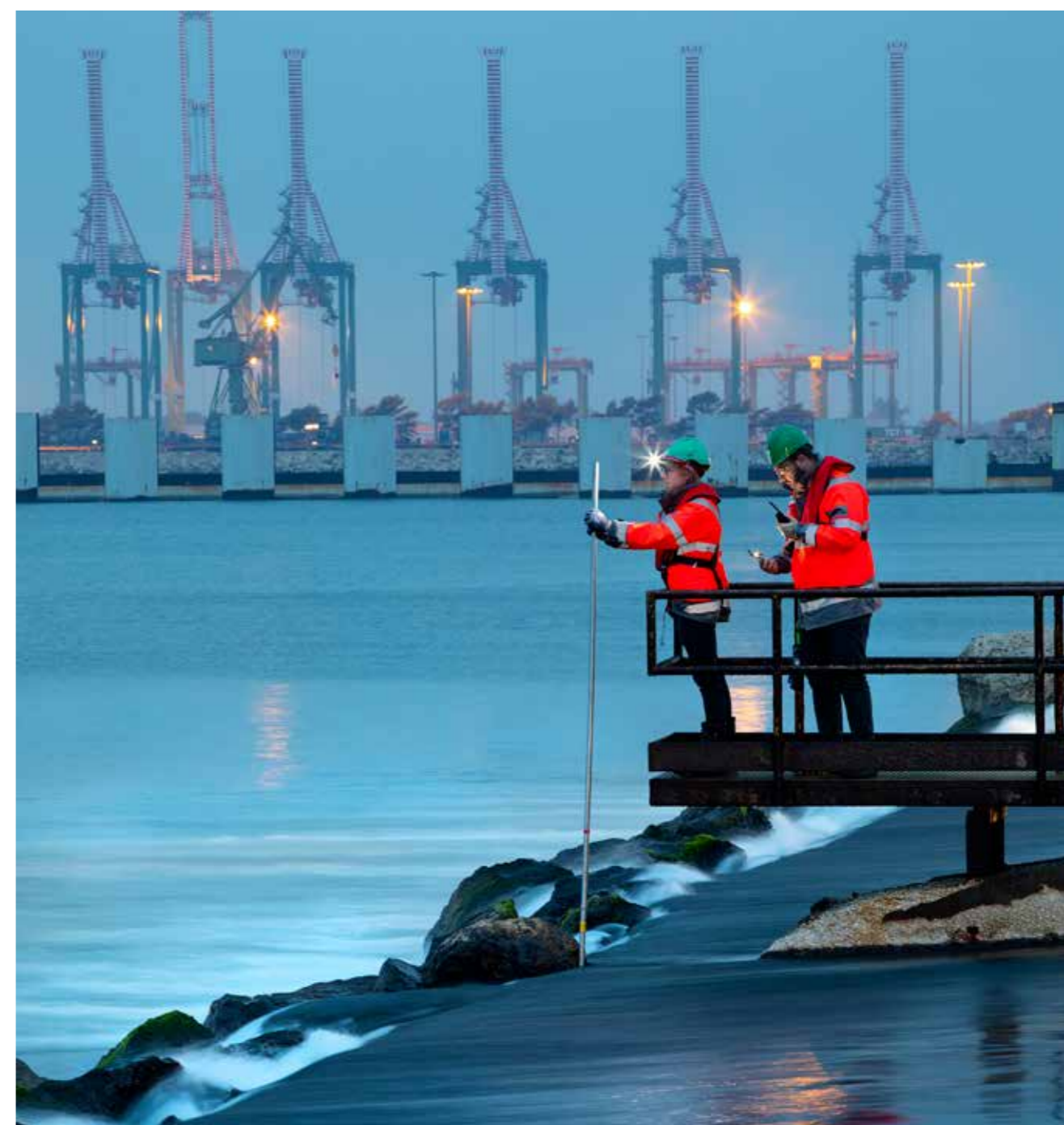
## DEME NV INTRODUCTION

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](http://www.deme-group.com)).

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





**BALANCE SHEET**

as of December 31 (according to Belgian GAAP)

**ASSETS**

(in thousands of EUR)	2018	2017
<b>FIXED ASSETS</b>	798,182	535,647
FORMATION EXPENSES	-	73
INTANGIBLE ASSETS	179	266
<b>PROPERTY, PLANT AND EQUIPMENT</b>	414,389	201,414
Land and buildings	-	-
Plant, machinery and equipment	480	774
Furniture and vehicles	-	-
Leasing and other similar rights	-	-
Other tangible fixed assets	-	-
Assets under construction and advance payments	413,909	200,640
<b>FINANCIAL ASSETS</b>	383,614	333,894
Affiliated enterprises	373,803	325,675
<i>Participating interests</i>	337,109	290,594
<i>Amounts receivable</i>	36,694	35,081
Other enterprises linked by participating interests	9,789	8,197
<i>Participating interests</i>	9,789	8,197
<i>Amounts receivable</i>	-	-
Other financial assets	22	22
<i>Shares</i>	22	22
<i>Amount receivable and cash guarantees</i>	-	-
<b>CURRENT ASSETS</b>	47,816	166,542
<b>AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR</b>	-	149,000
Trade receivables	-	-
Other amounts receivable	-	149,000
<b>INVENTORIES AND CONTRACTS IN PROGRESS</b>	-	-
<b>AMOUNTS RECEIVABLE WITHIN ONE YEAR</b>	47,738	17,303
Trade receivables	10,582	16,890
Other amounts receivable	37,156	413
<b>OWN SHARES AND OTHER INVESTMENTS</b>	-	-
<b>CASH AT BANK AND IN HAND</b>	78	239
<b>DEFERRED CHARGES AND ACCRUED INCOME</b>	-	-
<b>TOTAL ASSETS</b>	845,998	702,189

**LIABILITIES**

(in thousands of EUR)	2018	2017
<b>CAPITAL AND RESERVES</b>	260,566	125,068
<b>CAPITAL</b>	31,110	31,110
Issued capital	31,110	31,110
Uncalled capital (-)	-	-
<b>SHARE PREMIUM ACCOUNT</b>	5,645	5,645
<b>REVALUATION SURPLUS</b>	-	-
<b>RESERVES</b>	35,304	35,304
Legal reserves	3,111	3,111
Reserves not available for distribution	-	-
Untaxed reserves	28,922	28,922
Reserves available for distribution	3,271	3,271
<b>PROFIT CARRIED FORWARD</b>	188,508	53,010
<b>PROVISIONS AND DEFERRED TAXES</b>	-	-
Provisions for liabilities and charges	-	-
Deferred tax liabilities	-	-
<b>CREDITORS</b>	585,432	577,121
<b>AMOUNTS PAYABLE AFTER MORE THAN ONE YEAR</b>	276,155	337,566
Financial liabilities	276,155	337,566
<i>Subordinated loans</i>	30,400	30,400
<i>Bond</i>	-	200,000
<i>Finance leases</i>	-	-
<i>Credit institutions</i>	-	-
<i>Other long term financial liabilities</i>	245,755	107,166
<b>AMOUNTS PAYABLE WITHIN ONE YEAR</b>	301,964	232,242
Current portion of amounts payable after more than one year	200,000	-
Financial liabilities	-	-
<i>Credit institutions</i>	-	-
<i>Other current financial liabilities</i>	-	-
Trade payables	40,406	41,750
Advances received on contracts in progress	-	-
Taxes, remuneration and social security	536	512
<i>Taxes</i>	103	105
<i>Remuneration and social security</i>	433	407
Other amounts payable	61,022	189,980
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>	7,313	7,313
<b>TOTAL LIABILITIES</b>	845,998	702,189

**PROFIT AND LOSS STATEMENT**

as of December 31 (according to Belgian GAAP)

(in thousands of EUR)	2018	2017
<b>OPERATING INCOME</b>	14,223	23,030
Turnover	13,978	22,983
Increase (+), decrease (-) in contracts in progress	-	-
Fixed assets - own construction	-	-
Other operating income	245	47
<b>OPERATING CHARGES</b>	<b>-17,317</b>	<b>-21,315</b>
Raw materials and consumables	-3,864	-3,941
<i>Purchases</i>	<i>-3,864</i>	<i>-3,941</i>
<i>Increase (-), decrease (+) in inventories</i>	<i>-</i>	<i>-</i>
Services and other goods	-5,956	-5,260
Remuneration, social security costs and pensions	-6,980	-7,606
Depreciation and other amounts written off on (in) tangible fixed assets	-454	-940
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	-63	-3,568
<b>OPERATING RESULT</b>	<b>-3,094</b>	<b>1,715</b>
<b>FINANCIAL INCOME</b>	<b>227,588</b>	<b>41,811</b>
Income from financial assets	219,596	27,409
Income from current assets	6,141	6,155
Other financial income	1,851	24
Non-recurring financial income	-	8,223
<b>FINANCIAL CHARGES</b>	<b>-33,966</b>	<b>-19,260</b>
Interests and other debt charges	-10,493	-9,225
Other financial charges	-638	-4,335
Non-recurring financial charges	-22,835	-5,700
<b>RESULT FOR THE FINANCIAL PERIOD BEFORE TAXATION</b>	<b>190,528</b>	<b>24,266</b>
<b>TRANSFER FROM (TO) DEFERRED TAXES</b>	<b>-</b>	<b>175</b>
<b>INCOME TAXES</b>	<b>-28</b>	<b>-20</b>
Income taxes	-28	-20
Adjustment of income taxes and write-back of tax provisions	-	-
<b>RESULT FOR THE FINANCIAL PERIOD</b>	<b>190,500</b>	<b>24,421</b>
<b>TRANSFER FROM (TO) THE UNTAXED RESERVES</b>	<b>-</b>	<b>-340</b>
<b>PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION</b>	<b>190,500</b>	<b>24,761</b>
<b>TRANSFER FROM PROFIT CARRIED FORWARD</b>	<b>53,010</b>	<b>83,251</b>
<b>TRANSFER TO LEGAL RESERVES</b>	<b>-</b>	<b>-</b>
<b>DISTRIBUTION OF DIVIDENDS</b>	<b>-55,002</b>	<b>-55,002</b>
<b>TRANSFER TO PROFIT CARRIED FORWARD</b>	<b>188,508</b>	<b>53,010</b>

**Complied and Coordinated by DEME**

Internal &amp; External Communication

**Final Editing**

Hilde Vermeire &amp; Els Verbraecken

**Graphic Design**

Wunderman Thompson


**Printing**

Albe De Coker


**Photos**

We wish to thank all our employees, customers and partners who provided us with pictures of the projects and activities worldwide. Special thanks to our photographers René and Casper Van der Kloet, Wim Kempenaers, Ulrich Wirrwa, Tom D'Haenens and Yann Verbeke.



[www.deme-group.com](http://www.deme-group.com)