Key figures

Key figures

IN MILLION €	IFRS					
	2012	2013	PRO FORMA 2013 DEME 100%	2014	2015	2016
Revenue	1,898.3	2,267.3	3,346.1	3,510.5	3,239.4	2,797.1
EBITDA (3)	199.1	213.2	460.9	479.5	504.9	465.9
Operating result (EBIT) (1)	81.2	67.2	166.4	240.5	265.7	226.8
Profit before tax (1)	52.5	28.0	110.2	224.8	233.1	202.8
Net result part of the group (1)	49.4	7.9	61.7	159.9	175.0	168.4
Net result part of the group (2)	49.4	−81.2	−27.4	159.9	175.0	168.4
Equity part of the group	524.6	1,193.2	1,193.2	1,313.6	1,423.3	1,521.6
Net financial debt	400.0	781.4	614.1	188.1	322.7	213.1

(1) *Before* items specific to the capital increase and the treatment of goodwill arising from the consolidation of the additional 50% stake in DEME as from 24 December 2013 arising from the contribution in kind and capital increase.

(2) *After* items specific to the capital increase and the treatment of goodwill arising from the consolidation of the additional 50% stake in DEME arising from the contribution in kind and capital increase.

(3) EBITDA: EBIT + amortization and depreciation + other non-cash items (under IFRS)
The definition of EBITDA was changed as follows as from 2014 (including for restatement of the comparative figures of 2013): operating income on activities + amortization and depreciation + other non-cash items. As opposed to the operating income (EBIT), the operating income on activities does not include the earnings from associates and joint ventures

Ratios

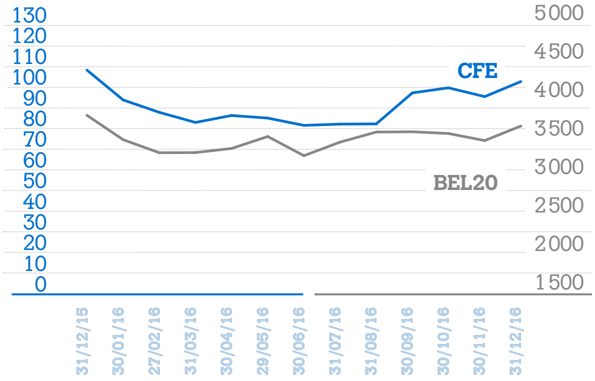
	IFRS						
	2012 (*)	2013 (PUBLISHED) (**)	2013 DEME 50% (**)	2013 PRO FORMA DEME 100% (**)	2014	2015	2016
EBIT/ Revenue	4.3%	3.0%	1.7%	5.0%	6.9%	8.2%	8.1%
EBITDA / Revenue	10.5%	9.4%	−1.0%	13.8%	13.7%	15.6%	16.7%
Net result part of the group / Revenue	2.6%	0.3%	0.8%	1.8%	4.6%	5.4%	6.0%
Net result part of the group / equity part of the group	9.9%	1.5%	1.5%	11.8%	13.4%	13.3%	11.8%

(*) Amounts restated resulting from the change in accounting method arising from the application of IAS 19 revised.

(**) Before items specific to the capital increase and the treatment of goodwill arising from the consolidation of the additional 50% stake in DEME arising from the contribution in kind and capital increase, and restated in accordance with changes in accounting methods following the implementation of IFRS 10 and 11.

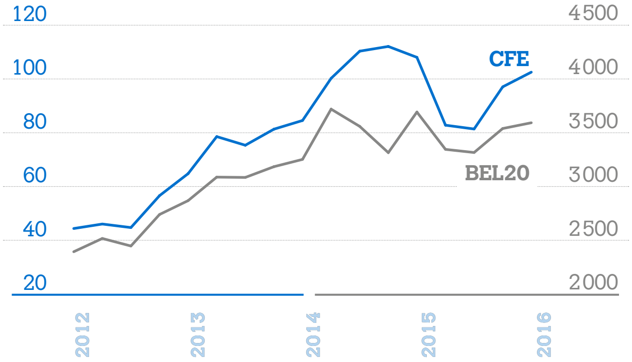
Trend comparing the CFE share price and the Bel20 index

For the year 2016



Trend comparing the CFE share price and the Bel20 index

Over the last five years



Data in € per share

	2012 (*)	2013 (**)	2014	2015	2016
Number of shares at 31/12	13,092,260	25,314,482	25,314,482	25,314,482	25,314,482
Operating result (EBIT)	6.22	N/A **	9.5	10.5	9.0
Net result part of the group	3.75	N/A **	6.32	6.9	6.7
Gross dividend	1.15	1.15	2.00	2.40	2.15
Net dividend	0.8625	0.8625	1.50	1.752	1.505
Equity	40.1	47.1	52.2	56.7	60.7

(*) Amounts restated resulting from the change in accounting method arising from the application of IAS 19 revised.
(**) Not meaningful following the change in scope and items relating to the capital increase and the treatment of goodwill.

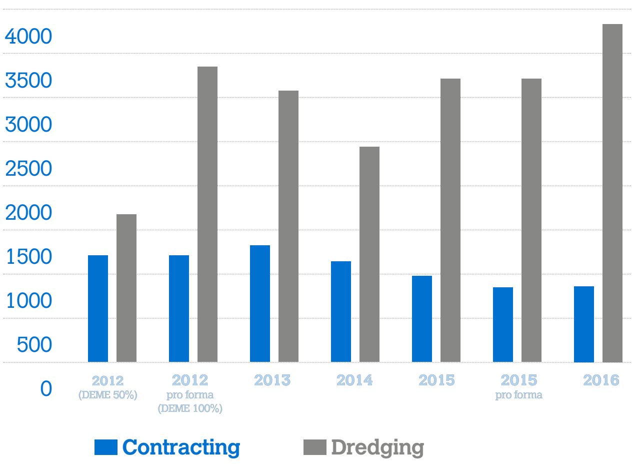
Share price data

		2012	2013	2014	2015	2016
Lowest price	EUR	36.25	41.00	62.80	83.0	75.15
Highest price	EUR	49.49	66.64	89.70	127.7	108.25
Price at the close of the FY	EUR	43.84	64.76	85.02	109.1	103.5
Average volume per day	NUMBER SHARES	11,672	14,628	15,015	16,128	14,390
Market capitalisation at 31/12	MIO EUR	573.96	1,639.4	2,152.2	2,761.8	2,620.0

DATA BY DIVISION

Evolution of **the order book**

IN MILLION €



During the second semester 2015, the activities Multitechnics, Rail infra & Utility Networks and Building Belgium, Luxemburg, Poland and Tunisia were transferred under CFE Contracting SA, a 100% subsidiary of CFE SA and head of the segment. This internal reorganization goes with a change of scope within the segment Contracting as from January 1st 2016. This segment only includes the activities performed by CFE Contracting SA and its subsidiaries.

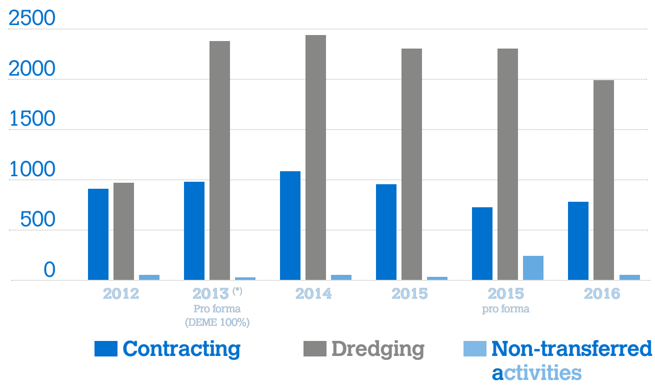
Besides the usual holding activities, this segment includes:

- participations in Rent-A-Port, Green Offshore and in three Design Build Finance and Maintenance contracts in Belgium.
- contracting activities non-transferred to CFE Contracting SA and DEME NV including a number of civil engineering projects in Belgium and building projects in Africa (except Tunisia) and in central Europe (except Poland).

The column Pro forma 2015 represents the information's taking into account this new structure.

Evolution of **the revenue**

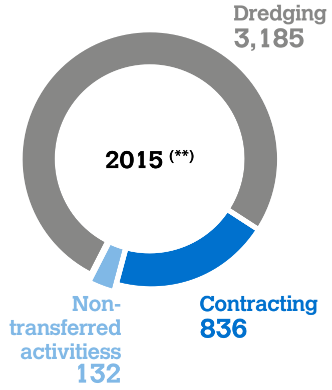
IN MILLION €

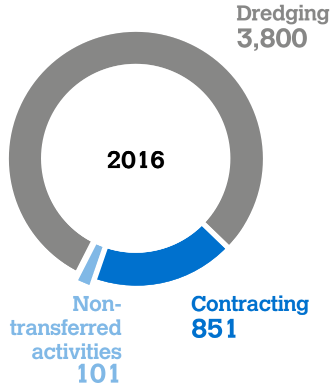


(*) Amounts restated in accordance with changes in accounting methods following the implementation of IFRS 10 and IFRS 11.

Evolution of the **order book**

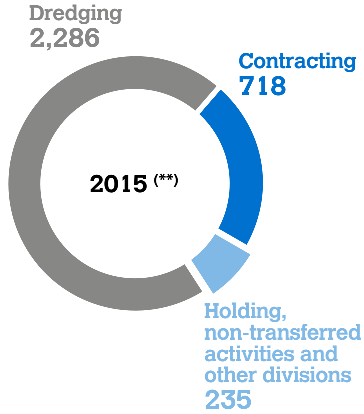
IN MILLION €

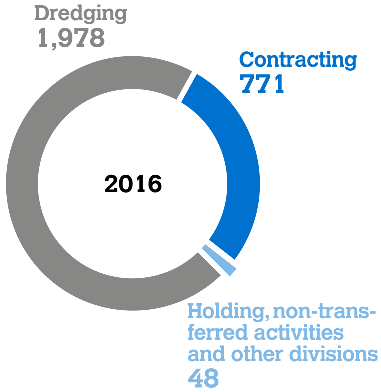




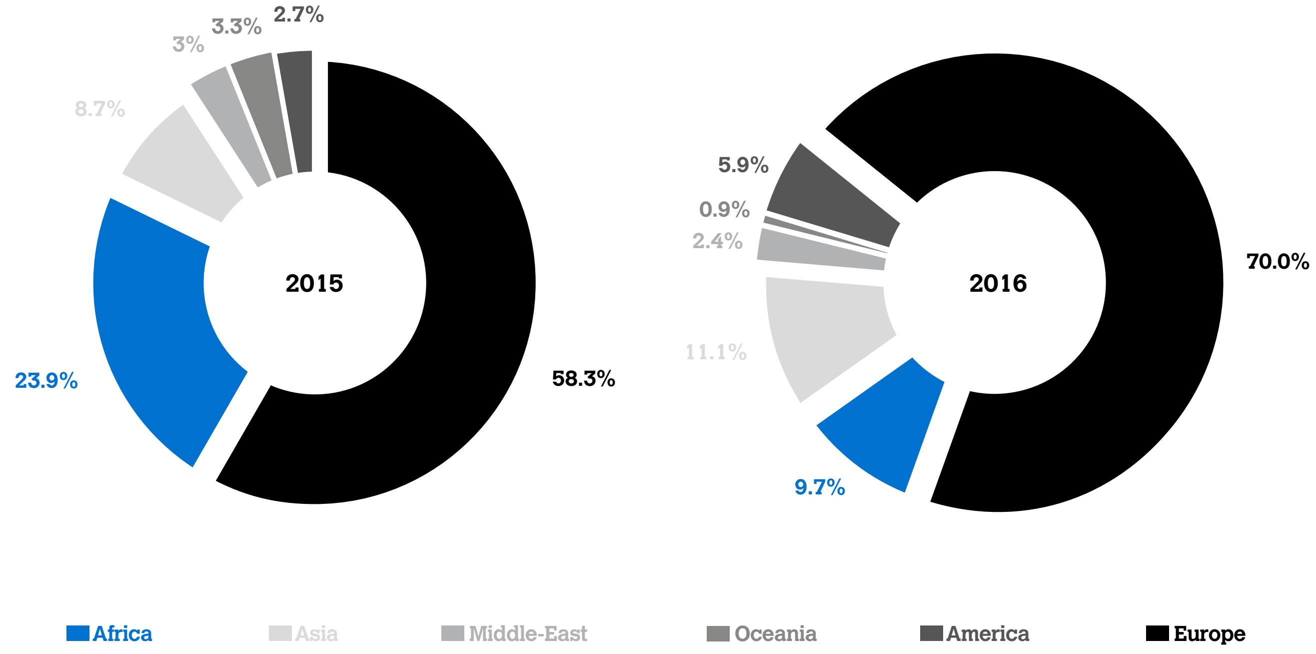
Evolution of the **revenue**

IN MILLION €





Evolution of
activity of the CFE group
by geographical area



Evolution of
operating result (EBIT)(*)
IN MILLION €

	CONTRACTING	REAL ESTATE	DREDGING	OTHER DIVISIONS AND HOLDING	TOTAL
2012	5.0	10.4	69.1	-3.3	81.2
2013 (published)	-29.5	3.8	105.1	-12.2	67.2
2013 Pro forma DEME at 100% (**)	-29.5	3.7	202.2	-10.0	166.4
2014	-7.5	7.1	241.2	-0.3	240.5
2015	-34.9	7.7	298.2	-5.3	265.7
2015 Pro forma (***)	7.5	7.7	298.2	-47.7	265.7
2016	20.0	4.3	207.4	-4.9	226.8

(*) Including results of associated companies and joint ventures.
(**) Amounts restated in accordance with changes in accounting methods following the implementation of IFRS 10 and IFRS 11.
(***) Including pro forma figures according to the new definition of the segment applicable as of 1 January, 2016

The Contracting division integrates the Construction, Multitechnics and Rail infra activities

Management Report of the Board of Directors

Table of contents

A. Report on the financial statements for the financial year

CFE's board of directors met on 23 February 2017 to finalize the financial statements for the year ended 31 December 2016, which will be submitted to the forthcoming general meeting of shareholders on 4 May 2017.

1. 2016 key figures

IN MILLION €	2016	2015	CHANGE 2016/2015
Revenue	2,797.1	3,239.4	-13.7%
Self-financing capacity (EBITDA) (*)	465.9	504.9	-7.7%
% of revenue	16.7%	15.6%	
Operating income on activities (*)	227.6	228.9	-0.6%
% of revenue	8.1%	7.1%	
Operating income (EBIT) (*)	226.8	265.7	-14.6%
% of revenue	8.1%	8.2%	
Net result part of the group	168.4	175.0	-3.8%
% of revenue	6.0%	5.4%	
Earnings per share (in €)	6.65	6.91	-3.8%
Gross dividend per share (in €) (**)	2.15	2.40	-10.4%

(*) The definitions are included in the 'Consolidated financial statements' section of the financial report.
(**) Amount to be submitted for approval to the annual general meeting of 4 May 2017.

Equity – share of the group	1,521.6	1,423.3	6.9%
Net financial debt	213.1	322.7	-34.0%
Order book	4,756.7	4,160.3	14.3%

General introduction

The CFE Group reported € 2,797.1 million revenue in 2016, which is down 13.7%. This decrease was expected at DEME, which saw vigorous activity in 2015.

Thanks to the substantial reduction of the operating losses of the non-transferred activities of CFE SA and DEME's strong performance, the EBITDA margin increased by 1.1% to 16.7%.

The net result, share of the group, amounted to € 168.4 million, which is slightly down compared to the exceptional year 2015.

The equity, share of the group, increased by € 98.3 million, despite the payment of a dividend of € 60.75 million in respect of the 2015 financial year. For the first time in CFE's history, its consolidated equity exceeded the symbolic figure of € 1.5 billion.

In view of the deferral of certain down payments on the vessels under construction and the effective control of the working capital requirement, the net financial debt decreased by 34.0% to reach € 213.1 million.

The order book reached a record level of € 4.76 billion, thanks to a large extent to the very high order intake at DEME.

2. Analysis by division

Dredging and Environment division

Key figures (*)

IN MILLION €	2016	2015	CHANGE 2016/2015
Revenue	1,978.2	2,286.1	-13.5%
EBITDA (**)	447.4	489.2	-8.5%
Operating income (**)	207.4	298.2	-30.4%
Net result share of the group	155.4	201.3	-22.8%
Net financial debt	155.0	275.0	-43.6%
Order book	3,800.0	3,185.0	+19.3%

(*) Amounts restated to take account of the recognition at fair value of the identifiable assets and liabilities of DEME following the acquisition of an additional 50% of the DEME shares on 24 December 2013.

(**) The definitions are included in the 'Consolidated financial statements' section of the financial report.

Key figures according to the economic approach

The key figures shown below are presented according to the economic approach whereby the jointly controlled companies are proportionally consolidated (accounting rules applicable before 1 January 2014).

IN MILLION € (WITHOUT RESTATEMENTS)	2016	2015	CHANGE 2016/2015
Revenue	1,978.2	2,351.0	-15.9%
EBITDA (*)	450.1	558.4	-19.4%
Operating income on activities (*)	217.6	318.4	-31.7%
Net result share of the group	155.3	199.2	-22.0%
Net financial debt	154.6	266.7	-42.0%
Orderbook	3,800.0	3,185.0	+19.3%

(*) The definitions are included in the 'Consolidated financial statements' section of the financial report.

Revenue (economic approach)

DEME's revenue amounted to € 1,978.2 million, i.e. down 15.9% compared to 2015. The previous year was marked by an exceptional level of activity in Africa with the widening and deepening of the Suez Canal.

During the year under review, DEME continued work on its two major projects in Singapore: the extension of Jurong Island (JIWE), and the Tuas Terminal - Phase 1 (TTP1) project.

Dredging International, a subsidiary of DEME, resumed work in Panama with the widening and deepening of the Pacific access channel of the Panama Canal.

2016 was an exceptional year for GeoSea, DEME's subsidiary specializing in offshore marine engineering. In the UK, the Race Bank project (transport and installation of 91 wind turbine foundations) is being finalized, while at the end of December GeoSea successfully installed the first foundation for the 56 wind turbines of the Galloper wind farm, situated 27 km off the Suffolk coast (EPCI contract). In Germany, the production of the 66 wind turbine foundations for the Merkur project (EPCI contract) is progressing according to plan.

Evolution of activity by business area (economic approach)

IN %	2016	2015
Capital dredging	34%	48%
Maintenance dredging	12%	11%
Fallpipe et landfalls	7%	9%
Environment	10%	9%
Civil works	3%	0%
Marine works	34%	23%
Total	**1,978.2**	**2,351.0**

Evolution of activity by geographical area (economic approach)

IN %	2016	2015
Europe (EU)	56%	33%
Europe (non-EU)	4%	10%
Africa	12%	30%
Americas	8%	4%
Asia-Pacific	13%	12%
Middle East	3%	7%
India and Pakistan	4%	4%
Total	**1,978.2**	**2,351.0**

EBITDA and operating income (economic approach)

The decrease in revenue inevitably weighed on the EBITDA and operating income, which are down compared to 2015. Nevertheless, it should be noted that the EBITDA margin, which amounts to 22.8% of revenue, remains well above the historical average.

It should be remembered that 2015 was marked by exceptional results generated by the project for the widening of the Suez Canal and the finalization of other important projects.

Order book

The order book (€ 3,800 million as of 31 December 2016) shows a 19.3% growth compared to 2015, which in turn was up 31.6% on year-end 2014.

This all-time high order book owes much to the commercial successes of DEME resulting in an order intake of € 2,593.3 million in 2016.

The main new orders in 2016 include:

- The EPCI contract for the Merkur wind farm in Germany
- The EPCI contract for the Rentel wind farm, situated 40 km off the Belgian coast and involving 42 wind turbine foundations and the laying of intra-field cables
- The design and installation of the power cables for the world's largest offshore wind farm situated off the Yorkshire coast in the UK (Hornsea One project). The work will be carried out by Tideway, DEME's subsidiary specializing in the laying and protection of subsea cables and pipelines.
- Renewal of the maintenance dredging contract for the river Scheldt for a five-year period.

Moreover, as was announced earlier, two substantial orders won in 2016 are not yet included in the order book, notably:

- The EPCI contract for the Hohe See wind farm, situated 90 km north of Borkum Island in the North Sea. The order involves 77 monopiles and transition pieces. The project will be included in the order book in February 2017 as the financial close has been reached.
- The design and construction of the world's longest road tunnel (18 km), the Fehmarnbelt link between Denmark and Germany. This project, worth an estimated € 700 million, will only begin once the German authorities have delivered the necessary planning permissions.

Finally, DEME has landed several major contracts since the beginning of 2017, such as new dredging contracts in India and the Maldives, and the DBM contract for the design, construction and 15-year maintenance of the first section of the RijnlandRoute in the Netherlands. The project, which will be realized by DIMCO (DEME's subsidiary specializing in civil engineering works) and its partners, involves the construction of a 2.2 km bored tunnel, building a new 4 km road, and widening 12 km of motorway.

Investments and net financial debt

DEME's investments are twofold: those connected with the upgrading and renewal of the fleet, and those connected with the activities of DEME Concessions.

Investments in the fleet

Investments in 2016 amounted to € 194.7 million according to the economic approach. This low level of investment is explained by the deferral of certain down payments on the vessels under construction.

As a reminder, in 2015, DEME had started building six new vessels:

- The self-propelled jack-up vessel 'Apollo'
- The multipurpose vessel 'Living Stone'
- The crane vessel 'Gulliver' (in joint venture)
- The trailing suction hopper dredger 'Scheldt River' (8,000 m^3)
- The trailing suction hopper dredger 'Minerva' (3,500 m^3)
- The trailing suction hopper dredger 'Bonny River' (15,000 m^3)

Those vessels will progressively strengthen DEME's fleet from 2017 onwards.

In February 2017, DEME confirmed an order for two additional vessels with an overall budget of around € 500 million:

- 'SPARTACUS', a cutter suction dredger with a total power of 44,180 kW; it will be the world's most powerful and most state-of-the-art vessel in its class, and will be particularly suited for dredging works on rocky beds and in the hardest and most compact types of soil, far from the shore ('Smart Mega Cutter Suction Dredger').
- 'ORION', a dynamic positioning crane vessel with a total power of 44,180 kW; with a lifting capacity of 3,000 tonnes up to a height of more than 50 metres, it will be deployed on offshore construction work, such as for the construction of the largest offshore wind farms, offshore services for customers in the oil and gas industry, and the dismantling of old offshore structures.

Investments and divestments by DEME Concessions

During the year, DEME - through its subsidiary DEME Concessions - injected its share in the equity and quasi-equity of the operating companies of two offshore wind farms: Merkur in Germany (12.5% stake) and Rentel in Belgium (18.9% stake). It should be pointed out that CFE also holds a 6.25% stake in Rentel through its 50% subsidiary, Green Offshore.

The improvement in working capital requirement thanks to, among other things, the receipt of new advances, coupled with a relatively low level of investment and solid operating cash flows, contributed to a substantial reduction in DEME's net financial debt, which now stands at € 154.6 million (economic approach), or € 112.1 million down compared to the previous year. In view of the investments planned in 2017, DEME's net financial debt is set to increase over the next financial year.

Contracting division

Key figures

IN MILLION €	2016	2015 (*)	CHANGE 2016/2015
Revenue	770.5	718.9	7.2%
Operating income (**)	20.0	7.5	166.7%
Net result share of the group	10.4	9.7	7.2%
Net treasury	92.0	74.8	23.0%
Order book	850.5	836.3	1.7%

(*) Including pro forma figures according to the new definition of the segment applicable as of 1 January, 2016.

(**) The definitions are included in the "Consolidated Financial Statements" section of the financial report

Revenue

Revenue amounted to € 770.5 million, up 7.2%.

Construction activity in Belgium shrank slightly in a competitive market.

In the third quarter, the Docks shopping centre (Brussels) was completed ahead of schedule. In Flanders, the structural work on AZ Sint-Maarten hospital (Mechelen) has been completed and the finishing works have begun, while several 'Schools of Tomorrow' have been completed.

The Luxemburg and Polish subsidiaries reported a marked increase in revenue, buoyed by a favourable economic situation.

The activity of the Multitechnics segment benefited from the vigorous growth of VMA, which won numerous contracts in Belgium and abroad.

2016 was a year of transition for the Rail Infra & Utility Networks segment before the ETCS Level 2 project (automatic braking system for trains) gathers momentum in 2017.

IN MILLION €	2016	2015 (*)	CHANGE IN %
Construction	**548.5**	**516.9**	**6.1%**
Buildings, Belgium	405.6	419.1	-3.2%
Buildings, International (**)	142.9	97.8	46.1%
Multitechnics	**159.2**	**140.5**	**13.3%**
Rail Infra & Utility Networks	**62.8**	**61.5**	**2.1%**
Total Contracting	**770.5**	**718.9**	**7.2%**

(*) Including pro forma figures according to the new definition of the segment applicable as of 1 January, 2016.
(**) Exclusively Luxemburg, Poland and Tunisia.

Operating income

Despite certain setbacks at a limited number of subsidiaries, there was a substantial increase in the division's operating income: € 20.0 million as against € 7.5 million in 2015.

Unlike in 2015, the Construction segment made a positive contribution to the operating income of the Contracting division, thanks to the recovery of CFE Bâtiment Brabant Wallonie and the good performance of CFE Bouw Vlaanderen, CFE Polska and CLE in Luxembourg. The efforts made in the area of operational excellence and selectivity in order intake have begun to bear fruit.

In the Multitechnics segment, the excellent results of VMA should be noted, whereas the HVAC segment had to contend with several very difficult projects that were completed in 2016.

Order book

IN MILLION €	31 DECEMBER 2016	31 DECEMBER 2015 (*)	CHANGE IN %
Construction	**648.7**	**671.2**	**-3.4%**
Buildings, Belgium	505.0	494.7	2.1%
Buildings, International (**)	143.7	176.5	-18.6%
Multitechnics	**143.4**	**115.9**	**23.7%**
Rail Infra & Utility Networks	**58.4**	**49.2**	**18.7%**
Total Contracting	**850.5**	**836.3**	**1.7%**

(*) Pro forma figures according to the new definition of the segment applicable as of 1 January, 2016
(**) Exclusively Luxemburg, Poland and Tunisia

The order book grew slightly to € 850.5 million as of 31 December 2016.

The order book of the Buildings segment in Belgium remained at a high level as a result of winning the ZNA project (new hospital in Antwerp in joint venture), the STIB (Brussels public transport) depot in Anderlecht (Brussels Region), and several residential buildings in Anderlecht on the site of Erasmus Gardens for BPI.

The order book of CLE (Luxemburg) and CFE Polska is down compared to 2015 given the very high level of activity in 2016. In view of orders that are expected to materialize shortly, the outlook remains favourable for these two entities.

On the other hand, a high order intake was reported by Multitechnics and Rail Infra & Utility Networks, in particular at VMA, which landed its first contract in the United States.

Cash flow

The division's net cash position stood at € 92 million as of 31 December 2016, up 23%. The improvement is explained by the operating cash flows generated by the Contracting entities, while the working capital requirement remained stable.

Organization of the Electro Cluster

As of 1 January 2017, the subsidiaries VMA West, Vanderhoydonks and Nizet are integrated operationally in VMA.

Real Estate division

Key figures

IN MILLION €	2016	2015	CHANGE 2016/2015
Revenue	*12.1*	*27.2*	*-55.5%*
Operating income (*)	*4.3*	*7.7*	*-44.2%*
Net result share of the group	*1.4*	*7.0*	*-80.0%*
Net financial debt	*87.6*	*90.3*	*-3.1%*
Order book	*5.0*	*6.7*	*-25.4%*

(*) The capital employed of the real estate projects is defined as the sum of shareholders equity and net financial debt of the real estate division

Evolution of real estate projects (*)

IN MILLION €	31 DECEMBER 2016	31 DECEMBER 2015
Properties being marketed	*17*	*14*
Properties under construction	*35*	*34*
Properties in development	*78*	*71*
Total	***130***	***119***

(*) The capital employed of the real estate projects is defined as the sum of shareholders equity and net financial debt of the real estate division

New developments

During the financial year, several building lots were successfully acquired in Poland ('Barska' residential project in Warsaw totalling 3,500 m²) and in Belgium, where BPI will develop the 'Joyeuse Entrée' residential project in the European district of Brussels (5,400 m²).

In 2020, once the conditions precedent have been fulfilled, BPI will redevelop, in joint venture, the present headquarters of Allianz in the heart of Brussels. It is a mixed-use project of 55,000 m².

In Luxemburg, BPI won the contract issued by the Kirchberg fund for the development of a hundred moderately priced residential units (Kiem project).

Marketing

In Belgium, BPI successfully continued to develop and market its three principal projects: 'Erasmus Gardens' in Anderlecht, 'Ernest' in Ixelles, and 'Oosteroever' in Ostend.

In Luxemburg, construction of the 'Kons' building has entered its final stages: the completion and transfer to the institutional investor is scheduled for March 2017.

In Poland, the third phase of the 'Ocean Four' project was completed at year-end, while phase four is due for completion by mid-2017. Virtually all apartments have been sold. In Warsaw and Wroclaw, the two residential projects under construction are progressing according to plan.

Projects under study

Planning permission has been obtained for three residential buildings on the Hauts-Prés site in Uccle and for the second phase of the 'Ernest' project in Ixelles (The Park). Marketing and construction of those two projects are due to start in 2017.

Real estate projects and net financial debt

The value of real estate projects stood at € 130 million as of 31 December 2016, which is an € 11 million increase, while the division's net financial debt reached € 87.6 million.

Net result

In the absence of major transactions during the year, the net income of the division amounted to € 1.4 million (compared to € 7.0 million in 2015).

Holding, non-transferred activities and inter division eliminations

IN MILLION €	2016	2015(*)	CHANGE 2016/2015
Revenue	36.3	207.2	-82.5%
Operational result (**)	-4.9	-47.8	NS
Net result share of the group	1.2	-43.0	NS
Net financial debt	62.4	33.4	86.8%
Order book	101.2	132.3	-23.5%

(*) Including pro forma figures according to the new definition of the segment applicable as of 1 January, 2016

(**) Definitions are listed under sections "Consolidated Financial Statements" of the financial report

Revenue

Revenue amounted to € 60.3 million for the non-transferred activities of CFE SA (€ 229.0 million in 2015) and €-24.0 million for interdivision eliminations.

The substantial decrease in revenue is explained by the transfer of the marine civil engineering operations to DEME at year-end 2015 and by a sharply reduced level of activity in Africa following the completion in 2015 of several large-scale projects, more specifically in Algeria and Chad.

Operating income

The operating income (€-4.9 million) was adversely affected by the recognition of additional losses on the project of the Mechelen railway station surroundings and on the Brussels-South wastewater treatment plant project, of which the first of three phases was completed in July 2016. It should be pointed out that a settlement was reached with the customer in the second half of 2016 with regard to turnaround times, additional billing and claims for the first two phases of the Brussels-South wastewater treatment plant project.

At the year-end, CFE was also able to finalize the Eko-Tower project in Lagos, Nigeria, and obtain the final settlements of several older building projects in Belgium, such as the schools project in Eupen and the CPAS (Welfare Office) in Brussels. These elements had a favourable impact on the results of the division.

Rent-A-Port, a 45% subsidiary of CFE, reported a satisfactory year thanks to the positive contribution from its activities in Vietnam. Besides the continuing sale of industrial land in the port area of Dinh Vu, Rent-A-Port succeeded, together with its partners, in securing a new port concession of 1,200 hectares in the province of Quang Ninh in North Vietnam.

Net result

The net result of the division Holding and non-transferred activities made a spectacular recovery to + € 1.2 million (compared to a net loss of € 43.0 million in 2015).

The operating loss was offset by the capital gain on the disposal of CFE's stake in two DBFM (Design, Build, Finance, Maintain) type operating companies, namely 25% in Locorail NV, responsible for maintaining and financing the Liefkenshoek rail link in Antwerp, and 18% in Coentunnel Company BV, responsible for maintaining and financing the second Coentunnel in Amsterdam.

Risk on Chad

Negotiations are continuing with the Chadian authorities to find a solution to refinance the remaining outstanding debts. Progress has been made, but to date nothing tangible has been acquired.

CFE's net exposure to that country amounts to € 60 million.

3. Overview of the results

3.A.1. Consolidated statement of income

YEAR ENDED 31 DECEMBER (IN THOUSANDS €)	2016	2015
Revenue	**2,797,085**	**3,239,406**
Revenue from auxiliary activities	85,794	109,005
Purchases	−1,504,685	−1,831,454
Wages, salaries & social charges	−533,200	−547,043
Other operating charges	−384,649	−482,581
Depreciations	−232,775	−255,312
Goodwill Impairment	0	−3,116
Operating income on activities	**227,570**	**228,905**
Earnings from associates and joint ventures	−784	36,759
Operating income	**226,786**	**265,664**
Gross financial cost	−31,521	−31,720
Other financial expenses and income	7,567	−869
Financial result	**−23,954**	**−32,589**
Result before taxes	**202,832**	**233,075**
Income tax expense	−30,580	−59,051
Result of the year	**172,252**	**174,024**
Non-controlling interests	−3,841	937
Result – share of the group	**168,411**	**174,961**

YEAR ENDED 31 DECEMBER (IN THOUSANDS €)	2016	2015
Result of the year	**172,252**	**174,024**
Financial instruments – change in fair values	2,230	−6,366
Currency translation differences	−340	−4,088
Deferred taxes	1,143	1,783
Other elements of the comprehensive income to be reclassified to profit or loss in subsequent period	**3,033**	**−8,671**
Remeasurement on defined benefit plans	−18,901	−197
Deferred taxes	6,510	1,099
Other elements of the comprehensive income not to be reclassified to profit or loss in subsequent period	**−12,391**	**902**
Total elements of the comprehensive income directly accounted in equity	**−9,358**	**−7,769**
Comprehensive income	**162,894**	**166,255**
- attributable to the group	159,178	166,489
- attributable to non-controlling interests	3,716	−234
Net result per share (€) (basic and diluted) Comprehensive income per share (€) (basic and diluted)	6.65 6.29	6.91 6.58

3.A.2. Consolidated statement of financial position

YEAR ENDED 31 DECEMBER (IN THOUSANDS €)	2016	2015
Intangible assets	95,441	97,886
Goodwill	175,169	175,222
Property, plant and equipment	1,683,304	1,727,679
Associates and joint ventures	141,355	151,377
Other non-current financial assets	153,976	129,501
Non-current derivative instruments	510	1,381
Other non-current assets	23,518	19,280
Deferred tax assets	126,944	103,345
Total non-current assets	**2,400,217**	**2,405,671**
Inventories	94,836	77,946
Trade receivables and other operating receivables	1,160,306	1,192,977
Other current assets	38,430	125,029
Current derivative instruments	2,311	8,514
Current financial assets	48	70
Assets held for sale	19,916	0
Cash and cash equivalents	612,155	491,952
Total current assets	**1,928,002**	**1,896,488**
Total assets	**4,328,219**	**4,302,159**
Issued capital	41,330	41,330
Share premium	800,008	800,008
Retained earnings	714,527	607,012
Defined benefits plans	−19,464	−7,448
Consolidated reserves and reserve related to hedging instruments	−7,337	−10,710
Translation differences	−7,505	−6,915
Equity – part of the group CFE	**1,521,559**	**1,423,277**
Non-controlling interests	14,918	11,123
Equity	**1,536,477**	**1,434,400**
Pensions and employee benefits	51,215	41,054
Provisions	43,085	44,854
Other non-current liabilities	5,645	17,145
Bond	303,537	305,216
Financial debts	367,147	398,897
Non-current derivative instruments	18,475	33,359
Deferred tax liabilities	151,970	150,053
Total non-current liabilities	**941,074**	**990,578**
Provisions for other current risks	65,113	64,820
Trade payables & other operating liabilities	1,138,288	1,184,886
Tax liability due for payment	69,398	88,215
Current financial debts	154,522	110,558
Current derivative instruments	23,515	35,146
Liabilities held for sale	6,004	0
Other current liabilities	393,828	393,556
Total current liabilities	**1,850,668**	**1,877,181**
Total equity and liabilities	**4,328,219**	**4,302,159**

3.A.3. Notes to the consolidated financial statements, cash flow and capex tables

CFE's equity stood at € 1,536.5 million compared to € 1,434.4 million at year-end 2015.

The net financial debt amounted to € 213.1 million, which is € 109.6 million down compared to 31 December, 2015.

This debt breaks down into a long-term financial debt of € 821.4 million and a positive net cash position of € 608.3 million.

CFE SA has, for its part, confirmed medium-term credit facilities for its general financing needs totalling € 115 million, of which € 85 million had not been drawn down at year-end 2016. Both CFE and DEME are in compliance with the banking covenants.

YEAR ENDED 31 DECEMBER (IN THOUSANDS €)	2016	2015
Cash flows relating to operating activities	***384,386***	***334,981***
Cash flows relating to investing activities	***-214,504***	***-258,879***
Cash flows relating to financing activities	***-48,467***	***-288,024***
Net increase/decrease in cash position	*121,415*	*-211,921*
Shareholders' equity (excluding non-controlling interests) at start of period	*1,423,277*	*1,313,627*
Shareholders' equity (excluding non-controlling interests) at end of period	*1,521,559*	*1,423,277*
Net result share of the group for the period	*168,411*	*174,961*
ROE	*11.8%*	*13.3%*

3.A.4. Consolidated statement of changes in equity as of 31 December 2016

(IN € THOUSANDS)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	DEFINED BENEFITS PENSION PLANS	RESERVES RELATED TO HEDGING INSTRUMENTS	TRANSLATION DIFFERENCES	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL
31 December 2015	***41,330***	***800,008***	***607,012***	***-7,448***	***-10,710***	***-6,915***	***1,423,277***	***11,123***	***1,434,400***
Comprehensive income for the period			***168,411***	***-12,016***	***3,373***	***-590***	***159,178***	***3,716***	***162,894***
Dividends paid to shareholders			*-60,755*				***-60,755***		***-60,755***
Dividends paid to non-controlling interests								*-794*	***-794***
Change in consolidation scope			*-141*				***-141***	*873*	***732***
December 2016	***41,330***	***800,008***	***714,527***	***-19,464***	***-7,337***	***-7,505***	***1,521,559***	***14,918***	***1,536,477***

3.A.5. Key figures per share

	31 DECEMBER 2016	31 DECEMBER 2015
Total number of shares	***25,314,482***	***25,314,482***
Operating result after deduction of the net financial charges per share (in €)	*8.01*	*9.21*
Net result part of the group per share (in €)	***6.65***	***6.91***

3.B.1. Profit and loss account of CFE SA (Belgian standards)

(IN THOUSANDS €)	2016	2015
Turnover	46,911	203,188
Operational result	−8,040	−9,445
Net financial result excluding non-recurring financial income	58,969	66,910
Non-recurring financial income	9,487	108,529
Non-recurring financial charges	−1,541	−41,606
Result before taxes	58,875	124,388
Taxes	−17	−374
Result of the year	***58,858***	***124,014***

There was a substantial decline in the revenue of CFE SA. This is explained by the transfer of the 'Buildings Flanders' segment on 1 July 2015 and by the shrinking international activity and the decrease in civil engineering and building activity in the Brussels Region.

The operating result was adversely affected by the losses on civil engineering projects in Brussels and Flanders.

The financial result primarily consists of the dividend paid by DEME in respect of the 2015 financial year.

The capital gains on the disposal of Locorail and Coentunnel Company are shown under non-recurring financial income. In 2015, the income statement was favourably influenced by the internal capital gains resulting from the legal reorganization of the group.

3.B.2. Balance sheet of CFE SA after appropriation (Belgian standards)

(IN THOUSANDS €)	31 DECEMBER 2016	31 DECEMBER 2015
Assets		
Fixed assets	***1,323,520***	*1,332,944*
Current assets	***236,408***	*327,577*
Total assets	***1,559,928***	***1,660,521***

(IN THOUSANDS €)	31 DECEMBER 2016	31 DECEMBER 2015
Equity and liabilities		
Equity	***1,197,582***	*1,193,150*
Provisions	***57,272***	*58,923*
Non-current liabilities	***132,580***	*152,580*
Current liabilities	***172,494***	*255,868*
Total equity and liabilities	***1,559,928***	***1,660,521***

4. Dividend

At the general meeting of shareholders on 4 May 2017, CFE's board of directors will propose a gross dividend of € 2.15 per share, representing a net dividend of € 1,505, or a total distribution of € 54,426,136.

B. Corporate governance statement

1. Corporate governance

The Company has adopted the Belgian Corporate Governance Code (2009) as its reference code.

CFE's corporate governance charter, established on the basis of this reference code, may be consulted on the Company's website (www.cfe.be).

The corporate governance charter was last modified on 23 February 2017. Apart from some cosmetic changes in the text of the charter, amendments were only made to Part VII "Rules of conduct in financial transactions" in order to take into account the provisions of Regulation No 596/2014 of the European Parliament and of the Council on market abuse.

CFE's approach to corporate governance goes beyond compliance with the Code, taking the view that it is essential to base the conduct of its activities on an ethical approach to behaviour and decision-making and a strongly embedded corporate governance culture.

2. Composition of the Board of Directors

As at 31 December 2016, CFE's Board of Directors consisted of 11 members, whose terms of office began on the dates listed below and will expire immediately after the general meetings of shareholders in the years listed below:

	START OF TERM	END OF TERM
Renaud Bentégeat (*)	18.09.2003	2017
Piet Dejonghe (*)	24.12.2013	2017
Luc Bertrand	24.12.2013	2017
John-Eric Bertrand	24.12.2013	2017
Jan Suykens	24.12.2013	2017
Koen Janssen	24.12.2013	2017
Alain Bernard	24.12.2013	2017
Philippe Delusinne	07.05.2009	2020
Christian Labeyrie	06.03.2002	2020
Ciska Servais SPRL represented by Ciska Servais	03.05.2007	2019
Pas De Mots SPRL represented by Leen Geirnaerdt (**)	07.10.2016	2017

(*) Managing director responsible for day to day management

(**) Leen Geirnaerdt was director in a personal capacity from 4 May 2016 to 7 October 2016.

It will be proposed to the general meeting of May 2017 to renew the director's mandates of Luc Bertrand, Jan Suykens, Piet Dejonghe, John-Eric Bertrand, Koen Janssen and Alain Bernard for a period of four years, ending after the annual general meeting of May 2021.

It will also be proposed to the general meeting to renew the director's mandate of Renaud Bentégeat for a period of three years and to nominate Pas De Mots SPRL with Leen Geirnaerdt as its permanent representative for a period of three years ending after the annual meeting of May 2020.

2.1. Corporate offices and duties of Board members

Directors

The table below summarizes the mandates and duties of the 11 Board members as at 31 December 2016.

Luc Bertrand Ackermans & van Haaren Begijnenvest 113 B-2000 Antwerp Member of the Appointments and Remuneration Committee	**Chairman of the Board of Directors** Luc Bertrand was born in 1951 and in 1974 obtained a commercial engineering degree from KU Leuven. He started his career at Bankers Trust, where he worked as Vice-President and Regional Sales Manager, Northern Europe. In 1985, he was appointed director of Ackermans & van Haaren and was chairman of the executive committee until 2016. **Corporate offices:** a- Listed companies: Chairman of the Board of Directors of Ackermans & van Haaren Chairman of the Board of Directors, Sipef Director of Atenor Group Director of Groupe Flo b- Non-listed companies: Chairman of the Board of Directors, DEME Chairman of the Board of Directors, Dredging International Chairman of the Board of Directors, Finaxis Director of Anfima Director of Baarbeek BV Director of Bank J.Van Breda & C° Director of Belfimas Director of BOS Director of Delen Investments CVA Director of Delen Private Bank Director of DEME Coordination Center Director of Groupe Financière Duval Director of Holding Groupe Duval (FR) Director of ING Belgium Director of JM Finn & Co (UK) Director of Scaldis Invest c- Associations: Chairman of the Board of Directors, Institut de Duve Chairman of Middelheim Promotors Member of the Board of Directors, VOKA Member of the Board of Directors, VOKA VEV Member of the Board of Directors, Institut de Médecine Tropicale Member of the Board of Directors, KU Leuven Manager of Mayer van den Bergh Museum Member of the Board of Directors, VKW Synergia Member of the General Council, Vlerick Leuven Gent School

Renaud Bentégeat

Managing Director

CFE
Avenue Herrmann-Debroux
40-42
B-1160 Brussels

Renaud Bentégeat was born in 1953 and holds a bachelor's degree in public law, a Master's degree (DEA) in public law, a Master's degree (DEA) in political analysis and a diploma from the Political Studies Institute of Bordeaux.

He began his career in 1978 at Campenon Bernard. He was then successively appointed head of the legal department, director of communication, administrative director and secretary-general responsible for legal services, communication, administration and human resources for Compagnie Générale de Bâtiment et de Construction (CBC).

From 1998 to 2000, he was director of building for the Greater Paris region at Campenon Bernard SGE, before being promoted to deputy general manager of VINCI Construction in Central Europe, and managing director of Bâtiments et Ponts Construction and Bâtipont Immobilier in Belgium. He has been managing director of CFE since 2003.

Renaud Bentégeat is an Officer of the Order of Leopold (Belgium), and Chevalier of the Légion d'Honneur and Chevalier of the Ordre National du Mérite (France).

Corporate offices:
a- Listed company:
- Managing Director of CFE

b- Non-listed companies:
- Director of Bavière Developpement
- Director of Bizerte CAP 3000
- Director of BPI
- Director of BPI Luxemburg
- Manager of BPI Polska Development
- Director of CFE Contracting
- Director of CFE Contracting Engineering
- Director of CFE Polska
- Director of CLE
- Director of DEME
- Director of Rent-A-Port
- Director of Green Offshore
- Director of SFE
- Member of the Supervisory Board of CFE Hungary

c- Associations:
- President of the Chambre Française de Commerce et d'Industrie de Belgique (French Chamber of Commerce and Industry of Belgium)
- Director of CCI France International
- Member of the Supervisory Board of Solvay Brussels School
- Foreign Trade Adviser for France

Piet Dejonghe

Ackermans & van Haaren
Begijnenvest 113
B-2000 Antwerp

Managing Director

Piet Dejonghe was born in 1966 and has a degree in law (KU Leuven, 1989), a postgraduate degree in management (KU Leuven, 1990) and an MBA from INSEAD (1993). Before joining Ackermans & van Haaren in 1995, he worked as a lawyer at Loeff Claeys Verbeke and as a consultant at Boston Consulting Group.

Corporate offices:

a- Listed companies:

Member of the Executive Committee, Ackermans & van Haaren
Director of Groupe Flo
Director of Lease Invest Real Estate

b- Non-listed companies:

Chairman of the Board of Directors, Distriplus
Director of Baloise Belgium
Director of Bank J.Van Breda & C°
Chairman of Brinvest
Director of Delen Private Bank
Director of Delen Private Bank Luxembourg
Director of DEME
Director of Financière Flo
Director of Finaxis
Director of GB-INNO-BM
Director of GIB Corporate Services
Director of Groupe Financière Duval
Director of Holding Groupe Duval
Director of Profimolux
Director of Sofinim
Director of BPI, CFE Bouw Vlaanderen, CFE Bâtiment Brabant Wallonie, CFE Contracting, Voltis, CLE

c- Association:

Member of the Board of Directors of SOS-Villages d'Enfants Belgique

John-Eric Bertrand — **Director**

Ackermans & van Haaren
Begijnenvest 113
B-2000 Antwerp

Chairman of the Audit Committee as of 4 May 2016

John-Eric Bertrand was born in 1977 and has a degree in commercial engineering (UCL 2001, magna cum laude), a Master's degree in International Management (CEMS, 2002), and an MBA from INSEAD (2006). Before joining Ackermans & van Haaren in 2008 as investment manager, John-Eric Bertrand worked as a senior auditor at Deloitte and as a senior consultant at Roland Berger Strategy Consultants. He has been on the Executive Committee of AvH since 1 July 2015.

Corporate offices:

a- Listed companies:
- Member of the Executive Committee, Ackermans & van Haaren
- Director of Sagar Cements

b- Non-listed companies:
- Chairman of the Board of Directors, Agidens
- Director of Sofinim
- Director of Manuchar
- Director of Residalya
- Director of HPA
- Director of Axe Investments
- Director of Nizet Entreprise
- Director of Etablissements Druart
- Director of VMA
- Director of Oriental Quarries & Mines
- Director of Holding Groupe Duval
- Director of AvH Resources India
- Director of Telemond Holding
- Director of Henschel Engineering
- Director of Telehold
- Director of Extensa Group
- Director of Onco DNA
- Member of the Investment Committee of Inventures
- Director of Dredging, Environmental & Marine Engineering (DEME)

c- Association:
- Director of Belgian Finance Club

Koen Janssen — **Director**

Ackermans & van Haaren
Begijnenvest 113
B- 2000 Antwerp

Koen Janssen was born in 1970 and has a degree in civil engineering and electromechanics (KU Leuven, 1993), along with an MBA from IEFSI (France, 1994). He worked for Recticel, ING Investment Banking and ING Private Equity before joining Ackermans & van Haaren in 2001.

Corporate offices:

a- Listed companies:
- Member of the Executive Committee, Ackermans & van Haaren

b- Non-listed companies:
- Chairman of the Board of Directors, Société Nationale de Transport par Canalisations
- Director of Bedrijvencentrum Regio Mechelen
- Director of DEME
- Director of Dredging International
- Director of Napro
- Director of Nitraco
- Director of NMC International
- Director of Quinten Matsys (branch of SNTC)
- Director of Rent-A-Port
- Director of Green Offshore
- Director of Sofinim Lux
- Director of Sofinim
- Director of Terryn Group
- Director of Rentel
- Director of Otary RS

c- Association:
- Director of Belgian Offshore Platform (BOP) VZW, permanent representative for Green Offshore NV.

Jan Suykens	**Director**
Ackermans & van Haaren Begijnenvest 113 B-2000 Antwerp	Jan Suykens was born in 1960 and has a degree in applied economics (UFSIA, 1982) and an MBA from Columbia University (1984). He worked for several years in corporate and investment banking at Générale de Banque before joining Ackermans & van Haaren in 1990.

Corporate offices:

a- Listed companies:

- Chairman of the Executive Committee, Ackermans & van Haaren
- Chairman of the Board of Directors, Leasinvest Real Estate

b- Non-listed companies:

- Chairman of the Board of Directors, Anima Care
- Chairman of the Board of Directors, Bank J.Van Breda & C°
- Vice-Chairman of the Board of Directors, Delen Private Bank
- Director of ABK bank
- Director of Anfima
- Director of AvH Coordination Center
- Director of Batipont Immobilier (BPI)
- Director of Corelio
- Director of Delen Private Bank Luxembourg
- Director of DEME
- Director of Extensa
- Director of Extensa Group
- Director of Finaxis
- Director of Green Offshore
- Director of Grossfeld PAP
- Director of HPA-Residalya
- Director of JM Finn & Co (UK)
- Director of Leasinvest Immo Lux SICAV-FIS
- Director of Mediacore
- Director of Oyens & Van Eeghen
- Director of Profimolux
- Director of Project TT
- Director of Sofinim
- Director of T&T Openbaar Pakhuis
- Director of T&T Parking
- Director of Algmene Aannemingen Van Laere

c- Associations:

- Director of Antwerp Management School
- Director of De Vrienden van het Rubenshuis

Alain Bernard

DEME
Haven 1025
Scheldedijk 30
B-2070 Zwijndrecht

Director

Alain Bernard was born in 1955 and has a degree in civil engineering and construction (KU Leuven, 1978), along with a degree in civil engineering and industrial management (KU Leuven, 1979). Mr Bernard joined the DEME Group in 1980 as project manager. He was CEO of Dredging International and COO of the DEME group between 1996 and 2006. Alain Bernard was appointed CEO of the DEME group in 2006.

Corporate offices:
a- Listed company:
- Member of the Steering Committee of CFE

b- Non-listed companies:
- Chief Executive Officer and Director, DEME
- Director of various DEME Group subsidiaries
- Director of Aquafin
- Director of FIT (Flanders Investment & Trade)

c- Associations:
- Union Royale des Armateurs Belges (Royal Belgian Shipowners' Association)
- Chairman of the Belgian Dredging Association

Philippe Delusinne

RTL Belgium
Avenue Jacques Georgin 2
B-1030 Brussels

Member of the Audit Committee
Member of the Appointments and Remuneration Committee as of 4 May 2016

Independent Director

Philippe Delusinne was born in 1957 and holds a diploma in Marketing & Distribution from ISEC Brussels and a Short MBA from the Sterling Institute of Harvard University.

He began his career as an account executive at Ted Bates, and subsequently held the positions of account manager at Publicis, client services director at Impact FCB, deputy general manager at McCann Erikson, and Chief Executive Officer of Young & Rubicam in 1993. He has been Chief Executive Officer of RTL Belgium since March 2002.

Corporate offices:
a- Listed company:
- Member of the Supervisory Board of Métropole Télévision (M6)

b- Non-listed companies:
- Managing Director of RTL Belgium
- Managing Director of Radio H
- Permanent representative of CLT-UFA, Managing Director of INADI, COBELFRA and NEW CONTACT SA
- CEO of RTL Belux & Cie SECS
- Managing Director of RTL Belux SA
- Chairman and Managing Director, IP Belgium
- Chairman and Managing Director, Home Shopping Service Belgium SA
- Chairman of New Contact SA
- Director of CLT-UFA SA
- Director of Agence Télégraphique Belge de Presse
- Director of MaRadio.be SCRL

c- Associations:
- Director of the Belgian Association for Self-Regulation of Journalistic Ethics ASBL
- Member of the Audiovisual High Council (Belgium)
- Chairman of the Théâtre Royal de La Monnaie
- Chairman of Les Amis des Musées Royaux des Beaux-Arts de Belgique ASBL (Friends of the Royal Museums of Fine Arts of Belgium)

Christian Labeyrie

VINCI
1, cours Ferdinand-de-Lesseps
F-92851 Rueil-Malmaison
Cedex (France)

Member of the Audit Committee

Director

Born in 1956, Christian Labeyrie is Executive Vice-President and Chief Financial Officer of the VINCI group, and a member of its Executive Committee. Before joining VINCI in 1990, he held various positions in the Rhône-Poulenc and Schlumberger groups. He began his career in the banking industry. Christian Labeyrie is a graduate of HEC, the Escuela Superior de Administración de Empresas (Barcelona) and McGill University (Canada), and holds a DECS diploma (advanced accounting degree). He is a Chevalier of the Légion d'Honneur and a Chevalier of the Ordre National du Mérite.

Corporate offices:
a- Listed company:
- Member of the Executive Committee of the VINCI Group

b- Non-listed companies:
- Director of VINCI Deutschland
- Director of Arcour
- Director of the Stade de France consortium
- Director of VFI
- Director of Amundi Convertibles Euroland of the Crédit Agricole Asset Management Group
- Director of VINCI USA Holding Inc.
- Chairman of ASF Holding
- Chairman of Cofiroute Holding
- Chairman of GECOM
- Manager of SCCV CESAIRE-LES GROUES
- Manager of SCCV HEBERT-LES GROUES
- Permanent representative of VINCI at Escota

Ciska Servais SPRL, represented by Ciska Servais

Boerenlegerstraat 204
B-2650 Edegem

Chair of the Appointments and Remuneration Committee
Member of the Audit Committee as of 4 May 2016

Independent Director

Ciska Servais is a partner in the law firm Astrea. She is active in the field of administrative law, focusing in particular on environmental and town planning law, real estate law and construction law. She has extensive experience as a consultant in judicial proceedings and negotiations; she teaches university courses and is a regular speaker at seminars.

She graduated with a Bachelor's degree in law from the University of Antwerp (1989), and obtained a Master's degree (LL.M) in international legal cooperation from the Free University of Brussels (VUB) in 1990. She also obtained a special degree in ecology from the University of Antwerp (1991).

She started her internship in 1990 at the law firm Van Passel & Greeve. She became a partner at Van Passel & Vennoten in 1994 and, subsequently, at Lawfort in 2004. In 2006, she co-founded the law firm Astrea.

Ciska Servais publishes mainly on the subject of environmental law, such as on the wastewater treatment decree, environmental liability and regulations regarding the movement of soil. She is a member of the Antwerp Bar Association.

Corporate offices:
a- Listed companies:
- Independent Director of Montea Comm. VA
- Vice-Chair of the Board, Montea Comm. VA
- Chair of the Remuneration Committee, Montea Comm. VA
- Member of the Audit Committee, Montea Comm. VA

b- Non-listed company:
- Astrea BV CVBA

Pas de Mots SPRL, represented by Leen Geirnaerdt Anne Frankstraat 1 B-9150 Kruibeke Member of the Audit Committee as of 7 October 2016	**Independent Director** Leen Geirnaerdt has a degree in applied economic science (UFSIA, Cum Laude, 1996). She worked for several years at PricewaterhouseCoopers and USG People / Solvus Resources Group. She currently holds the position of CFO at USG People where she is a member of the Board of Directors. **Corporate offices:** a- Listed company: Member of the Board of Directors and Chair of the Audit Committee of Wereldhave

2.2. Evaluation of the independence of directors

Of the 11 members of the Board of Directors as at 31 December 2016, eight cannot be considered as independent under the terms of Article 526c of the Companies Code and the Belgian Corporate Governance Code. They are:

- Renaud Bentégeat and Piet Dejonghe, who are managing directors of the company;
- Alain Bernard, who is managing director of DEME and member of the Steering Committee of CFE;
- Luc Bertrand, Jan Suykens, Koen Janssen and John-Eric Bertrand, who represent the controlling shareholder, Ackermans & van Haaren;
- Christian Labeyrie, who represents VINCI Construction, which owns 12.11% of the company's shares;

As at 31 December 2016, the independent directors are: Philippe Delusinne, Ciska Servais SPRL, represented by Ciska Servais, and Pas de Mots SPRL, represented by Leen Geirnaerdt.

It should be noted that all independent directors of CFE were able to carry out their assignment with complete independence of judgment in 2016.

2.3. Legal situation of corporate officers

None of CFE's directors (i) has been found guilty of fraud or any other crime, or punished by the regulatory authorities, (ii) has been involved in a bankruptcy, receivership or liquidation or (iii) has been prevented by a court of law from acting as a member of an administrative, management or supervisory body of a public company or from participating in the management or business decisions of a public company.

2.4. Conflicts of interest

2.4.1. Rules of conduct

All directors are required to show independence of judgment, whether they are executive directors or not, and in the case of non-executive directors, whether they are independent or not.

Every director must organize his or her personal and professional affairs in such a way as to avoid any direct or indirect conflict of interest with the company.

The Board of Directors is particularly mindful of potential conflicts of interest with a director or a group company, and takes particular care to apply the special procedures provided for in Articles 523 and 524 of the Companies Code.

Transactions or other contractual relationships between the company, including its affiliated companies, and the directors must be concluded on normal market terms.

Non-executive directors are not authorized to conclude agreements with the company, whether directly or indirectly, relating to the supply of paid services, without the express consent of the Board of Directors. They must consult the Chairman, who decides whether or not to submit the exemption request to the Board of Directors.

2.4.2. Application of procedures

As far as CFE is aware, no director has found himself in a situation of conflict of interest this year.

It is specified that certain directors hold offices in other companies whose activities sometimes compete with those of CFE.

2.5. Assessment of the Board of Directors, its committees and members

2.5.1. Method of assessment

With the assistance of the Appointments and Remuneration Committee, and if necessary that of outside experts, the Board of Directors, under the direction of its Chairman, regularly assesses its composition, its size and the way it functions, as well as the composition, size and operation of its specialist committees. The purpose of these assessments is to contribute to the continuous improvement of the company's governance while taking changing circumstances into account.

During these assessments, the Board of Directors checks, among other things, whether important matters are adequately prepared and discussed both by the Board itself and by its specialist committees.

It checks whether every director makes an effective contribution having regard to his skills, his attendance at meetings and his constructive involvement in discussions and decision-making, and also whether the current composition of the Board of Directors and its specialist committees is desirable.

The Board of Directors draws conclusions from this assessment of its performance by acknowledging its strengths and addressing its weaknesses. If necessary, this may involve a proposal to appoint new members, a proposal not to re-elect existing members or the adoption of any measure considered appropriate to ensure that the Board of Directors functions effectively. The same applies to the specialist committees.

Once a year, the non-executive directors carry out an assessment of their interaction with the executive management. For this purpose, they meet once a year without the managing directors or any other executive directors attending.

2.5.2. Assessment of performance

The formal assessment of the functioning and performance of the Board of Directors took place in the fourth quarter of 2016. This assessment exercise was carried out with the support of Guberna, the Belgian Institute of Directors. The findings of this assessment were presented at the Board meeting of 1 December 2016.

3. Operation of the Board of Directors and its committees

3.1. The Board of Directors

Role and powers of the Board of Directors

Role of the Board of Directors

The Board of Directors performs its duties in the interest of the Company.

The Board of Directors determines the Company's direction and values, its strategy and its key policies. It examines and approves related significant operations, ensures that they are properly executed and defines any measures needed to carry out its policies. It decides on the level of risk it is prepared to take.

The Board of Directors focuses on the long-term success of the Company by providing entrepreneurial leadership and by assessing and managing risks.

The Board of Directors ensures that the financial and human resources needed by the Company to achieve its objectives are available, and it puts in place the structures and means required to achieve these objectives. The Board of Directors pays special attention to social responsibility, gender balance and respect for diversity within the Company.

The Board of Directors approves the budget and examines and closes the accounts.

The Board of Directors:

- approves the general internal control and risk management system and checks that this system is correctly implemented;
- takes all measures needed to ensure the integrity of the financial statements;
- supervises the activities of the Statutory Auditor;
- reviews the performance of the managing directors;
- ensures that the specialist committees of the Board of Directors function properly and efficiently.

Powers of the Board of Directors

(i) General powers of the Board of Directors

With the exception of powers expressly reserved for the general meeting of shareholders and within the limits of the Company's objectives, the Board of Directors has the power to carry out all actions that are needed or useful to meet the Company's objectives.

The Board of Directors reports on the exercise of its responsibilities and management to the general meeting of shareholders. It prepares the resolutions to be put to the general meeting of shareholders.

(ii) Powers of the Board of Directors with regard to capital increases (authorised capital)

Following the authorisation given by the general meeting of shareholders of 6 May 2010 and renewed by the general meeting of shareholders of 30 April 2014, the Board of Directors is authorised to increase the Company's capital – in one or more operations – by up to € 2,500,000, excluding issue premiums, by means of cash or non-cash contributions, by incorporation of reserves and with or without the issue of new shares. Within the scope of the authorised capital, the Board of Directors may decide to issue shares, in which case it determines the terms of issue of the new shares and, in particular, the issue price.

The authorised capital of CFE allows the issue of 1,531,260 additional shares in the event of a capital increase with issue of shares on the basis of their par value.

This authorization expires five years after the date of publication of the decision of the general meeting of 30 April 2014 in the Annexes to the "Moniteur Belge". As publication took place on 22 May 2014, the present authorization will expire on 21 May 2019.

(iii) Powers of the Board of Directors with regard to acquisition of treasury shares

The general meeting of shareholders of 30 April 2014 authorised CFE's Board of Directors to acquire CFE treasury shares. The nominal value or, where there is no nominal value, the accountable par of the shares being acquired must not exceed 20% of the company's subscribed capital, i.e. € 8,265,896.40. The shares can be purchased at a minimum price per share equal to the lowest closing price during the twenty (20) days preceding the date of acquisition of the CFE shares, minus ten percent (10%), and at a maximum price per share equal to the highest closing price during the twenty (20) days preceding the date of acquisition of the CFE shares, plus ten percent (10%).

This authorization expires on 23 May 2019.

The agreement of the general meeting of shareholders is not required for the acquisition of treasury shares by CFE with a view to distributing them to employees.

(iv) Powers of the Board of Directors with regard to the issuing of bonds

Subject to the application of the relevant legal provisions, the Board of Directors may decide to create and issue bonds, which may be bonds convertible into shares.

Operating procedures of the Board of Directors

The Board of Directors is organised so as to ensure that decisions are taken in the interest of the Company and that work is executed efficiently.

Meetings of the Board of Directors

The Board of Directors meets regularly and with sufficient frequency to perform its obligations effectively. It also meets whenever required in the interest of the Company.

In 2015, the Board of Directors considered all major issues concerning CFE. It met six times.

In particular, the Board of Directors:

- approved the financial statements for 2015 as well as the financial statements for the first half of 2016;
- examined the 2016 budget and the updates to that budget;
- examined the 2017 budget;
- reviewed matters that were presented at Risk Committee meetings;
- examined the financial situation of CFE and changes in its debt levels and its working capital requirement;
- examined the evolution of real estate projects and approved the acquisition and sale of several real estate projects worth more than ten million euros;
- decided the remuneration and bonus arrangements for the managing directors and executives, following a proposal by the Appointments and Remuneration Committee

The table below indicates the individual attendance rate of directors at Board meetings in 2016. Only the directors in office as at 31 December 2016 are included in the table.

Directors	Attendance/Total number of meetings
Renaud Bentégeat	6/6
Luc Bertrand	6/6
Piet Dejonghe	6/6
Jan Suykens	6/6
Koen Janssen	5/6
John-Eric Bertrand	6/6
Christian Labeyrie	4/6
Philippe Delusinne	5/6
Ciska Servais SPRL, represented by Ciska Servais	6/6
Pas de Mots SPRL, represented by Leen Geirnaerdt (*)	5/5
Alain Bernard	6/6

The decision-making process within the Board of Directors

Except in the case of force majeure resulting from wars, uprisings or other public disturbances, the Board of Directors can only validly take decisions if at least half of the members are present or represented. Board members who are unable to attend a meeting may be represented by another Board member in accordance with the relevant laws and regulations; each member may only hold one proxy. Letters, faxes or other means of communication conveying the proxy vote are attached to the minutes of the Board meeting at which they are used.

If so decided by the chairman of the Board, meetings may be attended by all or some of the members via audio or video conference. These members are deemed to be present for the purpose of calculating quorum and majority.

Resolutions are passed by majority vote of the members present or represented.

In the event that members need to abstain from taking part in deliberations as a result of legal considerations, the said resolutions will be passed by majority vote of the other members present or represented.

In the event of a tie, the chairman of the meeting will have the casting vote.

After each meeting, the deliberations are recorded in minutes signed by the chairman of the Board of Directors and by a majority of the Board members who took part in the deliberations.

The minutes summarise the discussions, specify the decisions taken and, if applicable, any reservations raised by the board members.

They are recorded in a special register kept at the Company's head office.

The main characteristics of the Board of Directors' assessment process are stipulated in the internal regulations published in the Company's Corporate Governance Charter.

CFE did not award any shares, options or other rights to acquire shares in Compagnie d'Entreprises CFE in 2016.

3.2. The Appointments and Remuneration Committee

At 31 December 2016, this committee comprised:

- Ciska Servais BVBA, represented by Ciska Servais, chair (**)
- Luc Bertrand
- Philippe Delusinne (**)

The committee met twice in 2016.

Over the course of the financial year, the committee examined:

- the fixed and variable remuneration paid to the managing directors;

(*) The number of meetings also includes those attended by Leen Geirnaerdt in a personal capacity between 4 May 2016 and 7 October 2016.
(**) Independent directors

- the fixed and variable remuneration paid to senior management;
- the annual remuneration report (under Belgium's Act of 6 April 2010);
- the remuneration of the directors;
- examination of the candidature of Leen Geirnaerdt as of independent director;
- the introduction of a stock option plan at BPI

The table below indicates the individual attendance rate of the members of the Appointments and Remuneration Committee at meetings in 2016. Only the directors in office as at 31 December 2016 are included in the table.

Members	Attendance/ Total number of meetings
Ciska Servais SPRL, represented by Ciska Servais (*)	2/2
Luc Bertrand	2/2
Philippe Delusinne (*) (**)	1/1

(*) independent directors
(**) member as of 4 May 2016

Members of the Appointments and Remuneration Committee are paid € 1,000 per meeting. The chair is paid € 2,000 per meeting.

The main characteristics of the Appointments and Remuneration Committee's assessment process are set out in the internal regulations published in the Company's corporate governance charter.

3.3. The Audit Committee

At 31 December 2016, this committee comprised:

- John-Eric Bertrand, chairman
- Philippe Delusinne (*)
- Ciska Servais SPRL, represented by Ciska Servais (*)
- Pas de Mots SPRL, represented by Leen Geirnaerdt (*)
- Christian Labeyrie

(*) independent directors

CFE's Board of Directors pays particular attention to ensuring that Audit Committee members have financial, accounting and risk management skills.

John-Eric Bertrand chairs the Audit Committee as of 4 May 2016. He has been a member of the Audit Committee since 15 January 2015. John-Eric Bertrand has a degree in economics and finance. He has carried out numerous professional activities, more particularly in a firm of auditors and a strategic consulting firm. He joined Ackermans & van Haaren in 2008 as Investment Manager. In 2015, he became a member of the Executive Committee to monitor several strategic holdings. This confirms John-Eric Bertrand's competence in the areas of finance and auditing.

The Statutory Auditor participates in the work of the Audit Committee when the committee so requests.

This committee met four times during the 2016 financial year.

It examined:

- the financial statements for full-year 2015 and for the first half of 2016;
- the quarterly financial statements for the first and third quarters of 2016;
- the draft 2016 budget before it was presented to the Board of Directors;
- the reports of the internal auditor;
- the changes in the group's cash position;
- the group's off-balance sheet commitments, in particular the bank guarantees
- the auditor's report

The Audit Committee paid particular attention to the group's internal control and monitored steps taken by CFE to improve it.

The table below indicates the individual attendance rate of the members of the Audit Committee at meetings in 2016. Only the directors in office as at 31 December 2016 are included in the table.

Members	Attendance/ Total number of meetings
John-Eric Bertrand	4/4
Philippe Delusinne (*)	3/4
Pas de Mots SPRL, represented by Leen Geirnaerdt (*) (**) (***)	3/3
Ciska Servais SPRL, represented by Ciska Servais (*) (**)	3/3
Christian Labeyrie	2/3
Christian Labeyrie	4/4

(*) independent directors
(**) members as of 5 May 2016
(***) The number of meetings also includes those attended by Leen Geirnaerdt in a personal capacity between 4 May 2016 and 7 October 2016.

Members of the Audit Committee are paid € 1,000 per meeting. The chair is paid € 2,000 per meeting.

The main characteristics of the Audit Committee's assessment process are set out in the internal regulations published in the Company's corporate governance charter.

4. Shareholder base

4.1. Equity and shareholder base

At the end of the financial year, CFE's share capital amounted to € 41,329,482.42, divided into 25,314,482 shares, with no declared par value. The Company's shares are registered or in electronic form.

The shares are registered until fully paid up. Once fully paid up, they may be converted into shares in electronic form, at the choice and expense of the shareholder.

The registry of registered shares is kept in electronic form and in hard copy. Management of the electronic registry has been entrusted to Euroclear Belgium (CIK SA).

Registered shares may be converted into shares in electronic form and vice-versa on request by their holders and at their expense. Shares in electronic form are converted into registered shares by making the corresponding entry in the register of CFE shareholders. Registered shares are converted into shares in electronic form by entering them into an account in the name of their owner or holder opened with an approved account-keeper or clearing house.

In accordance with the Act of 14 December 2005 on the abolition of bearer shares, CFE shares that had not yet been converted as of right or by their holders by 1 January 2014 were automatically converted into shares in electronic form and registered in a securities account by CFE in its own name.

As of that date, the rights attached to the shares have been suspended until the holders of those shares come forward and arrange for them to be entered in their name in the registry of registered shares or in a securities account held by an approved account-keeper or clearing house.

In pursuance of the Act of 21 December 2013 and in accordance with the provisions thereof, 18,960 shares of which the holder had not made himself known by the day of the sale were automatically sold on Euronext Brussels in July 2015. The proceeds of the sale have been deposited with the Caisse des Dépôts et Consignations until the persons who are able to validly prove ownership of the shares request repayment.

Persons requesting repayment will be liable for a fine of 10% of the sum or value of the shares in question per year overdue from 1 January 2016.

On 1 January 2026, the sale proceeds for which no repayment has been requested will be forfeited to the State.

CFE's equity base as of 31 December 2016 was as follows:

- registered shares	18,405,021
- shares in electronic form	6,909,461
TOTAL	25,314,482

Shareholders owning 3% or more of the voting rights relating to the shares they hold:

Ackermans & van Haaren NV Begijnenvest 113 B-2000 Antwerp (Belgium)	15,289,521 shares or 60.40%
VINCI Construction SAS 5, cours Ferdinand-de-Lesseps F-92851 Rueil-Malmaison Cedex (France)	3,066,460 shares or 12.11%

During the 2016 financial year, CFE received no transparency notification pursuant to the Act of 2 May 2007.

4.2. Shares including special rights of control

At the close of the financial year, no shareholder owned shares with special rights of control.

4.3. Voting rights

Ownership of a CFE share entitles the owner to vote in CFE's general meeting of shareholders and automatically assumes approval of CFE's Articles of Association and the decisions of CFE's general meeting of shareholders. Shareholders' liability for the Company's commitments only extends to the value of the shares held.

The Company recognises only one owner per share as concerns the exercise of rights granted to shareholders. The Company may suspend the exercise of the rights attached to shares held jointly or subject to a life interest or pledge, until a single person is designated as beneficiary of these rights in respect of the Company.

4.4. Exercise of shareholder rights

The company's shareholders have rights conferred by the Belgian Companies Code and by the articles of association. They have the right to attend any of the company's general meetings of shareholders and to vote in them. Each share gives the right to one vote in a general meeting of shareholders. The conditions for being admitted to a general meeting of shareholders are set out in the company's articles of association and are also stated in the notice of meeting.

5. Internal control

5.A Internal control and risk management

5.A.1. Introduction

5.A.1.1 Definition – frame of reference

"Internal control may be defined as a system developed by the management body and implemented under its responsibility by executive management. It contributes to good management of the company's activities, the effectiveness of its operations and the efficient use of its resources, as a function of the goals, size and complexity of the company's activities.

More particularly, the internal control system aims to ensure:

- *the application (execution and optimisation) of the policies and goals set by the management body (e.g. performance, profitability, protection of resources, etc.);*
- *the reliability of financial and non-financial information (e.g. preparation of the financial statements, the management report, etc.;*
- *compliance with laws, regulations and other legal texts (e.g. the Articles of Association)."*

(Excerpt from the guidelines relating to the Belgian act of 6 April 2010 and the Belgian Code of Corporate Governance (2009) published by the Corporate Governance Commission - version 10/01/2011, page 8).

Like any other control system however, the internal control system, no matter how well designed and applied, cannot guarantee the absolute elimination of such risks.

5.A.1.2 Scope of application of internal control

The internal control system applies to CFE and the subsidiaries included in its scope of consolidation.

In 2016, the boards of directors of Rent-A-Port, Green Offshore (formerly RAP Energy) and Groep Terryn were responsible for internal control at those companies. However, CFE seeks to encourage the application of its own best practices through its representatives on these boards.

5.A.2. Organisation of internal control

CFE's business activities require the teams exercising them to be close to their clients. To enable each entity manager to take the appropriate operating decisions rapidly, a decentralised organisation has been set up in the Dredging, Contracting and Real Estate Development divisions.

CFE's organisational structure necessitates delegating authority and responsibility to operational and functional participants at every level of the organisation. This delegation of powers to the operational and functional management is exercised in compliance with CFE's principles of conduct and operation:

- strict compliance with the rules common to the entire group regarding entering into commitments, taking risks, accepting new business, and reporting financial, accounting and management information;
- transparency and loyalty of managers to their line management and functional departments;
- compliance with all the laws and regulations applicable in countries where the group operates, regardless of the particular subject;
- communication of the group's rules and guidelines to all employees;
- safety of people (employees, service providers, subcontractors, etc.);
- efforts to enhance financial performance.

Following the legal reorganization of the group, which was finalized in November 2015, internal control is now organized as follows:

- At CFE SA which, besides its role as holding company, groups together the activities of i) International Buildings (except Poland, Luxembourg and Tunisia), ii) non-marine civil engineering in Belgium, and iii) PPP-Concessions (section 5 A 2.1)
- At DEME NV, which manages the activities of Dredging and Environment (section 5 A 2.2)
- At CFE Contracting SA, which manages the activities of Contracting (section 5 A 2.3)
- At BPI SA, which manages the activities of Real Estate Development (section 5 A 2.4)

5.A.2.1 CFE SA

a. Holding

Participants in the internal control system

- **CFE's Board of Directors** is a collegial body responsible for controlling the company's management, setting strategic guidelines for it and ensuring the company's satisfactory operation. It considers all major matters pertaining to the group. The Board of Directors has set up specialised committees handling the auditing of financial statements, along with remuneration and appointments.
- **The two managing directors**, who are in charge of the daily management of the company, are entrusted with the implementation of the group's strategy as defined by the Board of Directors.
- A Steering Committee for DEME's activities ('**Steering Committee DEME**'), consisting of:
  - a managing director of CFE;
  - DEME's CEO, director of CFE and of DEME;
  - the CFO of CFE

  The role of the Steering Committee DEME is described in section 5.A.2.2.
- The **financial management**, which has a limited structure appropriate to the group's decentralised organisation, is tasked establishing and ensuring correct application of group rules and procedures and decisions made by the managing directors.
- The **management control and consolidation department**, which reports to the group's finance department, is responsible for producing and analysing financial and accounting information for dissemination both inside and outside the group and for ensuring its reliability.

In particular, it is responsible for the:

- production, validation and analysis of the interim and annual consolidated financial statements and provisional data (consolidation of budgets and budget updates);
- definition and monitoring of accounting procedures within the group and application of IFRS standards.

  The management control and consolidation department sets the timetable for the preparation of interim and annual financial statements. These instructions are forwarded to the finance departments of the different entities concerned and accompanied by information or training sessions.

  The management control and consolidation department is responsible for the accounting treatment of complex operations and ensures that they are validated by the Statutory Auditor.

- The **Statutory Auditor** informs the Audit Committee of any observations concerning the interim and annual financial statements before they are presented to the Board of Directors.

Procedures relating to monitoring operations

The divisions have their own operations control systems suited to the specific features of their activity.

Key performance indicators relating to sales, order intake, the order book and net financial debt is drawn up every month by the finance department on the basis of information forwarded by the various operational entities.

The managers of the various entities prepare a monthly report on key facts.

The budget procedure is common to all the group's divisions and their subsidiaries. It includes four annual meetings:

- the initial budget presented in November of year N-1;
- the first budget update presented in April of year N;
- the second budget update presented in July/August of year N;
- the third update presented in October of year N.

These meetings, which are attended by CFE's managing directors, CFE's CFO, the head of management control and consolidation, the CEO of the division concerned, the managing director or general manager of the entity concerned, its COO and CFO, examine:

- the volume of business for the financial year in progress and the status of the order book;
- the latest financial statements that were communicated (balance sheet and income statement);
- the foreseeable profit margin of the profit centre, with details of profit margins per project;
- the analysis of the main balance sheet items;
- the analysis of current risks including an exhaustive presentation of legal disputes;
- the status of guarantees given;
- the investment or divestment requirements;
- the cash position and projected changes in the next 12 months.

For DEME, Rent-A-Port and Green Offshore, that information is passed on to CFE through its representatives on the Audit Committees of those entities.

b. Activities that have not been transferred

The two managing directors are tasked with monitoring and controlling the activities that have not been transferred, namely PPP-Concessions, non-marine civil engineering in Belgium, and the International Buildings segment except Luxembourg, Poland and Tunisia.

They implement the strategy defined by CFE's Board of Directors, whose prior formal consent is required for each new project.

They are assisted in their task by the CFO, the human resources manager, and by the manager of CFE International.

5.A.2.2 DEME

CFE controls its dredging subsidiary at five different levels:

- The **Board of Directors** is composed of seven directors, who are also directors of CFE. The Board of Directors controls the management, adopts the half-yearly and annual financial statements, and approves, among other things, the strategy and investment policy of DEME. The Board of Directors met eight times in 2016;
- The **Technical Committee** is composed of the CEO, COO, CFO and senior management of DEME, as well as two representatives of CFE (a director of CFE and the chairman of CFE's Risk Committee). This committee monitors the main projects and pending lawsuits. It also prepares investment proposals;
- The **Risk Committee** numbers two representatives of CFE among its members (a director of CFE and the chairman of CFE's Risk Committee), as well as the CEO, COO, CFO and senior management of DEME. The Risk Committee analyzes and approves all binding offers involving an amount of over € 100 million (dredging works) or € 25 million (non-dredging works);
- The **Audit Committee** numbers three representatives of CFE among its members (a director, the CFO and the head of management control and consolidation). The Audit Committee reviews the financial statements of DEME, the evolution of the results of the various projects, and the budget updates at each quarterly closing. It may also be convened to review specific financial matters. It met five times in 2016;
- Finally, the **Steering Committee DEME** which is tasked with reviewing the investment proposals prepared by the Technical Committee and preparing the meetings of DEME's Board of Directors.

As in the past, the internal control system of DEME is implemented by its CEO, COO and CFO with the support of the Management Team and under the responsibility of the Board of Directors.

In this connection, DEME has taken several initiatives to strengthen internal control over its activities, such as:

- The implementation of the BI tool continued in 2016 with the set up of an interface with the consolidation software;
- The short and long-term loan agreements have been entirely reviewed and the contractual clauses have been harmonized. A new cash management tool has been implemented as well;
- At the beginning of 2016, the Opportunity and Risk Management (ORM) department successfully implemented the new ORM tools and procedures in all the DEME entities. The risks and opportunities are now assessed and adapted in a transparent and uniform manner from the tendering stage until the final completion of the projects. This new approach is now part of the corporate culture;
- The implementation of a cash pool system within DEME continued: the EURO cash pool for the Belgian entities was extended to include foreign currencies, while the cash pool for the non-Belgian entities was launched in Luxemburg and Singapore;
- With the help of an external consultant, the general expenses of the DEME group were subjected to an in-depth review in order to improve the budgetary processes and to achieve sustainable cost reductions.

5.A.2.3 CFE Contracting

a. Participants in the internal control system

1. The Board of Directors

The **Board of Directors** of CFE Contracting is composed of four directors (the two managing directors of CFE, the Chairman of the Executive Committee of CFE Contracting, and a representative of the controlling shareholder). The Board of Directors controls the Executive Committee, adopts the half-yearly and annual financial statements, and defines the division's strategy.

2. The Executive Committee

The **Executive Committee** of CFE Contracting is in charge of the daily management of the division and the implementation of the strategy defined by the Board of Directors.

The Executive Committee is chaired by the CEO of CFE Contracting and comprised as of 31 December 2016 the CFO of CFE, the managing director of CFE Bouw Vlaanderen (who is also general manager of the Multitechnics and Rail Infra & Utility Networks), and the managing director of CFE Bâtiment Brabant Wallonie.

3. The Risk Committee

Projects with a high risk profile, Construction projects worth more than € 50 million, and Multitechnics or Rail Infra & Utility Networks projects worth more than € 10 million must be approved by the **Risk Committee** before tendering. The Committee reviews the technical, commercial, contractual and financial risks of the projects that are submitted to its scrutiny.

The Risk Committee comprises the following members:

- the managing directors of CFE;
- the CEO of CFE Contracting;
- the chairman of the Risk Committee of CFE;
- the member of the Executive Committee responsible for the subsidiary or the branch;
- the operational or functional representatives of the entity concerned;
- the CFO of CFE;
- a director representing the controlling shareholder

4. The Internal audit

The **internal auditor** is an independent function, and his main task is to support the management and to help it improve the management of the risks and the opportunities for improvement associated with the various business activities of CFE Contracting.

The internal auditor reports in a functional way to the Audit Committee of CFE by submitting the annual audit plan and presenting the main findings of the audits carried out and a follow-up of the action plans. If necessary, additional audit assignments may be carried out at the request of the Audit Committee or of the Executive Committee. In 2016, the main topics covered by the internal audit were safety in the Rail entities (more particularly the safety systems, training and communication), human resources (soft HR aspects such as recruitment and talent management), and contractual risks (vis-à-vis our customers and our subcontractors).

The results of the audits are presented to the members of CFE's Audit Committee and to the Executive Committee (in order to agree the corrective actions to be taken).

The internal auditor is also responsible for keeping the risk identification up to date.

b. Actions taken to improve internal control

In 2016, several initiatives were undertaken to strengthen the internal control of CFE Contracting.

- Update by the Executive Committee of the **corporate governance charter** and the **internal procedures manual** defining the procedures common to all the entities of CFE Contracting. The main changes include, among other things, the implementation of stricter controls for Breyne Act type projects and the addition of a section on information security. Those principles are reflected in the standard operating procedures of each entity of CFE Contracting;
- Continuation of the action plan to **optimise the internal processes** and to generalise good practices within the group, more particularly in the areas of tendering, contract management, purchasing, customer support, process automation, and human resources. Some of those projects led to the creation of permanent Coordination Committees to allow inter-entity exchanges of information relating to specific areas;
- Continuing implementation of an **integrated management system** (ERP) in several entities of CFE Contracting and establishment of an ERP monitoring committee composed of the principal financial and IT officers of the entities.

c. Organisation of internal control in the Construction segment

The different entities of the Construction segment (CFE Bouw Vlaanderen, CFE Bâtiment Brabant Wallonie, CFE Polska, CTE, CLE and Benelmat) have their own **Boards of Directors** composed of the managing directors or general managers of the company concerned, a managing director of CFE, the CFO of CFE, and the CEO of CFE Contracting.

Each entity also has a **Management Committee** responsible for the commercial policy and operational management of the entity.

d. Organisation of internal control in the Multitechnics & Rail Infra & Utility Networks segment

The internal control of the Multitechnics and Rail Infra division is structured around **Boards of Directors** organised by cluster (Electro, HVAC and Rail Infra & Utility Networks) and composed of the respective general managers, the general manager of the segment, the CEO of CFE Contracting, the CFO of CFE, and a managing director of CFE.

5.A.2.4 BPI

a. Participants in the internal control system

The **Board of Directors** has the powers conferred on it by law. It is composed of the managing director of BPI, three directors of CFE (including the two managing directors), and the CFO of CFE.

The Board of Directors has set up an **Investment Committee** tasked with analysing and approving i) investment (or divestment) projects, and ii) the launch of the construction and/or marketing of all real estate projects. The Investment Committee is composed of the directors of BPI, the company secretary and the CFO of BPI. It should be noted that investments or divestments involving amounts of over € 10 million also require the formal consent of the Board of Directors of CFE.

For help with everyday business matters, the **Managing Director** is assisted by a **Steering Committee** composed of the managing director, the CFO of CFE and director of BPI, the CFO of BPI, the company secretary, the development director, the technical director, the director of BPI Luxemburg, and the Bruxelles-Wallonie Project Development Manager.

The real estate projects are systematically reviewed at least once every six weeks at the marketing, technical, legal and financial level.

5.B Risk factors

5.B.1 Operational risks

5.B.1.1 Project execution

The main characteristic of the Dredging and Contracting businesses is the commitment made when submitting a proposal to perform a task that is by its nature unique, for a price with predetermined terms and within an agreed time schedule.

The risk factors therefore relate to:

- the price of the task to be performed and in the event of divergence between the anticipated price and the actual price as a result of variations in the unit prices and/or quantities stated in the tender;
- the possibility (or not) of obtaining coverage for additional costs and price increases;
- design, if this is the contractor's responsibility;
- performance of the contract;
- control of the elements included in the cost price;
- project time schedule and deadlines, internal and external factors that may influence the delivery time;
- performance obligations (quality, schedule) and the related direct and indirect consequences;
- warranty obligations (10-year guarantee, maintenance);
- compliance with safety and other workforce-related obligations that are also extended to service providers.

5.B.1.2 Dredging & Environment

Dredging activities are performed by DEME and its subsidiaries.

DEME is one of the world's leading players in dredging. Its market includes both maintenance dredging and capital (infrastructure) dredging. The latter is particularly related to growth in world trade and decisions on the part of governments to invest in major infrastructure projects.

DEME has also developed a range of services for the oil and gas industry, including protection of offshore facilities and protection of deep-water subsea pipelines and cables.

DEME is also a major player in the development of offshore wind farms, operating in two areas:

- as a concession-holder via minority stakes in concessions;
- as a general contractor specialising in the construction and maintenance of offshore wind farms, capable of providing a comprehensive service to its clients.

DEME also operates in the environmental sector through DEC. This company specialises in the treatment of polluted sludge and sediments, along with the remediation of brownfield sites.

In 2015, DEME decided to set up a new division, comprising two new subsidiaries: DEME Infra Sea Solutions (DISS) and DEME Infra Marine Contractor (DIMCO), specializing in marine and river civil engineering. The establishment of this new division is inspired by DEME's aim to offer global and integrated solutions in dredging and marine civil engineering.

Through DBM (DEME Building Materials), DEME is also active in the aggregate supply market.

Operational risks relating to dredging and reclamation works

In its dredging, reclamation and hydraulic civil engineering operations, DEME faces not only the risks described in section 5.B.1.1, but also various specific operational risks related to:

- determining the type and composition of the earth to be dredged;
- weather conditions, including extreme events such as storms, tsunamis and earthquakes;

- wear and tear affecting equipment;
- technical incidents and breakdowns that may affect the performance of vessels;
- project design and engineering;
- changes in the regulatory framework during the contract, and relations with subcontractors, suppliers and partners

Operational risks related to the development of concessions

As stated above, DEME has for several years been developing an offshore wind farm concession business. In this business, DEME faces specific risks related to these investments:

- unstable regulatory framework;
- technological developments;
- the ability to finance these large projects.

Operational risks related to fleet investments

Dredging is primarily a maritime activity, which is characterised by its capital-intensive nature due to the need for regular investments in new vessels in order to keep the fleet at the leading edge of technology. For this reason, DEME is faced with complex investment decisions and specific operational risks relating to these investments:

- technical design of the investment (type of dredger, capacity, power, etc.) and expertise in new technologies;
- time between the investment decision and commissioning of the vessel, and anticipating future market developments;
- control over construction by the shipyard once the investment decision has been made (cost, performance, conformity, etc.);
- occupancy of the fleet and scheduling of activities;
- financing.

DEME has qualified staff with the capacity to design dredgers and design and execute large-scale projects. Given the very nature of the activity and the many external factors to be taken into account, the risks inherent in this business cannot be completely eliminated.

5.B.1.3 Contracting

The Contracting division encompasses the following activities:

Construction

Construction activity is concentrated in Belgium, Luxembourg, Poland and Tunisia. CFE Contracting specialises in building and refurbishing office buildings, residential properties, hotels, schools, universities, car parks, shopping and leisure centres, hospitals and industrial buildings.

Multitechnics, Rail Infra & Utility Networks

This division operates mainly in Belgium through three clusters:

- tertiary electricity, electromechanical facilities, telecoms networks, industrial automation, the production of low-voltage panels and high-voltage cabinets, electromechanical work for wastewater treatment and pumping stations;
- HVAC (heating, ventilation and air conditioning) facilities, electrical and HVAC maintenance;
- railway and signalling works, energy transportation, public lighting

CFE Contracting has updated the risk identification that was formulated for the first time in October 2013. The assessment was carried out on the basis of three criteria: impact (financial, human and reputation consequences), frequency of occurrence, and level of control, resulting in a representation by specific area, thereby supplying the management with a tool to monitor the risks associated with its activities.

This risk identification is likely to evolve and will be regularly updated. The internal audit programme is defined on the basis of that risk identification, so as to focus more specifically on the areas that need to be prioritised.

The main risks that were identified during the update at year-end 2015 were the following:

- the safety of staff and subcontractors working on the sites. Safety is a major concern associated with the Contracting business, and attention to this issue is a priority for all personnel;
- contractual risk, with a consequent potential increase in the number of legal disputes;
- the availability of supervisory staff, such as project leaders and site supervisors, and the management of their skills.

The operational risks in the activities of the Contracting division are described in section 5.B.1.1.

The next update of the risk identification will take place in 2017.

5.B.1.4 Real Estate Development

BPI has developed its Real Estate Development business in Belgium, Luxembourg and Poland.

Real estate activity is directly or indirectly affected by certain macroeconomic factors (interest rates, propensity to invest, savings, etc.) and political factors (development of supra-national institutions, development plans, etc.) that influence the behaviour of participants in the market, in terms of both supply and demand.

This activity is also characterised by long operating cycles, which means that operators need to anticipate decisions and make long-term commitments.

In addition to general sector risks, each project has its own specific risks:

- choosing land for investment;
- defining the project and its feasibility;
- obtaining the various permits and authorisations;
- controlling construction costs, fees and financing;
- marketing.

5.B.2 Economic climate

The different divisions of CFE are, by their very nature, subject to strong cyclical fluctuations. Nevertheless, this observation must be qualified for each segment or sub-segment of activity, since the key factors can vary between them.

For example:

- Dredging and marine civil engineering activities are sensitive to the international economic climate, trends in world trade and government investment policy as concerns major infrastructure and sustainable development works. Slower growth in one or more of DEME's markets may adversely affect its business levels and earnings;
- Construction activities and real-estate development activities related to the office property market move in line with the traditional economic cycle, while the residential business depends more directly on general economic conditions, consumer confidence and interest rates.

5.B.3 Management and workforce

CFE Contracting suffers from a chronic shortage of qualified supervisory staff and workers. The success of projects, in the study, preparation and execution phases, depends both on employees' qualifications and skills and on their availability in the labour market.

On the talent market, DEME should be able to attract, motivate and retain highly qualified staff to manage projects abroad.

5.B.4 Market risks

5.B.4.1 Interest-rate risk

CFE, DEME and BPI make major investments extending over long periods of time. In this context and in terms of the availability of long-term credit, project finance or major capital expenditure, those entities apply a policy of interest rate hedging where necessary. Nevertheless, interest-rate risk cannot be entirely eliminated.

5.B.4.2 Exchange-rate risk

Given the international nature of its activities and the fact that some contracts are performed in foreign currencies, the different divisions of the group are exposed to exchange-rate risk. To mitigate this risk, they engage in exchange-rate hedging and forward foreign exchange contracts. Nevertheless, exchange-rate risk cannot be entirely eliminated.

5.B.4.3 Credit risk

To reduce underlying solvency risk, CFE, DEME and CFE Contracting check the solvency of their clients when submitting quotations, regularly monitor accounts receivable, and adjust their positions with them where necessary. For clients showing a material credit risk, down payments and/or bank payment guarantees are required before work starts.

In markets outside Europe, if a country is eligible and the risk can be covered by credit insurance, CFE and DEME obtain coverage from organisations specialising in this area, such as Credendo Group.

Nevertheless, credit risk cannot be entirely eliminated.

While DEME, CFE Contracting and BPI are not significantly exposed to credit risk, CFE is confronted with late payments by the Chadian government. The net exposure amounted to € 60 million at year-end 2016.

5.B.4.4 Liquidity risk

In order to limit the liquidity risk, the entities of the CFE group increased their sources of financing, of which there are four:

- bond issues, totalling € 300 million. These consist of Compagnie d'Entreprises CFE SA's € 100 million issue of bonds maturing in 2018, and DEME NV's € 200 million issue of bonds maturing in 2019.
- new medium-term bilateral credit lines which DEME uses to finance its new vessels;
- project-finance loans or leases, which DEME uses to finance some of its vessels and which BPI uses to fund its real estate projects;
- bank loans or commercial paper to cover short and medium-term cash requirements.

CFE complied with all of its financial covenants at 31 December 2016, as did DEME.

5.B.5 Commodity price risks

CFE, DEME and CFE Contracting are potentially exposed to increases in the prices of certain raw materials used in their activities. Nevertheless, such increases should not be likely to have a significantly negative impact on their results. This is because a substantial portion of the contracts of CFE, DEME and CFE Contracting include price revision formulae that enable them to adjust selling prices in line with movements in commodity prices. Furthermore, the activities of CFE Contracting are carried out through a large number of contracts, many of them of short or medium duration which, even in the absence of a price revision formula, limits the impact of a rise in raw material prices. Finally, DEME hedges against rising diesel prices for contracts that do not contain price revision mechanisms.

5.B.6 Risk of dependency on customers/ suppliers

Given the group's activities and its organisational structure, which reflects the local nature of its contracts, CFE considers that, overall, it is not dependent on a small number of clients, suppliers or subcontractors.

5.B.7 Environmental risks

In view of the type of work it is asked to do, CFE Contracting may be involved in handling hazardous materials.

CFE Contracting takes all possible safety and health precautions for its workers and takes particular care over this point, although this risk cannot be entirely eliminated.

Like any company involved in dredging and marine activities, DEME pays particular attention to environmental risks, which fall into two categories:

- disruption to flora and/or fauna or accidental pollution, which can never be totally ruled out despite the very strict prevention measures that the company takes in performing its dredging work;
- DEME subsidiaries operating in the environmental field have to decontaminate highly polluted soils, the extent and exact composition of which is not always easy to establish before the contract starts. In addition, the innovative technologies that DEME uses to remediate soils also carry a degree of risk.

Respect for the environment is one of the fundamental values upheld by the different divisions of CFE, which make every effort to limit the negative environmental impact of their activities.

5.B.8 Legal risks

Given the diversity of their activities and geographical locations, CFE and CFE Contracting are exposed to a complex regulatory environment as concerns the places where services are performed and the fields of activity involved. In particular, they are subject to rules concerning administrative contracts, public and private works contracts and civil liability.

In the construction sector, the builder's liability with respect to 10-year construction guarantees, liability for minor hidden defects and liability for indirect consequential damage – an emerging concept – can be interpreted broadly.

DEME has to deal with a changing and increasingly complex legal framework in certain countries in which it operates.

5.B.9 Political risks

CFE and DEME are exposed to political risks, which fall into various categories: political instability, wars (including civil wars), armed conflicts, terrorism, hostage-taking, extortion and sabotage.

These represent potential threats to the security of CFE's staff and property. As a result, these risks are monitored closely and, if necessary, a project may be stopped if basic security conditions are no longer met. In this case, staff and equipment are transferred to a safer location.

DEME has appointed an Enterprise Security Officer to:

- provide regular updates on potential threats to the security of staff and property;
- help to set up security procedures;
- verify compliance with those procedures;
- coordinate emergency situations when necessary

5.B.10 Risks relating to the protection of intellectual property and know-how

DEME has developed specific know-how and innovative technologies in various areas.

To protect its trade secrets and intellectual property relating to its innovations, DEME has filed numerous patent applications covering over 100 specific applications.

5.B.11 Risks related to special-purpose companies

To carry out some of their real-estate, public-private partnerships and concession activities, CFE, DEME and BPI participate and will continue to participate in special-purpose companies which provide real guarantees in support of their credit facilities. The risk, in the event of the failure of this type of company and exercise of the guarantee, is that the proceeds from such exercise are not sufficient to cover some or all of the amount of shareholders' equity or equivalent used as collateral for setting up the credit facility.

5.B.12 Interest in DEME

CFE's acquisition of control over DEME on 24 December 2013 in no way alters the fact that DEME remains financially autonomous and so CFE does not advance any money or make any guarantee with respect to DEME or vice-versa.

6. Assessment of measures taken by the company in response to the directive on insider trading and market manipulation

CFE's policy on this matter is specified in its corporate governance charter.

A compliance officer (Fabien De Jonge) was appointed and an information programme has been in place since 2006 for senior management and employees who, through their job, have access to privileged information.

7. Transactions and other contractual relationships between the company, including related companies, and directors and executive managers

The policy on this matter is specified in the corporate governance charter.

There is no service contract binding the Board members with CFE or with any of its subsidiaries.

8. Assistance agreement

Ackermans & van Haaren entered into a service contract with CFE and DEME. The fees payable by CFE and by DEME for the 2016 financial year amounted to € 153 thousand and € 1,147 thousand respectively.

9. Audit

The Statutory Auditor is Deloitte Reviseurs d'Entreprises, represented by Michel Denayer and Rik Neckebroek.

At the ordinary general meeting of shareholders on 4 May 2016, shareholders renewed the appointment of the Statutory Auditor, Deloitte Reviseurs d'Entreprises, represented by Michel Denayer and Rik Neckebroek, for a period of three years, ending at the close of the ordinary general meeting of shareholders in May 2019. The fees paid by CFE amounted to € 117 thousand for the 2016 financial year.

Other costs for various assignments invoiced by Deloitte Reviseurs d'Entreprises amounted to € 21 thousand.

In addition, during the 2016 financial year, the costs invoiced by Deloitte for consultancy services amounted to € 127 thousand.

Deloitte audited the accounts of most of the companies within the CFE group.

For the other main groups and subsidiaries, the Statutory Auditor generally obtained the certification reports of those entities' auditors and/or interviewed them, and also performed certain additional checks.

Remuneration paid to the Statutory Auditors in respect of the whole group in 2016, including CFE:

(IN € THOUSANDS)	DELOITTE		OTHER	
	AMOUNTT	%	AMOUNT	%
Audit				
Statutory audit, certification, examination of individual and consolidated accounts	1,700.0	60.07%	840.6	53.68%
Related work and other audits	94.7	3.35%	44.6	2.85%
Subtotal, audit	**1,794.7**	**63.42%**	**885.2**	**56.53%**
Other services				
Legal, tax, corporate	250.9	8.86%	436.3	27.86%
Other	784.3	27.72%	244.4	15.61%
Subtotal, other services	**1,035.2**	**36.58%**	**680.7**	**43.47%**
Total statutory auditors' fees	**2,829.9**	**100%**	**1,565.9**	**100%**

C. Remuneration report

CFE's remuneration policy is designed to attract, retain and motivate staff in the office, technical, manual and managerial categories.

To help the Appointments and Remuneration Committee analyse the competitive situation, along with other factors involved in assessing remuneration, the Committee may use the services of internationally renowned remuneration consultants.

In 2016, a few changes were made to CFE's remuneration policy relative to 2015.

1. Remuneration of the Board and committee members

1.1. Remuneration of Board members

CFE's ordinary general meeting of shareholders of 4 May 2016 approved the payment of annual fees to the Chairman of the Board of Directors and each of the other directors to the amount of € 100,000 and € 20,000 respectively in proportion to the time they were in office.

The general meeting also approved the payment of attendance fees to the directors, with the exception of the Chairman of the Board, to the amount of € 2,000 per meeting.

The remuneration of the members of the Audit Committee and the Appointments and Remuneration Committee remain unchanged.

Board directors are also reimbursed for expenses incurred during the execution of their duties, according to conditions set by the Board of Directors.

The amount of fees paid directly or indirectly to the Board members for carrying out their duties within the group was as follows:

(euros)	FEES CFE SA
C.G.O. SA, represented by Philippe Delaunois	33,880
Renaud Bentégeat	32,000
Piet Dejonghe	32,000
Luc Bertrand	74,896
Koen Janssen	30,000
Christian Labeyrie	28,000
John-Eric Bertrand	32,000
Consuco SA, represented by Alfred Bouckaert	8,776
Ciska Servais SPRL, represented by Ciska Servais	32,000
Leen Geirnaerdt	14,579
Pas de Mots SPRL, represented by Leen Geirnaerdt	8,645
Philippe Delusinne	30,000
Jan Suykens	32,000
Alain Bernard	32,000
Jan Steyaert	8,776
Total	**429,552**

No agreement with any non-executive Board director providing for severance pay has come into force. It will be proposed to the general meeting of 4 May 2017 to maintain the same remuneration policy of the directors and the Chairman of the Board of Directors.

1.2. Remuneration of Audit Committee members

Jan Steyaert	2,000
Consuco SA, represented by Alfred Bouckaert	1,000
Philippe Delusinne	3,000
John-Eric Bertrand	7,000
Christian Labeyrie	4,000
Leen Geirnaerdt	2,000
Pas de Mots SPRL, represented by Leen Geirnaerdt	1,000
Ciska Servais SPRL, represented by Ciska Servais	2,000
Total	**22,000**

1.3. Remuneration of Appointments and Remuneration Committee members

The Appointments and Remuneration Committee consists of non-executive directors, most of whom are independent directors.

Ciska Servais SPRL, represented by Ciska Servais	4,000
Luc Bertrand	2,000
Philippe Delusinne	1,000
Consuco SA, represented by Alfred Bouckaert	1,000
Total	**8,000**

2. CFE management

The CFE group is led by the two managing directors, who are tasked with the daily management of the company, under the supervision of the group's Board of Directors.

They are assisted in their task at holding company level by the group's CFO, Fabien De Jonge, the Human Resources manager, Gabriël Marijsse, and the international manager D2C Partners, represented by Patrick Bonnetain.

The activities of DEME are overseen by a steering committee, composed as before of Renaud Bentégeat, Alain Bernard and Fabien De Jonge.

The Contracting division, which comprises most of the activities of the CFE group in construction, multitechnics and rail, is led by an Executive Committee composed of a CEO, Trorema SPRL, represented by Raymund Trost, and three other members, Frédéric Claes SA, represented by Frédéric Claes, Fabien De Jonge and 8822 SPRL, represented by Yves Weyts.

The activities of Real Estate Development are headed by a managing director, Artist Valley SA, represented by Jacques Lefèvre.

3. Remuneration of members of CFE's executive management

3.1. Remuneration of Renaud Bentégeat, managing director

There were changes in the remuneration policy in 2016. Fixed and variable remuneration and other benefits were examined by the Appointments and Remuneration Committee.

After discussions, and specifically an assessment of performance relating to variable remuneration, the Appointments and Remuneration Committee made recommendations to the Board of Directors, which takes decisions on this matter.

The reference period for the annual variable remuneration of the managing directors (and the other members of the executive management) runs from 1 January to 31 December. Any payments of variable remuneration are made in April of the following year.

In addition to his fee as a Board member, i.e. € 32,000, Renaud Bentégeat, managing director, received gross annual remuneration of € 300,000 in respect of his executive functions within the CFE group. The remuneration of Renaud Bentégeat is governed by French law.

Renaud Bentégeat, managing director, also has the use of accommodation and a car provided by the company, representing a benefit of € 47,580.69 in 2016. In 2016, he benefits from a pension plan with CFE, for which the employer's contribution amounts to € 102,147.

The annual variable remuneration of Renaud Bentégeat is based on the performance of the CFE group as a whole and takes into account the safety performance, financial performance, cash position and reporting quality.

The amount of the annual variable remuneration is capped at 100% of the fixed remuneration, apart from the long-term variable remuneration.

For the 2016 financial year, it was decided to pay Renaud Bentégeat a bonus of € 200,000.

A long-term variable remuneration has been instituted, of which the criteria have been defined by the Appointments and Remuneration Committee. This remuneration will be based on the group's results over three years (2015, 2016 and 2017).

CFE did not award any shares, options or other rights to acquire shares in the company to Renaud Bentégeat, managing director, in 2016.

3.2. Piet Dejonghe, managing director, received no remuneration other than his remuneration as a director

CFE did not award any shares, options or other rights to acquire shares in the company to Piet Dejonghe, managing director, in 2016.

3.3. Remuneration of the other members of CFE's executive management

The remuneration policy is designed to:

- enable the company to attract, motivate and retain high-level and high-potential executive talent,
- foster and reward personal performance.

The proposed fixed and variable remuneration for members of CFE's executive management, other than the managing directors, are scrutinised by the managing directors and the group's HR manager. They are submitted to the Appointments and Remuneration Committee.

The Committee listens to explanations and, after discussions between its members, submits definitive proposals to the Board of Directors, which takes decisions on the matter.

The basic annual salary constitutes fixed remuneration and is based on a scale defined by the CFE Group's wage structure. There is a margin of appreciation as regards matters such as experience, duties, scarcity of technical skills and performance.

For operational members of CFE's executive management, i.e. those responsible for profit centres (subsidiaries), variable remuneration for the 2016 financial year depends on individual performance.

- It is directly related to the financial performance of their area of responsibility, i.e. the net result before tax. This result is compared with a pay scale featuring a fixed amount ranging from zero to 100% of the fixed remuneration, known as the "basic amount".
- Safety performance: quantitative criterion at the rate of 50%, based on zero serious work accidents for any person on site; qualitative criteria at the rate of 50% according to the degree of implementation of the safety plans. The basic amount is reduced by 20% if the targets are not achieved.
- Qualitative performance: individual targets assigned at the beginning of the year.

  The assessment of this 'qualitative' performance is left to the discretion of the Appointments and Remuneration Committee.

  The Board of Directors, at the proposal of the Appointments and Remuneration Committee, may also increase or reduce the amount of the variable remuneration that emerged from the pay scale set at the beginning of the year.

For functional managers, variable remuneration takes account of several factors:

- the CFE Group's comprehensive income,
- the operational performance of their department,
- attainment of specific targets assigned to them at the start of the year by the managing directors,
- variable remuneration may be zero if performance is unsatisfactory.

The reference period for the variable remuneration runs from 1 January to 31 December. Any payments are made in April of the following year.

Remuneration for the operational members of the steering committee of DEME is set by the Board of Directors of DEME as proposed by the Remuneration Committee of DEME, composed of Renaud Bentégeat and Luc Bertrand.

The variable remuneration is based on four criteria: EBITDA, net result, net financial debt, and safety performance.

In 2016, members of CFE's executive management (other than the managing directors), namely Fabien De Jonge, Gabriel Marijsse, D2C Partners represented by Patrick Bonnetain, Alain Bernard, Trorema SPRL represented by Raymund Trost, Fédéric Claes SA represented by Frédéric Claes, 8822 SPRL represented by Yves Weyts, Artist Valley SA represented by Jacques Lefèvre, received:

Fixed remuneration and fees	2,483,171
Variable remuneration	2,124,652
Payments to insurance plans (pension plans, health and accident insurance)	280,481
Company vehicle expenses	34,401
Total	**4,922,705**

Members of CFE's executive management are covered by various types of pension plan. Some are members of defined-benefit plans, which vary according to whether they joined before or after 1 July 1986.

In order to harmonise the treatment of these members, a supplementary defined-benefit plan was set up in 2007. The IFRS service cost for defined-benefit plans amounted to € 92,209 in 2016.

There is also a pension plan that covers members of DEME's steering committee.

CFE has not awarded any shares, options or other rights to acquire shares in the company to members of CFE's executive management in 2016.

The Appointments and Remuneration Committee of the CFE group, with the consent of the Board of Directors, decided to set up a stock option plan for CFE Contracting. The four beneficiaries have accepted the offer, and the term of the options is seven years.

In addition, the Board of Directors, on the advice of the Appointments and Remuneration Committee, decided to set up a stock option plan for BPI (real estate development). The offer was made on 22 December 2016 to two beneficiaries (Jacques Lefèvre and Fabien De Jonge). The term of the options is eight years.

4. Termination benefits

As regards termination benefit rules, in accordance with the Belgian Corporate Governance Act of 6 April 2010, applying as of 3 May 2010 and as agreed with the managing directors and members of CFE's executive management, the ordinary general meeting of shareholders of 04 May 2016 passed the following resolution:

1. The law relating to employment contracts shall apply to persons with "employee" status, and all other existing agreements shall remain in force.

   For employees who are members of the executive management of CFE and DEME and with whom there was no existing agreement relating to termination benefits before 3 May 2010, the period of notice to be given or the amount of severance pay that will be paid in the event of termination of the employment contract (for reasons other than serious misconduct) by the employer shall be determined, in accordance with the Act of 26 December 2013 relating to the introduction of the single status, published in the "Moniteur Belge" on 31 December 2013.

   - Alain Bernard
   - Fabien De Jonge
   - Gabriel Marijsse

2. As regards termination benefits applying after 3 May 2010 and agreed with the managing director and members of CFE's executive management,

   - an agreement came into force on 1 October 2014 for Renaud Bentégeat.

     This agreement, approved by the Board of Directors as proposed by the Appointments and Remuneration Committee, stipulates that if the employment contract is terminated by the employer (for reasons other than serious misconduct) the period of notice to be given or the amount of severance pay that will be paid is to be set at maximum 12 months' remuneration.

   - an agreement came into force on 9 November 2015 for Trorema SPRL, represented by Raymund Trost.

     This agreement, approved by the Board of Directors as proposed by the Appointments and Remuneration Committee, stipulates that if the employment contract is terminated by the employer (for reasons other than serious misconduct) the period of notice to be given or the amount of severance pay that will be paid is to be set at maximum 6 months' remuneration.

   - an agreement came into force on 1 January 2016 for 8822 SPRL, represented by Yves Weyts.

     This agreement, approved by the Board of Directors as proposed by the Appointments and Remuneration Committee, stipulates that if the employment contract is terminated by the employer (for reasons other than serious misconduct) the period of notice to be given or the amount of severance pay that will be paid is to be set at maximum 12 months' remuneration.

3. Agreements existing before 3 May 2010 were as follows:

   - Frédéric Claes SA, represented by Frédéric Claes:

     The amount payable in the event the contract is terminated is consistent with normal market levels.

   - Artist Valley SA, represented by Jacques Lefèvre:

     The amount payable in the event the contract is terminated is consistent with normal market levels.

5. Variable remuneration of members of CFE's executive management

As regards variable remuneration rules, in accordance with the Belgian Corporate Governance Act of 6 April 2010, for periods beginning after 31 December 2010, the shareholders' meeting of 4 May 2016 passed the following resolution:

- For the managing directors and the members of the executive management, the current legislation, which requires variable remuneration to be spread over three years, and its related criteria are not appropriate (and therefore cannot be easily applied) to an executive management of which some members are close to retirement or bridging pension age.

This provision remains applicable to members of CFE's executive management.

6. Information about the right to claw back variable remuneration granted on the basis of incorrect financial information provided by members of CFE's executive management

The contracts between members of CFE's executive management, including those of the managing directors, on the one hand and the company on the other include a right for the company to claw back variable remuneration granted on the basis of incorrect financial information.

D. Policy regarding insurance

CFE SA systematically takes out comprehensive contractor insurance for all construction sites, which gives sufficient cover for operating and post-construction civil liability. The risk of terrorism is not included in this policy.

E. Special reports

No special report was prepared in 2016.

F. Public offer to purchase shares

Pursuant to Article 34 of the Belgian Royal Decree of 14/11/2007 concerning the obligations of issuers of financial instruments listed for trading on a regulated market, Compagnie d'Entreprises CFE SA notes that:

i) the Board of Directors is empowered to increase the authorized capital by a maximum amount of € 2,500,000, it being noted that exercise of this power is limited, in the event of a takeover bid, by Article 607 of the Companies Code;

ii) the Board of Directors is entitled to acquire up to 20% of CFE's shares.

G. Acquisitions and disposals

CFE SA increased its stake in Green Offshore NV (formerly Rent-A-Port Energy NV) to 50% as at 31 December 2016.

In 2016, CFE SA disposed of its stake in Locorail and Coentunnel Company BV.

H. Creation of branches

CFE SA did not set up any branches in 2016.

I. Post-balance sheet events

No significant changes have occurred in the financial and commercial situation of the CFE Group since 31 December 2016.

J. Research and development

DEME carries out ongoing research to increase the efficiency of its fleet. In addition, in partnership with universities and the Flanders region of Belgium, it carried out research into the production of sustainable marine energy. In partnership with private-sector companies, it carries out research into techniques to extract rare materials from the sea.

K. Information on business trends

Given the high level of its order book, DEME expects its revenue to increase strongly in 2017.

The Contracting division is expected in 2017 to confirm the positive trend observed in 2016.

The real estate division should markedly increase net result in 2017.

The result of the Holding and non-transferred activities division will be strongly dependent on how the CFE Group's situation in Chad evolves.

L. Audit Committee

John-Eric Bertrand chairs the Audit Committee as of 4 May 2016. He has been a member of the Audit Committee since 15 January 2015. John-Eric Bertrand studied economics and finance. He has carried out professional activities in a firm of auditors and a strategic consulting firm. He joined Ackermans & van Haaren in 2008 as Investment Manager. In 2015, he became a member of the Executive Committee entrusted with the financial and operational monitoring of several strategic holdings. This confirms John-Eric Bertrand's competence in the areas of finance and auditing.

M. Notice of the general meeting of shareholders of 4 May 2017

The Board of Directors invites all shareholders and bondholders to attend the **ordinary general meeting of shareholders**, which shall take place at the company's head office at 40-42 avenue Herrmann-Debroux, 1160 Brussels, **at 3pm on Thursday 4 May 2017**.

A. Agenda: ordinary business

1. Board of Directors' report for the financial year ended on 31 December 2016

2. Auditor's report for the financial year ended on 31 December 2016

3. Approval of the annual accounts

Proposed resolution:

Approval of the statutory annual accounts for the financial year ended on 31 December 2016.

4. Approval of the consolidated annual accounts

Proposed resolution:

Approval of the consolidated annual accounts for the financial year ended on 31 December 2016.

5. Appropriation of profit – Approval of dividend

Proposed resolution:

Approval to distribute a gross dividend of € 2.15 per share, corresponding to a net dividend of € 1,505 per share. The dividend will be payable as from 25 May 2017.

6. Remuneration

6.1. Approval of the remuneration report

Proposed resolution:

Approval of the remuneration report.

6.2. Annual remuneration of the directors and the auditor

Proposed resolution:

Approval with effect from 1 January 2017 of an annual remuneration for the Chairman of the Board of Directors and for each director, of € 100,000 and € 20,000 respectively, pro rata temporis of the exercise of their mandate during the year.

Approval of the payment of attendance fees to the directors, with the exception of the Chairman of the Board, to the amount of € 2,000 per meeting. The remuneration of the members of the Audit Committee and the Appointments and Remuneration Committee remains unchanged.

Approval to grant the auditor an annual remuneration of € 112,500 for his mandate as auditor of the company. Those fees are indexed annually.

7. Discharge to directors

Proposed resolution:

Discharge to the directors for and in connection with their duties during the financial year ended on 31 December 2016.

8. Discharge to auditor

Proposed resolution:

Discharge to the auditor for and in connection with his duties during the financial year ended on 31 December 2016.

9. Appointments

9.1. The director's mandate of Piet Dejonghe expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Piet Dejonghe for a period of four (4) years, ending after the annual general meeting of May 2021.

9.2. The director's mandate of Renaud Bentégeat expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Renaud Bentégeat for a period of three (3) years, ending after the annual general meeting of May 2020.

9.3. The director's mandate of Luc Bertrand expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Luc Bertrand for a period of four (4) years, ending after the annual general meeting of May 2021.

9.4. The director's mandate of Alain Bernard expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Alain Bernard for a period of four (4) years, ending after the annual general meeting of May 2021.

9.5. The director's mandate of John-Eric Bertrand expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of John-Eric Bertrand for a period of four (4) years, ending after the annual general meeting of May 2021.

9.6. The director's mandate of Koen Janssen expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Koen Janssen for a period of four (4) years, ending after the annual general meeting of May 2021.

9.7. The director's mandate of Jan Suykens expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to renew the mandate of Jan Suykens for a period of four (4) years, ending after the annual general meeting of May 2021.

9.8. The director's mandate of Pas De Mots SPRL, having as its permanent representative Leen Geirnaerdt, co-opted by the Board of Directors at its meeting of 7 October 2016, expires at the ordinary general meeting of 4 May 2017.

Proposed resolution:

Approval to appoint Pas De Mots SPRL, having as its permanent representative Leen Geirnaerdt, for a period of three (3) years, ending after the annual general meeting of 2020. Pas De Mots SPRL and its permanent representative, Leen Geirnaerdt, meet the independence criteria defined in Article 526c of the Companies Code and in the 2009 Belgian Corporate Governance Code.

B. Formalities for attending the ordinary general meeting of shareholders

1. Shareholders wishing to attend the meetings personally

Only shareholders who hold CFE shares at the latest on the 14th day prior to the general meetings, namely on **20 April 2017** at midnight (Belgian time) (the "Registration date"), and who confirm their intention to participate in the ordinary general meeting at the latest by **28 April 2017** at midnight (Belgian time), shall be allowed to attend the meeting, either in person or by proxy.

- **For holders of registered shares**, proof of share ownership on the Registration date shall be evidenced by registration in the CFE register of registered shares on the Registration date. Furthermore, in order to gain admission to the general meeting of shareholders, each shareholder shall be required to fill in the form "Intention de participation"/"Intentie tot deelname", available on the website www.cfe.be, and return it either by letter, for the attention of Mr Fabien De Jonge, Chief Financial Officer, avenue Herrmann-Debroux, 40-42 in 1160 Auderghem, or by e-mail to the following address: general_meeting@cfe.be, at the latest by **28 April 2017** at midnight (Belgian time).
- **For holders of dematerialized shares**, proof of share ownership shall be evidenced by their registration in a share account maintained by an accredited account holder or clearing house on the Registration date. In addition, each shareholder is required to inform his bank of his intention to participate in the ordinary general meeting as well as of the number of shares he wishes to vote with, at the latest by **28 April 2017** at midnight (Belgian time).

2. Shareholders wishing to be represented at the meeting

Each shareholder who owns shares on the Registration date may be represented at the ordinary general meeting.

Shareholders who wish to appoint a representative to represent them at the ordinary general meeting shall be required to complete and sign the proxy form, available on the website www.cfe.be, and to return it either by letter, for the attention of Mr Fabien De Jonge, Chief Financial Officer, avenue Herrmann-Debroux, 40-42 in 1160 Auderghem, or by e-mail to the following address: general_meeting@cfe.be, at the latest by 28 April 2017 at midnight (Belgian time).

If the proxy is sent by e-mail, the proxy-holder must submit the signed original before the start of the meeting.

3. Shareholders wishing to vote by post

Each shareholder who owns shares on the Registration date may be represented at the ordinary general meeting.

Shareholders who wish to vote by post shall be required to complete and sign the postal voting form, available on the website www.cfe.be, and to send it exclusively by post for the attention of Mr Fabien De Jonge, Chief Financial Officer, avenue Herrmann-Debroux, 42 in 1160 Auderghem, at the latest by **28 April 2017** at midnight (Belgian time). The shareholder must indicate his voting preference on the postal voting form.

4. Shareholders wishing to add new items to the agenda or to file resolution proposals

One or more shareholders who together hold at least 3% of the share capital may request the inclusion of items on the agenda for the ordinary general meeting of shareholders as well as file resolution proposals concerning the items to be dealt with already included or to be included on the agenda.

Shareholders who wish to exercise this right to add new items to the agenda or to file resolution proposals must satisfy the following conditions:

- send, at the latest by **12 April 2017** at midnight (Belgian time), their written request either by post, for the attention of Mr Fabien De Jonge, Chief Financial Officer, avenue Herrmann-Debroux, 40-42 in 1160 Auderghem, or by e-mail to the following address: general_meeting@cfe.be;
- join to their request the proof that on the date of their request they do in fact hold, separately or jointly, 3% of all shares. They shall, for this purpose, enclose with their letter either a certificate attesting to the registration of corresponding shares in the register of registered shares which they will have previously requested from the company, or a declaration drawn up by the accredited account holder or the clearing house, certifying the registration in an account, in their name, of the number of corresponding dematerialized shares.
- join to their request the new items to be discussed and the relevant resolution proposals in relation to items added or to be added on the agenda.

If one or more shareholders has requested the inclusion of items and/or proposed resolutions on the agenda, CFE shall publish at the latest by **19 April 2017** an agenda prepared according to the same procedure as this agenda. CFE shall also publish at the same time on its website the proxy voting and postal voting forms with any additional topics and related proposals and/or any standalone proposed resolutions added.

Any proxy forms and postal voting forms sent to the company before **19 April 2017** shall remain valid for the items on the agenda to which they relate. Furthermore, within the context of proxy voting, the representative shall be authorized to vote on the new items on the agenda and/or on the new proposed resolutions, without the need for any new proxy, if the proxy form expressly permits it. The proxy form may also specify that in such cases, the representative is obliged to abstain.

5. Shareholders wishing to ask questions at the general meeting

Each shareholder has the right to put questions to the directors and/or the auditor during the ordinary general meeting. The questions may be asked orally during the meeting or in writing before the meeting.

Shareholders who wish to ask questions in writing before the meeting shall be required to send an e-mail to the company at the latest by 28 April 2017 at midnight (Belgian time) to the following address: general_meeting@cfe.be. Only written questions asked by shareholders who will have satisfied the formalities for admission to the meeting (see item 1), shall receive an answer during the meeting.

6. Right of bondholders to attend the general meetings

Bondholders may attend the ordinary general meeting with a consultative vote only, by proving they are bondholders by producing, on the day of the general meeting, a certificate issued by the financial intermediary with which they hold their bonds.

7. Available documents

Each shareholder and bondholder may obtain free of charge at the registered office of the company (avenue Herrmann-Debroux, 40-42 in 1160 Brussels), during office hours, a complete copy of the financial statements, consolidated financial statements as well as the directors' report, the agenda as well as the forms to vote by proxy and by post, and the form "Intention de participation". Requests for a free copy may also be sent by e-mail to the following address: general_meeting@cfe.be.

8. Website

All information relating to the general meeting of shareholders of 4 May 2017, including all documents related thereto, are available on the company's website at this address: www.cfe.be.

CONSOLIDATED FINANCIAL STATEMENTS

Definitions

Capital employed	Intangible assets + goodwill + property, plant and equipment + working capital
Working capital	Inventories + trade receivables and other operating receivables + other current assets + non-current assets held for sale - other current provisions - trade payables and other operating liabilities - tax payables - other current liabilities
Income from operating activities	Turnover + revenue from auxiliary activities + purchases + wages, salaries and social charges + other operational charges and depreciation and goodwill depreciation
Operating income (EBIT)	Income from operating activities + earnings from associates and joint-ventures
EBITDA	Income from operating activities + amortisation and depreciation + other non-cash items

Consolidated statement of income

FOR THE PERIOD ENDED 31 DECEMBER (IN € THOUSANDS)	NOTES	2016	2015
Revenue	4	**2,797,085**	**3,239,406**
Revenue from auxiliary activities	6	85,794	109,005
Purchases		(1,504,685)	(1,831,454)
Remuneration and social security payments	7	(533,200)	(547,043)
Other operating expenses	6	(384,649)	(482,581)
Depreciation and amortisation	12-14	(232,775)	(255,312)
Goodwill impairment	13	0	(3,116)
Income from operating activities		**227,570**	**228,905**
Earnings from associates and joint ventures	15	(784)	36,759
Operating income		**226,786**	**265,664**
Cost of gross financial debt	8	(31,521)	(31,720)
Other financial expenses & income	8	7,567	(869)
Net financial income/expense		**(23,954)**	**(32,589)**
Pre-tax income		**202,832**	**233,075**
Income tax expense	10	(30,580)	(59,051)
Net income for the period		**172,252**	**174,024**
Attributable to owners of non-controlling interests	9	(3,841)	937
Net income share of the group		**168,411**	**174,961**
Net income of the group per share (EUR) (diluted and basic)	11	6.65	6.91

Consolidated statement of comprehensive income

FOR THE PERIOD ENDED 31 DECEMBER (IN € THOUSANDS)	NOTES	2016	2015
Net income share of the group		**168,411**	**174,961**
Net income for the period		**172,252**	**174,024**
Changes in fair value related to hedging instruments		2,230	(6,366)
Currency translation differences		(340)	(4,088)
Deferred taxes	10	1,143	1,783
Other elements of the comprehensive income to be reclassified to profit or loss in subsequent periods		**3,033**	**(8,671)**
Re-measurement on defined benefit plans	23	(18,901)	(197)
Deferred taxes	10	6,510	1,099
Other elements of the comprehensive income not to be reclassified to profit or loss in subsequent periods		**(12,391)**	**902**
Other elements of the comprehensive income		**(9,358)**	**(7,769)**
Comprehensive income:		**162,894**	**166,255**
- Attributable to owners of the parent		159,178	166,489
- Attributable to owners of non-controlling interests		3,716	(234)
Net income attributable to owners of the parent per share (EUR) (diluted and basic)	11	6.29	6.58

Consolidated statement of financial position

FOR THE PERIOD ENDED 31 DECEMBER (IN € THOUSANDS)	NOTES	2016	2015
Intangible assets	12	95,441	97,886
Goodwill	13	175,169	175,222
Property, plant and equipment	14	1,683,304	1,727,679
Investments in associates and joint ventures	15	141,355	151,377
Other non-current financial assets	16	153,976	129,501
Derivative instruments – Non-current assets	27	510	1,381
Other non-current assets	17	23,518	19,280
Deferred tax assets	10	126,944	103,345
Total non-current assets		**2,400,217**	**2,405,671**
Inventories	19	94,836	77,946
Trade and other operating receivables	20	1,160,306	1,192,977
Other current assets	20	38,430	125,029
Derivative instruments – Current assets	27	2,311	8,514
Current financial assets		48	70
Assets held for sale		19,916	0
Cash and cash equivalents	21	612,155	491,952
Total current assets		**1,928,002**	**1,896,488**
Total assets		**4,328,219**	**4,302,159**
Share capital		41,330	41,330
Share premium		800,008	800,008
Retained earnings		714,527	607,012
Defined benefits pension plans		(19,464)	(7,448)
Hedging reserves		(7,337)	(10,710)
Currency translation differences		(7,505)	(6,915)
Equity attributable to owners of the parent		**1,521,559**	**1,423,277**
Non-controlling interests		14,918	11,123
Equity		**1,536,477**	**1,434,400**
Retirement benefit obligations and employee benefits	23	51,215	41,054
Provisions	24	43,085	44,854
Other non-current liabilities		5,645	17,145
Bonds	26	303,537	305,216
Financial liabilities	26	367,147	398,897
Derivative instruments – Non-current liabilities	27	18,475	33,359
Deferred tax liabilities	10	151,970	150,053
Total non-current liabilities		**941,074**	**990,578**
Current provisions	24	65,113	64,820
Trade & other operating payables	20	1,138,288	1,184,886
Income tax payable		69,398	88,215
Current financial liabilities	26	154,522	110,558
Derivative instruments – Current liabilities	27	23,515	35,146
Liabilities held for sale		6,004	0
Other current liabilities	20	393,828	393,556
Total current liabilities		**1,850,668**	**1,877,181**
Total equity and liabilities		**4,328,219**	**4,302,159**

Consolidated statement of cash flows

FOR THE PERIOD ENDED 31 DECEMBER (IN THOUSAND EURO)	NOTES	2016	2015
Operating activities			
Net income share of the group		168,411	174,961
Depreciation and amortisation of intangible assets, property, plant & equipment		232,775	255,312
Net provision expense		(3,941)	20,938
Impairment on current and non-current assets		9,460	(233)
Unrealized foreign exchange (gains)/losses		10,546	8,531
Interest income & income from financial assets		(26,345)	(23,816)
Interest expense		(42,668)	39,470
Change in fair value of derivative instruments		(4,045)	(6,418)
Income/(losses) from sales of property, plant & equipment		(2,874)	(18,405)
Tax expense		30,580	59,051
Income attributable to non-controlling interests		3,841	(937)
Earnings from associates and joint ventures		784	(36,759)
Cash flow from operating activities before changes in working capital		**376,524**	**471,695**
Decrease/(increase) in trade receivables and other current and non-current receivables		101,481	(93,791)
Decrease/(increase) in inventories		(19,113)	16,286
Increase/(decrease) in trade payables and other current and non-current payables		(128,075)	2,589
Cash flow from operating activities		**330,817**	**396,779**
Interest paid		11,431	(39,470)
Interest received		8,046	8,104
Income tax paid/received		34,092	(30,432)
Net cash flow from operating activities		**384,386**	**334,981**
Investing activities			
Sales of non-current assets		7,138	31,670
Purchases of non-current assets		(188,873)	(276,527)
Acquisition of subsidiaries net of cash acquired		0	0
Variation of the investment percentage in associates		36,456	(556)
Capital increase in investments in associates	15	(19,883)	(22,111)
Sale of subsidiaries		0	20,543
New borrowings given to investments in associates		(49,342)	(11,898)
Cash flow from investing activities		**(214,504)**	**(258,879)**
Financing activities			
Borrowings		216,046	(64,600)
Reimbursements of borrowings		(203,758)	(172,798)
Dividends paid		(60,755)	(50,626)
Cash flow from financing activities		**(48,467)**	**(288,024)**
Net Increase/(Decrease) in cash position		**121,415**	**(211,921)**
Cash and cash equivalents at start of the year	21	491,952	703,501
Exchange rate effects		(1,212)	372
Cash and cash equivalents at end of period	21	**612,155**	**491,952**

Purchases and sales of subsidiaries net of cash acquired do not include entities that are not a business combination (segment Real Estate). They are not considered as investment operations and are directly reflected in cash flows from operating activities.

Consolidated statement of changes in equity

For the period ended 31 December 2016

(IN € THOUSANDS)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	DEFINED BENEFITS PENSION PLANS	HEDGING RESERVES	CURRENCY TRANSLATION DIFFERENCES	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
December 2015	*41,330*	*800,008*	*607,012*	*(7,448)*	*(10,710)*	*(6,915)*	***1,423,277***	*11,123*	***1,434,400***
Comprehensive income for the period			*168,411*	*(12,016)*	*3,373*	*(590)*	***159,178***	*3,716*	***162,894***
Dividends paid to shareholders			*(60,755)*				***(60,755)***		***(60,755)***
Dividends from non-controlling interests								*(794)*	***(794)***
Change in consolidation scope and other movements			*(141)*				***(141)***	*873*	***732***
December 2016	*41,330*	*800,008*	*714,527*	*(19,464)*	*(7,337)*	*(7,505)*	***1,521,559***	*14,918*	***1,536,477***

Change in consolidation scope and other movements are presented among the main transactions described in the preamble.

For the period ended 31 December 2015

(IN € THOUSANDS)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	DEFINED BENEFITS PENSION PLANS	HEDGING RESERVES	CURRENCY TRANSLATION DIFFERENCES	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
December 2014	*41,330*	*800,008*	*488,890*	*(8,350)*	*(6,127)*	*(2,124)*	***1,313,627***	*7,238*	***1,320,865***
Comprehensive income for the period			*174,961*	*902*	*(4,583)*	*(4,791)*	***166,489***	*(234)*	***166,255***
Dividends paid to shareholders			*(50,626)*				***(50,626)***		***(50,626)***
Dividends from non-controlling interests								*(2,094)*	***(2,094)***
Change in consolidation scope and other movements			*(6,213)*				***(6,213)***	*6,213*	***0***
December 2015	*41,330*	*800,008*	*607,012*	*(7,448)*	*(10,710)*	*(6,915)*	***1,423,277***	*11,123*	***1,434,400***

Share capital and reserves

The share capital on 31 December 2016 was divided into 25,314,482 ordinary shares. These shares are without nominal value. The owners of ordinary shares have the right to receive dividends and have one vote per share in Shareholders' General Meetings.

On 23 February 2017, the board of directors proposed a dividend of € 54,426 thousand, corresponding to € 2.15 gross per share.

The final dividend is subject to shareholders approval in the Shareholders' General Meeting. The appropriation of income was not included in the financial statements at 31 December 2016.

The final dividend for the year ended 31 December 2015 was € 2.40 gross per share.

Notes to the consolidated financial statements for the year ended 31 december 2016

Introduction

Consolidated financial statements and notes

The Board of Directors authorized the publication of the CFE group's consolidated financial statements on 28 February 2017.

The consolidated financial statements should be read in conjunction with the Board of Directors' management report.

MAIN TRANSACTIONS IN 2016 AND 2015 AFFECTING THE CFE GROUP'S SCOPE OF CONSOLIDATION

Transactions in 2016

1. Dredging and environment segment

During the year 2016, DEME acquired:

- a 100% stake in the newly created companies GeoSea Infra Solutions GMBH, DEME Concessions Wind BV and DEME Concessions Merkur BV which are fully consolidated;
- a 50% stake in the newly created company COSCOCS – DEME New Energy Engineering Co Ltd which is integrated under the equity method;
- a 49.94% stake in the newly created company Blue Open NV which is integrated under the equity method;
- a 37.45% stake in the newly created company Top Wallonie SA which is integrated under the equity method;
- a 25.47% stake in the newly created company Blue Gate Antwerp Development NV which is integrated under the equity method; and
- a 12.48% stake in the newly created company La Vélorie SA which is integrated under the equity method.

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

DEME Concessions Wind decreased its stake in the company C-Power Holdco from 19.67% to 10%. This company remains integrated under the equity method.

DEME sold its 5% stake in the company Coentunnel Company BV.

The companies Samamedi SPA, 100% held by DEME and the company Power at Sea Thornton NV, 51.10% held by DEME were dissolved.

The companies Kalis SA and Cetraval SA, 74.90% held by DEME have been merged with the company Ecoterres SA, also 74.90% held by DEME.

2. Contracting segment

On June 29th, 2016 CFE Group, through its subsidiary CFE Contracting SA, increased its stake in Groep Terryn NV from 77.5% to 100%. Groep Terryn remains fully integrated.

3. Real estate segment

On April 7th, 2016 CFE Group, through its subsidiary BPI SA, acquired a 100% stake in BPI Barska sp z.o.o. which is fully integrated.

On May 20th, 2016 CFE Group, through its subsidiary BPI SA, increased its stake in Foncière Sterpenich SA from 50% to 100%. This entity is now fully integrated.

On June 30th, 2016 the company Sogesmaint Luxemburg SA, 100% held by Sogesmaint SA was sold.

The companies C.I.W. SA and P.R.N.E. SA, 100% held by BPI Luxemburg SA were dissolved.

The company Immomax Sp z.o.o., a 47% subsidiary of BPI SA, bought 100% of the shares in Immomax II Sp z.o.o. where 47% were bought from CFE Polska Sp z.o.o. and 53% from a third party. Immomax II Sp z.o.o. remains integrated under the equity method.

End 2016, CFE Group, through its subsidiary BPI Luxemburg SA, increased its stake in Ronndriesch 123 SA from 50% to 100%. This entity will be sold in 2017; as a consequence, it is disclosed as "assets and liabilities held for sale" in the consolidated statement of financial position.

4. Holding and non-transferred activities

On June 29th, 2016 CFE SA sold its 25% stake in Locorail NV (project Liefkenshoek tunnel).

On July 13th, 2016 CFE Hungary Kft sold its 50% stake in CFE Betonplatform Kft.

On July 15th 2016, CFE SA increased its stake in Rent-A-Port Energy NV from 45.61% to 50%. Moreover, this company changed its name to Green Offshore NV.

On December 22nd, 2016 CFE SA sold its 18% stake in Coentunnel BV.

Transactions in 2015

1. Dredging and environment segment

During the year 2015, DEME acquired:

- a 100% stake in the newly created company DEME Cyprus Ltd which is fully consolidated;
- a 12.5% stake in the company Merkur Offshore GmbH which is integrated under the equity method;
- an additional 50% stake in the company HGO InfraSea Solutions GmbH & Co KG increasing its stake to 100%. HGO InfraSea Solutions GmbH & Co is now fully consolidated; and
- 100% stake in the newly created companies DEME Infrasea Solutions (DISS) and DEME Infra Marine Contractors (DIMCO) which are fully consolidated.

During 2015, DEME sold all its shares, namely 50%, of the company Flidar NV.

Terramundo Ltd, a 37.45% subsidiary of DEME, has been dissolved in the second half of 2015.

In addition, DEME, through its subsidiary DIMCO, acquired, from CFE SA, a 100% stake in the company CFE Nederland BV. It should be noted that CFE Nederland BV owns 100% of GEKA Bouw BV. Those two companies which have now been consolidated in the dredging and environment segment remain fully consolidated.

2. Contracting segment

On February 10th 2015, the company BPC Design & Engineering SA ("BDE") was created. This company is owned by CFE Bâtiment Brabant Wallonie – CFE BBW SA (99%) and CFE Bouw Vlaanderen NV (1%). CFE group has a 100% stake in both companies. BDE is fully consolidated.

On February 25th 2015, the sale of the road activity in Aannemingen Van Wellen NV was finalised and the stake (100%) is fully transferred to Aswebo, subsidiary of Group Willemen.

On March 2nd 2015, the subsidiary IFCC SA was renamed CFE Contracting SA. In 2016, this company became the leading company of the Contracting Division. In this perspective, stakes in entities operating in construction, multitechnics and rail have been transferred to CFE Contracting SA.

On March 25th 2015, the company "Société de Gestion de Chantiers" (SOGECH SA), a 100% subsidiary of CFE group, was dissolved.

On April 16th 2015, CFE Contracting SA, subsidiary of CFE group, acquired a 100% stake in the newly created company CFE Infra NV. This company is fully consolidated.

On June 30th 2015, CFE acquired a 50% stake of the non-controlling interests of the group Terryn at December 2014. The stake of CFE group increases therefore from 55.04% to 77.51%.

On November 30th 2015, CFE SA sold its entire stake, i.e. 100%, in CFE Nederland BV, to DIMCO, a subsidiary of DEME. It should be noted that CFE Nederland BV owns 100% of GEKA Bouw BV. Those two companies which have now been consolidated in the dredging and environment segment remain fully consolidated.

3. Real estate segment

Given that BPI will become the leading company of the Real Estate Division, during the first semester of 2015, the stakes in the group real estate companies and the real estate assets owned by CFE Immo, branch of CFE SA were sold to BPI SA.

On March 31st 2015, through its subsidiaries BPI and Espace Midi, CFE group sold its stake in the company South City Hotel (20%). This company was integrated under the equity method.

On May 22nd 2015, BPI, subsidiary of CFE group, acquired a 31.2% stake in the company Goodways BVBA with a view to developing a real estate project in Anderlecht. This entity is integrated under the equity method.

On June 25th 2015, CLI, subsidiary of CFE group, acquired 33.3% of the newly created companies in Luxemburg M1 SA and M7 SA. These companies are integrated under the equity method.

On August 31st 2015, BPI, subsidiary of CFE group, sold a 50% stake of the company Pré de la Perche, decreasing its stake from 100% to 50%. This company is now integrated under the equity method.

On October 14th 2015, CFE Immo, sold its entire stake, i.e. 50%, of its subsidiary Immo PA 33 2.

On December 9th 2015, the company Investissement Léopold was dissolved.

Espace Midi, a 20% subsidiary of CFE Immo, was dissolved in the last quarter of 2015.

4. PPP-Concessions segment

During the first six month of 2015, the stake of PPP Branch in Bizerte Cap 3000 SA was diluted from 25% to 20.01%.

1. General policies

IFRS as adopted by the european union

The accounting principles used are the same as those used for the consolidated annual financial statements at December 31, 2015.

STANDARDS AND INTERPRETATIONS APPLICABLE TO THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2016

- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)

- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016)

The application of these standards does not have a significant impact on the consolidated accounts of the group.

STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET APPLICABLE IN THE PERIOD BEGINNING ON 1 JANUARY 2016

The group did not apply early the following standards and interpretations, application of which was not mandatory at 31 December 2016.

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Improvements to IFRS (2014-2016) (applicable for annual periods beginning on or after 1 January 2017 or 2018, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)

The potential impacts of these standards and interpretations on the consolidated accounts of the group are being determined. The Group does not expect these changes to have a significant impact on the Group's financial statements, with the exception of IFRS 15 and IFRS 16.

The IASB published a new standard IFRS 15 Revenue from contracts with customers. This standard will replace IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 defines how and when a company applying IFRS standards should recognise revenues from its activities. An additional explanatory disclosure will have to be provided.

As a consequence, the recognition of revenue from contracts with customers will be ruled by one standard based on a five-step model. The rule will be applicable from January 1st, 2018. To determine the impact of the implementation of the standard, the ongoing contracts will be analysed to identify the performance obligations as defined by IFRS 15. Although the financial impact from the implementation of IFRS 15 cannot be estimated at this point in time, the group expects that revenue recognition can still be based on the principle of the percentage of completion. Timing of revenue recognition could however differ for a limited number of contracts.

IFRS 16 Leases was published in January 2016. This standard, not yet endorsed in EU, defines how a company applying IFRS will account, measure and disclose leases in financial statements. The standard requires from the lessee to account in the statement of financial position all assets and liabilities related to leases with a duration higher than 12 months, except for leased assets having a very low value.

The CFE Group's obligations relating to non-cancellable operating leases are disclosed in note 28. The application of IFRS 16 will lead to:

- an increase of assets and liabilities with the present value of future lease payments,
- an increase of the net financial debt, and
- an increase of the EBITDA as a consequence of the presentation of the expenses from leases as "depreciations and amortisations" and as financial "expenses" instead of in operating expenses.

2. Significant accounting policies

Compagnie d'Entreprises CFE SA (hereinafter referred to as the « Company » or « CFE ») is a Belgian company incorporated and headquartered in Belgium. The consolidated financial statements for the year ended 31 December 2016 include the financial statements of the Company, its subsidiaries (the « CFE group ») and interests in companies accounted for under the equity method.

2.1. Accounting rules and methods

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union.

(B) BASIS OF PRESENTATION

The financial statements are stated in thousands of euros, rounded to the nearest thousand.

Equity instruments and equity derivatives are stated at cost where they do not have a quoted market price in an active market and where other methods of reasonably estimating fair value are clearly inappropriate and/or inapplicable.

Accounting policies are applied consistently.

The financial statements are presented before the appropriation of parent-company income proposed to the Shareholders' General Meeting.

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 amortized;
- 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;
- the measurement of financial instruments at fair value;
- the assessment of control; and
- the qualification of a company acquisition as a business combination or an acquisition of assets.

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.

(C) CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of CFE Group and the financial statements of its subsidiaries and the entities on which it has control. CFE Group controls an entity when:

- it has power over the entity,
- it is exposed to variable returns from the controlled entity,
- it has the ability to exert power over the entity in order to influence the returns obtained.

If CFE Group doesn't have the majority of voting rights in an entity, it is presumed to have enough rights to exert power over the entity if it has the ability to manage on its own the core businesses of the entity. CFE Group takes into account all facts and circumstances when it assess if the voting rights held are enough to give the power to manage the entity, including the followings:

- the voting rights held by CFE Group compared to the voting rights held by the other partners and how there are spread among them,
- the potential voting rights held by the Group and by other stakeholders,
- the rights given by other agreements,
- other facts and circumstances, if any, that proves the Group's ability (or inability) to manage the entity's core businesses when decisions have to be taken, included the votes of previous shareholder's meetings.

An entity is consolidated from the moment when the Group has control and is removed from the scope of consolidation when the group loses control over the entity. Revenues and expenses of a subsidiary acquired during the period are included in the consolidated income statement from the moment when the group obtained the control until the moment when the control is lost.

If necessary, adjustments are made to statutory accounts of subsidiaries in order to align their accounting methods to the ones used by the Group. All assets and liabilities, equity, revenues, expenses and cash flows related to transactions between groups companies are eliminated in the consolidated financial statements.

Changes in the group's interest in a subsidiary that do not result in a loss of control are recognized as equity transactions. The carrying amounts of the group's interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Group grants an option to sell to the non-controlling interests of a subsidiary (i.e. where the non-controlling interests have a « put »), the related financial liability is deducted initially from non-controlling interests in equity.

Associated companies are those in which the CFE 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 an arrangement whereby the parties having joint control over the entity have rights to the entity's net assets. A joint control consist in sharing the control over an entity among different parties based on legal agreements and where all decisions related to core businesses require the agreement of all parties.

Assets, liabilities, revenues and expenses from joint-ventures and joint-operations are accounted for under the equity method in the consolidated financial statements unless the interest in the associate is, partly or fully, classified as held-for-sale. In that case, it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint-venture or joint-arrangement 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. If the interest in the losses of an associate is higher than its investment, CFE Group does not record its share in the future losses. Additional losses are recorded only if there is an obligation (legal or not) to give financial support to the entity.

Interests in joint ventures or joint arrangements are accounted for under the equity method from the date when the entity becomes a joint venture or joint arrangement. 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.

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. A joint control consist in sharing the control on an entity among different parties based on legal agreements and where all decisions related to core businesses require the agreement of all parties to be taken. When a CFE Group entity starts activity in a joint operation, CFE recognizes 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, including its share of any expenses incurred jointly.

(D) FOREIGN CURRENCIES

(1) Transactions in foreign currencies

Transactions in currencies other than the euro are recognized at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Gains and losses resulting from the creation of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate on the transaction date.

(2) Financial statements of foreign entities

The assets and liabilities of CFE group companies whose functional currencies are other than the euro are translated into euros at the exchange rate on the balance sheet date. Income statements of foreign entities, excluding foreign entities in hyperinflationary economies, are translated into euros at an average exchange rate for the year (approximating the foreign exchange rates prevailing at the dates of the transactions).

Components of shareholders' equity are translated at historical rates.

Translation differences arising from this translation are recognized in the comprehensive income and these differences are recognized in the income statement in the year during which the entity is sold or liquidated.

(3) Exchange rates

CURRENCIES	2016 CLOSING RATE	2016 AVERAGE RATE	2015 CLOSING RATE	2015 AVERAGE RATE
Polish zloty	4.4103	4.3634	4.265	4.184
Hungarian forint	309.83	311.4155	315.379	309.960
US dollar	1.0541	1.1067	1.087	1.110
Singapore dollar	1.5234	1.5276	1.535	1.526
Qatari rial	3.8402	4.0292	3.958	4.042
Romanian leu	4.5390	4.4904	4.524	4.441
Tunisian dinar	2.4260	2.3757	2.211	2.178
CFA franc	655.957	655.957	655.957	655.957
Australian dollar	1.4596	1.4882	1.490	1.478
Nigerian naira	321.7500	286.5937	216.39	219.56
Moroccan Dirham	10.6860	10.8542	10.797	10.813
Turkish Lira	3.7072	3.3443	3.175	3.020

Units of foreign currency per euro

(E) INTANGIBLE ASSETS

(1) Research and development costs

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement as an expense as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, the company has sufficient resources to complete development and the expenses can be reliably identified.

Capitalized expenditure includes all costs directly attributable to the asset necessary for its creation, production and preparation in view of its intended use. Other development expenditures are recognized as an expense as incurred.

Capitalized development expenditures are stated at cost less accumulated amortisation (see below) and impairment.

(2) Other intangible assets

Other intangible assets acquired by the company are stated at cost less accumulated amortisation (see below) and impairment. Expenditure on internally generated goodwill and brands is recognized as an expense as incurred.

(3) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it enables the assets to generate future economic benefits over and above the performance level defined at the outset. All other expenditures are expensed as incurred.

(4) Amortisation

Intangible assets are amortized using the straight-line method over their estimated useful lives at the following rates:

• Minimum	5%	Operating concessions
•	33.33%	Software applications

(F) BUSINESS COMBINATIONS

Acquisitions of subsidiaries and companies are accounted for using the acquisition method. The consideration transferred in relation to a business combination is measured at fair value, and expenses related to the acquisition are generally taken to income when incurred.

When consideration transferred by the group in relation to a business combination includes contingent consideration, this contingent consideration is measured at its fair value on the acquisition date. Changes in the fair value of contingent consideration that relate to adjustments in the measurement period (see below) are recognized retrospectively; other changes in the fair value of the contingent consideration are recognized in the income statement.

In a business combination that takes place in stages, the group must remeasure the stake it previously held in the acquired company at fair value on the date of acquisition (i.e. the date on which the group obtained control) and recognize any gain or loss in net income.

On the date of acquisition, identifiable assets acquired and liabilities assumed are recognized at fair value on that date with the exception of:

- deferred tax assets or liabilities and assets and liabilities related to employee benefit arrangements, which are recognized and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee benefits) respectively;
- liabilities or equity instruments related to payment agreements based on shares in the acquired company or payment agreement based on shares in the group formed to replace payment agreements based on shares in the acquired company, which are measured in accordance with IFRS 2 (Share-based Payment) on the date of acquisition;
- assets (or groups intended to be sold) classified as held-for-sale under IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), which are measured in accordance with this standard.

If the initial recognition of a business combination is unfinished at the end of the financial reporting period during which the business combination occurs, the group must present provisional amounts relating to the items for which recognition is unfinished. These provisional amounts are adjusted during the measurement period (see below), or the additional assets or liabilities are recognized to take into account new information obtained about the facts and circumstances prevailing at the acquisition date and which, if they had been known, would have had an impact on the amounts recognized at that date.

Adjustments in the measurement period are a consequence of additional information about the facts and circumstances prevailing at the date of acquisition obtained during the "measurement period" (maximum of one year from the acquisition date).

(1) Goodwill

Goodwill arising from a business combination is recognized as an asset on the date on which control was obtained (the acquisition date). Goodwill is measured as the excess of consideration transferred, 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 acquirer's recognized identifiable net assets. The basis of measurement is selected on a transaction-by-transaction basis.

Goodwill is not amortized, 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 expressed in the currency of the subsidiary to which it relates. If the recoverable amount of the cash-generating unit is less than its carrying amount, the loss of value is first charged against any goodwill allocated to this unit, and then to any other assets of the unit in proportion to the carrying amount of each of the assets included in the unit. Goodwill is stated on the balance sheet at cost less impairment. 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.

For companies accounted for under the equity method, the carrying amount of goodwill is included in the carrying amount of the investment in such companies.

(2) Negative goodwill

If 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 acquire and the fair value of the stake in the acquire previously owned by the group (if any), the surplus is recognized immediately in the income statement as a gain from a bargain purchase.

(G) PROPERTY, PLANT AND EQUIPMENT

(1) Recognition and measurement

All property, plant and equipment are recorded in assets only when it is probable those future economic benefits will accrue to the entity and if its cost can be measured reliably. These criteria are applicable at initial recognition and in relation to subsequent expenditure.

All property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment losses.

Historical cost includes the original purchase price, borrowing costs incurred during the construction period, and related direct costs (e.g. non recoverable taxes and transport costs). The cost of self-constructed assets includes the cost of materials, direct labour costs and an appropriate proportion of production overheads.

(2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits resulting from the item of property, plant and equipment. Repairs and maintenance costs that do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

(3) Depreciation

Depreciation is calculated from the date the asset is available for use, according to the straight-line method and over the estimated economic useful life of the asset:

trucks:	3 YEARS
other vehicles:	3–5 YEARS
other equipment:	5 YEARS
IT hardware:	3 YEARS
office equipment:	5 YEARS
office furniture:	10 YEARS
buildings:	25–33 YEARS
cutter dredgers and suction dredgers:	18 YEARS WITH RESIDUAL VALUE OF 5%
floating dredgers and navigator boats:	25 YEARS WITH RESIDUAL VALUE OF 5%
landing stages, boats, ferries and boosters:	18 YEARS WITHOUT RESIDUAL VALUE
cranes:	12 YEARS WITH RESIDUAL VALUE OF 5%
excavators:	7 YEARS WITHOUT RESIDUAL VALUE
pipes:	3 YEARS WITHOUT RESIDUAL VALUE
chains and site installations:	5 YEARS
various site equipment:	5 YEARS

Land is not depreciated as it is deemed to have an indefinite life.

Borrowing costs directly linked to the acquisition, construction or production of an asset that requires a long time of preparation are included in the cost of the asset.

(4) Recognition of the dredger fleet

The acquisition cost is divided into two parts: a vessel component (92% of the acquisition cost), which is depreciated using the straight-line method and a depreciation rate that depends on the kind of vessel, and a maintenance component (8% of the purchase), which is depreciated over 4 years using the straight-line method. For the "Jack-Up" vessels, it is estimated that the electrical rack and pinion jacking system as well as the crane are depreciated over a period of 10 years using the straight-line method.

When a vessel is acquired, spare parts are capitalized as a proportion of the purchase up to a maximum of 8% of the total vessel acquisition cost (100%), and are depreciated using the straight-line method over the remaining useful life from the date the asset is available for use.

Certain repairs are capitalized and depreciated using the straight-line method over 4 years from the time the vessel starts sailing again.

(H) INVESTMENT PROPERTY

An investment property is a property held to generate rent, to achieve capital appreciation or both.

An investment property is different from an owner- or tenant-occupied property since it generates cash flows that are independent of the company's other assets.

Investment properties are measured on the balance sheet at cost, including borrowing costs incurred during the construction period, less depreciation and impairment.

Depreciation is calculated from the date the asset is available for use, according to the straight-line method and at a rate corresponding to the estimated economic useful life of the asset.

Land is not depreciated as it is deemed to have an indefinite life.

(I) LEASES

Where a lease transfers substantially all of the benefits and risks inherent in the ownership of an asset, it is regarded as a finance lease.

Assets held through finance leases are recognized at the lower of the present value of the minimum lease payments estimated at inception of the lease, or the fair value of the assets less accumulated depreciation and impairment losses.

Each lease payment is allocated between repayment of the debt and an interest charge, so as to achieve a constant rate of interest on the debt throughout the lease period. The corresponding obligations, net of finance charges, are recognized under financial debts. The interest element is expensed over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over their useful lives or the term of the lease if the lease does not specify transfer of ownership at the end of the lease period.

Leases where the lessor retains all the benefits and risks inherent in owning the asset are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any compensation paid to the lessor is recognized as an expense in the period in which termination takes place.

(J) FINANCIAL ASSETS

Each category of investment is recognized at its acquisition date.

(1) Available-for-sale investments

This category includes available-for-sale shares in companies over which the CFE group has neither significant influence nor control. This is generally the case where the group owns fewer than 20% of the voting rights. Such investments are recognized at their fair value unless fair value cannot be reliably determined, in which case they are recognized at cost less impairment losses. Impairment losses are taken to income. Changes in fair value are recorded in the comprehensive income. When an investment is sold, the difference between the net disposal proceeds and the carrying amount is taken to income.

(2) Loans and receivables

(2.1) Investments in debt securities and other investments

Investments in debt securities are classified as held-for-trading financial assets and are measured at their amortized cost, determined on basis of the "effective interest rate method". The effective interest rate method is used to calculate the amortized cost of a financial asset or liability and to allocate interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the future expected life of the financial instrument or, where appropriate, a shorter period, in order to obtain the net book value of the asset or financial liability. Gains or losses are recognized in the income statement. Impairment losses are taken to income.

Other investments held by the company are classified as being available-for-sale and are recognized at fair value. Gains or losses resulting from a change in the fair value of these financial assets are taken to others elements of the comprehensive income. Impairment losses are taken to income.

(2.2) Trade receivables

See section (L).

(3) Financial assets designated as at fair value through profit and loss

Derivative instruments are recognized at fair value through profit and loss unless there is documentation supporting hedge accounting (see section X).

(K) INVENTORIES

Inventories are measured at the lower of weighted average cost and net realisable value.

The cost of finished products and work in progress comprises raw materials, other production materials, direct labour, other direct costs, borrowing costs incurred where the asset involves a long period of construction, and an allocation of fixed and variable production overheads based on the normal capacity of production facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion costs and costs to sell.

(L) TRADE RECEIVABLES

Trade receivables are carried at cost less impairment losses. At the end of the accounting period, impairment losses are recognized on receivables where settlement is uncertain.

(M) CONSTRUCTION CONTRACTS

Where the profit or loss of a construction contract can be estimated reliably, contract revenue and expenses, including borrowing costs incurred where the contract exceeds the accounting period, are recognized in the income statement in proportion to the contract's percentage of completion at the closing date. The percentage of completion is calculated using the « cost to cost » method. An expected loss on the construction contract is immediately expensed.

Under the percentage of completion method, contract revenue is recognized as revenue in the income statement in the accounting periods in which the work is performed. Contract costs are recognized as an expense in the income statement in the accounting periods in which the work to which they relate is performed.

Costs incurred that relate to future activities on the contract are capitalized if it is probable that they will be recovered.

The CFE group has taken the option to present information related to construction contracts separately in the notes, but not on the balance sheet.

(N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and time deposits with an original maturity date of less than three months.

(O) IMPAIRMENT

The carrying amounts of non-current assets - other than financial assets that fall within the scope of IAS 39, deferred tax assets and non-current assets held for sale - are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets with an indefinite useful life and goodwill, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are taken to income.

(1) Estimates of recoverable amounts

The recoverable amount of receivables and held-to-maturity investments is the present value of future cash flows, discounted at the original effective interest rate applicable to these assets.

The recoverable amount of other assets is the greater of fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows.

In assessing value in use, estimated future cash flows are discounted using a pre-tax interest rate that reflects both current market interest rates and risks specific to the asset.

For assets that do not generate cash flows themselves, the recoverable amount is determined for the cash-generating units to which the assets belong.

(2) Reversal of impairment

An impairment loss in respect of receivables or held-to-maturity investments is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Impairment losses in respect of goodwill are never reversed. Impairment losses on other assets are only reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss can only be reversed to the extent that the asset's carrying amount, which has increased subsequent to the impairment, does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(P) SHARE CAPITAL

Purchases of own shares

When CFE shares are bought by the company or a CFE group company, the amount paid, including costs directly attributable to the purchase, is deducted from equity. Proceeds from selling shares are directly included in equity, with no impact on the income statement.

(Q) PROVISIONS

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, when it is probable 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 recognized as provisions corresponds to the best estimate of the necessary expenditure to settle the current obligation at the balance sheet date. This estimate is obtained by using a pre-tax interest rate that reflects current market rates and the risks specific to the liability.

Provisions for restructuring are recognized when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions are not set aside for costs relating to the company's normal continuing activities.

Current provisions are provisions directly linked to each business line's own operating cycle, whatever the expected time of settlement of the obligation.

Provisions for after-sales service cover CFE group entities' commitments under statutory warranties relating to completed projects. They are estimated statistically on the basis of expenses incurred in previous years or individually on the basis of specifically identified problems. Provisions for after-sales services are recognized from the time that works begin.

A provision for onerous contracts is recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provisions for disputes connected with operations mainly relate to disputes with customers, subcontractors, joint contractors or suppliers. Provisions for other current liabilities mainly comprise provisions for late delivery penalties and for other risks related to operations.

Non-current provisions correspond to provisions not directly linked to the operating cycle and whose maturity is generally greater than one year.

(R) EMPLOYEE BENEFITS

(1) Post-employment benefits

Post-employment benefits include pension plans and life insurance.

The company operates a number of defined-benefit and defined-contribution pension plans throughout the world.

In Belgium, some pension plan based on defined contribution plans are subject to a minimum guaranteed return by the employer and are therefore qualified as defined benefit plans.

The assets of these plans are generally held by separate institutions and are generally financed through contributions from the subsidiaries concerned and from employees. These contributions are determined on basis of recommendations from independent actuarial.

Post-employment benefits are either funded or non-funded.

a) Defined-contribution pension plans

Contributions to these pension plans are recognized as an expense in the income statement when incurred.

b) Defined-benefit pension plans

For these pension plans, costs are estimated separately for each plan using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

Under this method, the cost of providing pensions is charged to the income statement so as to spread the cost evenly over the remaining careers of employees covered by the plan, in accordance with the advice of actuaries who carry out a full assessment of these plans every year. The amounts charged to the income statement consist of current service cost, interest cost, the expected return on plan assets and past service cost.

The pension obligations recognized on the balance sheet are measured as the present value of the estimated future cash outflows, discounted at a rate corresponding to the yield on high-quality corporate bonds with a maturity similar to that of the pension obligations, less any unrecognized past service costs and the fair value of plan assets.

Actuarial gains and losses are calculated separately for each defined-benefit plan. Actuarial gains and losses comprise the effects of differences between actuarial assumptions and actual figures, and the effects of changes in actuarial assumptions.

Actuarial gains and losses on assets or liabilities relating to post-employment benefits and resulting from experience adjustments and/or changes in actuarial assumptions are immediately taken to the others elements of the comprehensive income in the period in which they arise. These gains, losses and changes in the extent of recognized assets are presented in the statement of comprehensive income.

Interest expenses resulting from the accretion effect relating to pension obligations and similar liabilities, and financial income resulting from the expected return on plan assets, are recognized in the income statement under financial items.

The introduction of or changes to a new post-employment benefit plan or other long-term plans may increase the present value of the obligation with respect to defined-benefit plans for services rendered in previous periods, i.e. the past service cost. The past service cost related to post-employment benefit plans is recognized in income on a straight-line basis over the average period until the related benefits are received by employees. Benefits received after the adoption of or changes to a post-employment benefit plan, and past service costs relating to other long-term benefits, are immediately taken to income.

Actuarial calculations related to post-employment obligations and other long-term benefits are carried out by independent actuaries.

(2) Bonuses

Bonuses granted to company employees and senior executives are based on targets relating to key financial indicators. The estimated amount of bonuses is recognized as an expense in the year to which they relate.

(S) FINANCIAL LIABILITIES

(1) Liabilities at amortized cost

Interest-bearing borrowings are recognized at their initial amount less attributable transaction costs. Any difference between this net amount (after transaction costs) and repayment value is recognized in the income statement over the life of the loan, using the effective interest-rate method. See section J 2.1 for the definition of this method.

(2) Financial liabilities designated as at fair value through profit and loss

Derivative instruments are recognized at fair value through profit and loss unless there is documentation supporting hedge accounting (see section X).

(T) TRADE AND OTHER PAYABLES

Trade and other current payables are measured at nominal value.

(U) INCOME TAX

Income tax for the period comprises current and deferred tax. Income tax is recognized on the income statement except to the extent that it relates to items recognized directly in equity or in others elements of the comprehensive income. In this case, deferred tax is also recognized in these items.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax paid or payable in respect of previous years. It is calculated using tax rates in force at the balance sheet date.

Deferred tax is calculated using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Tax rates in force at the closing date are used to calculate deferred tax assets and liabilities.

Under this method, in the event of a business combination, the company is required to make a provision for deferred tax on the difference between the fair value of net assets acquired and their tax base.

The following temporary differences are not provided for: goodwill that is not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(V) REVENUE

(1) Revenue from construction contracts

Revenue from a construction contract includes the initial amount of revenue defined in the contract and variations in the work specified by the contract, claims and performance bonuses to the extent that it is probable that these will generate revenue and that they can be reliably measured.

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

A variation may lead to an increase or a decrease in contract revenue.

A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation is included in contract revenue when it is probable that the client will approve the variation and that amount of revenue resulting from this variation can be reliably measured.

Performance bonuses form part of contract revenue when the contract's percentage of completion is such that it is probable that the specified performance level will be reached or exceeded and that the amount of the performance bonus can be reliably measured.

Contract revenue is recognized according to the percentage of completion of the contract activity at the closing date (calculated as the proportion of contract costs at the closing date and the estimated total contract costs).

An expected loss on a construction contract is immediately recognized.

(2) Goods sold, properties sold and services provided

In relation to the sale of goods and property, revenue is recognized when the material risks and rewards of ownership have been transferred to the buyer in substance, and no uncertainty remains regarding the recovery of the amounts due, associated costs or the possible return of goods.

(3) Rental income and fees

Rental income and fees are recognized on a straight-line basis over the term of the lease.

(4) Financial income

Financial income comprises interest receivable on investments, dividends, royalties, foreign exchange gains and gains on hedging instruments that are recognized on the income statement.

Interest, royalties and dividends arising from the use of the company's resources by third parties are recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the revenue can be measured reliably.

Interest income is recognized as it accrues (taking into account the passing of time and the effective return on the asset) unless collectability is in doubt. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognized on the income statement on the date that the dividend is declared.

(5) Government grants

A government grant is recognized in the balance sheet initially as deferred income where there is reasonable assurance that it will be received and that the company will comply with the conditions attached to it. Grants that compensate the company for expenses incurred are systematically recognized as revenue on the income statement during the period in which the corresponding expenses are incurred.

Grants that compensate the company for the cost of an asset are systematically recognized on the income statement as revenue over the useful economic life of the asset. These grants are deducted from the value of the related asset.

(W) EXPENSES

(1) Financial expenses

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

All interest and other costs incurred in connection with borrowings, except those which were eligible to be capitalized, are taken to income as financial expenses. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

(2) 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 capitalization.

(X) HEDGE ACCOUNTING

The company uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks. The company's policy prohibits the use of derivatives for speculation.

The company does not hold or issue derivative financial instruments for trading purposes. However, derivatives which do not qualify as hedging instruments as defined by IAS 39 are presented as instruments according IAS 39 held for trading.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Recognition of any resulting unrealized gain or loss depends on the nature of the derivative and the effectiveness of the hedge.

The fair value of interest-rate swaps is the estimated amount that the company would receive or pay when exercising the swaps at the closing date, taking into account current interest rates and the solvency of the swap counterparty.

The fair value of a forward exchange contract is the quoted value at the closing date, and therefore the present value of the quoted forward price.

(1) Cash flow hedges

Where a derivative financial instrument hedges variations in cash flows relating to a recognized liability, a firm commitment or an expected transaction, the effective part of any gain or loss resulting from the derivative financial instrument is recognized directly in other elements of the comprehensive income and are presented in a separate reserve in equity.

When the firm commitment or the expected transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from the comprehensive income and is declared under a separate reserve in the equity.

Otherwise, the cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction.

The ineffective part of any gain or loss on the financial instrument is taken to income. Gains or losses resulting from the time value of financial derivative instruments are recognized in the income statement.

When a hedging instrument or hedge relationship expires but the hedged transaction is still expected to occur, the cumulative unrealized gain or loss (at that point) remains in equity and is recognized in accordance with the above policy when the transaction occurs.

If the hedged transaction is expected not to occur, the cumulative unrealized gain or loss recognized in equity is immediately taken to income.

(2) Fair value hedges

Where a derivative financial instrument hedges variations in the fair value of a recognized receivable or payable, any gain or loss resulting from the remeasurement of the hedging instrument is recognized in the income statement. The hedged item is also stated at the fair value attributable to the risk hedged, with any gain or loss being recognized in the income statement.

The fair value of hedged items, in respect of the risk hedged, is their carrying amount at the balance-sheet date translated into euro at the exchange rate at that date.

(3) Hedging of net investment in a foreign country

Where a foreign currency liability hedges a net investment in a foreign entity, translation differences arising on the translation of the liability into euro are recognized directly in "currency translation differences" under shareholders' equity.

Where a derivative financial instrument hedges a net investment in a foreign operation, the effective portion of the gain or the loss on the hedging instrument is recognized directly in "currency translation differences" under shareholders' equity, and the ineffective portion is taken to income.

(4) Instruments related to construction contracts

If a derivative financial instrument hedges variations in cash flow relating to a recognized liability, a firm commitment or an expected transaction in the frame of a construction contract (mainly forward purchases of raw materials, or foreign exchange purchases or sales), a documentation of the cash flow hedge relationship as described in section (1) here above will not be prepared. Any gain or loss resulting from the derivative financial instrument is recognized in the income statement as a financial income or expense.

These instruments are however submitted to a test of efficiency based on the same methodology as utilized for hedge accounting.

The effective part of any gain or loss on the financial instrument is recognized as a cost of the construction contract (we refer to section (M) here above). This element is however not considered for determining the percentage of completion of the construction contract.

(Y) SEGMENT REPORTING

A segment is a distinguishable component of the CFE group that generates revenues and incurs expenses and whose operating income and losses are regularly reviewed by management in order to take decisions or determine its performance. The CFE group consists of four operating segments: Dredging and Environment, Contracting, Real Estate and Holding & non-transferred activities.

(Z) STOCK OPTIONS

Stock options are measured at fair value on the grant date. This fair value is expensed using the straight-line method over the options' vesting period, based on an estimate of the number of options that will finally vest.

3. Consolidation methods

Scope of consolidation

Companies in which the Group holds, whether directly or indirectly, the majority of voting rights enabling control to be exercised, are fully consolidated.

Companies over which the Group exercises joint control with another entity are consolidated under the equity method. This relates in particular to Rent-A-Port and some entities in the Real Estate division and the Dredging and environment division.

Companies over which the Group exercises significant influence are accounted for under the equity method. This mainly concerns PPP Schulen Eupen SA, Van Maerlant Property I SA & II SPRL, Van Maerlant Residential SA and C-Power NV within DEME.

Changes in the scope of consolidation

NUMBER OF ENTITIES	2016	2015
Full consolidation	171	177
Equity method	122	108
Total	**293**	**285**

Intragroup transactions

Reciprocal operations and transactions relating to assets and liabilities and income and expenses between companies that are consolidated or accounted for under the equity method are eliminated in the consolidated financial statements. This is done:

- for the full amount if the transaction is between two controlled subsidiaries;
- applying the percentage owned of a company accounted for under the equity method with respect to internal profits or losses between a fully consolidated company and a company accounted for under the equity method.

Translation of the financial statements of foreign companies and establishments

In most cases, the functional currency of companies and establishments is their local currency.

The financial statements of foreign companies of which the functional currency is different from that used in preparing the Group's consolidated financial statements are translated at the closing rate for balance-sheet items and at the average rate for the period for income-statement items. Any resulting translation differences are recognized under translation differences in consolidated reserves. Goodwill relating to foreign entities is considered as comprising part of the assets and liabilities acquired and is therefore translated at the exchange rate in force at the balance sheet date.

Foreign currency transactions

Transactions in foreign currency are translated into euros at the exchange rate on the transaction date. At the balance sheet date, financial assets and monetary liabilities denominated in foreign currencies are translated at the closing rate. Resulting exchange gains and losses are recognized under foreign exchange gains and losses and are shown under other financial income and other financial expense in the income statement.

Foreign exchange gains and losses arising on loans denominated in foreign currency or on foreign exchange derivatives used to hedge stakes in foreign subsidiaries are recorded in currency translation differences under equity.

4. Segment reporting

Operating segments

Segment reporting is presented in respect of the group's operating segments. Segment profits, losses, assets and liabilities include items that can be attributed directly to a segment or allocated on a reasonable basis.

During the second semester 2015, the activities Multitechnics, Rail-infra and Building Belgium, Luxemburg, Poland and Tunisia were transferred under CFE Contracting SA, a 100% subsidiary of CFE SA and head of the segment. This internal reorganization goes with a change of scope within the segment Contracting as from January 1st, 2016. This segment only includes the activities performed by CFE Contracting SA and its subsidiaries.

CFE Group is made of four operating segments, which are:

Dredging and Environment

The Dredging and Environment division – through DEME – operates in dredging (investment dredging and maintenance dredging), installation of off-shore wind turbines and sludge, the treatment of polluted earth and marine civil engineering.

Contracting

Activities reported in the Contracting segment include:

- buildings (construction of offices, industrial buildings, housing, renovation and refurbishment work) in Belgium, Luxemburg, Poland and Tunisia;
- electricity installation projects in service sector (offices, hospitals, car parks etc.) in Belgium and Luxemburg;
- installation of overhead contact lines and rail signalling in Belgium.

Real Estate

The Real Estate segment develops real estate projects in Belgium, Luxemburg and Poland.

Holding and non-transferred activities

Besides the usual holding activities, this segment includes:

- participations in Rent-A-Port, Green Offshore and in two Design Build Finance and Maintenance contracts in Belgium.
- contracting activities non-transferred to CFE Contracting SA and DEME NV including a number of civil engineering projects in Belgium and building projects in Africa (except Tunisia) and in central Europe (except Poland).

Consolidated statement of comprehensive income – comparison pro forma information at december 31, 2015

(IN € THOUSANDS)	REVENUE		INCOME FROM OPERATING ACTIVITIES				OPERATING INCOME (EBIT)				FINANCIAL INCOME	
	2016	2015 PRO FORMA (*)	2016	% REVENUE	2015 PRO FORMA(*)	% REVENUE	2016	% REVENUE	2015 PRO FORMA (*)	% REVENUE	2016	2015 PRO FORMA (*)
Dredging and environment	1,978,250	2,286,124	226,956	11.47%	266,096	11.64%	213,677	10.80%	305,692	13.37%	(33,797)	(48,494)
Correction DEME			(5,276)		(6,546)		(6,253)		(7,523)		7,029	11,019
Contracting	770,491	718,896	19,987	2.59%	7,549	1.05%	19,984	2.59%	7,549	1.05%	(694)	(1,461)
Real Estate	12,075	27,186	(1,469)	(12.17%)	758	2.79%	4,263	35.30%	7,686	28.27%	(2,799)	(586)
Holding and non-transferred activities	60,264	228,966	(12,770)		(38,936)		(5,027)		(47,724)		6,307	6,933
Eliminations between segments	(23,995)	(21,766)	142		(16)		142		(16)			
Total consolidated	**2,797,085**	**3,239,406**	**227,570**	**8.14%**	**228,905**	**7.07%**	**226,786**	**8.11%**	**265,664**	**8.20%**	**(23,954)**	**(32,589)**

(IN € THOUSANDS)	TAXES		NET INCOME OF THE GROUP				NON-CASH ITEMS		EBITDA			
	2016	2015 PRO FORMA (*)	2016	% REVENUE	2015 PRO FORMA (*)	% REVENUE	2016	2015 PRO FORMA (*)	2016	% REVENUE	2015 PRO FORMA (*)	% REVENUE
Dredging and environment	(20,416)	(56,522)	155,334	7.85%	199,196	8.71%	220,400	223,119	447,356	22.61%	489,215	21.40%
Correction DEME	(670)	(1,407)	106		2,089		5,276	6,546				
Contracting	(9,228)	124	10,351	1.34%	9,732	1.35%	12,758	27,644	32,745	4.25%	35,193	4.90%
Real Estate	(18)	(132)	1,446	11.98%	6,967	25.63%	2,034	1,142	565	4.68%	1,900	6.99%
Holding and non-transferred activities	(201)	(1,111)	1,079		(43,004)		(2,175)	17,569	(14,945)		(21,367)	
Eliminations between segments	(47)	(3)	95		(19)				142		(16)	
Total consolidated	**(30,580)**	**(59,051)**	**168,411**	**6.02%**	**174,961**	**5.40%**	**238,293**	**276,020**	**465,863**	**16.66%**	**504,925**	**15.59%**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

Consolidated statement of comprehensive income – comparison published information and pro forma information at december 31, 2015

(IN € THOUSANDS)	REVENUE		INCOME FROM OPERATING ACTIVITIES				OPERATING INCOME (EBIT)				FINANCIAL INCOME	
	2015 PRO FORMA (*)	2015	**2015 PRO FORMA (*)**	% REVENUE	2015	% REVENUE	**2015 PRO FORMA (*)**	% REVENUE	2015	% REVENUE	**2015 PRO FORMA (*)**	2015
Dredging and environment	**2,286,124**	2,286,124	**266,096**	11.64%	266,096	11.64%	**305,692**	13.37%	305,692	13.37%	**(48,494)**	(48,494)
Correction DEME			**(6,546)**		(6,546)		**(7,523)**		(7,523)		**11,019**	11,019
Contracting	**718,896**	945,094	**7,549**	1.05%	(26,781)	(2.83%)	**7,549**	1.05%	(34,880)	(3.69%)	**(1,461)**	(1,064)
Real Estate	**27,186**	27,186	**758**	2.79%	758	2.79%	**7,686**	28.27%	7,686	28.27%	**(586)**	(586)
PPP-Concessions	**N.A**	1,350	**N.A**		2,015		**N.A**		1,326		**N.A**	(191)
Holding & non-transferred activities	**228,966**	N.A	**(38,936)**		N.A		**(47,724)**		N.A		**6,933**	N.A
Holding	**N.A**	0	**N.A**		(6,621)		**N.A**		(6,621)		**N.A**	6,727
Eliminations between segments	**(21,766)**	(20,348)	**(16)**		(16)		**(16)**		(16)			
Total consolidated	**3,239,406**	**3,239,406**	**228,905**	**7.07%**	**228,905**	**7.07%**	**265,664**	**8.20%**	**265,664**	**8.20%**	**(32,589)**	**(32,589)**

(IN € THOUSANDS)	TAXES		NET INCOME OF THE GROUP				NON-CASH ITEMS		EBITDA			
	2015 PRO FORMA (*)	2015	**2015 PRO FORMA (*)**	% REVENUE	2015	% REVENUE	**2015 PRO FORMA (*)**	2015	**2015 PRO FORMA (*)**	% REVENUE	2015	% REVENUE
Dredging and environment	**(56,522)**	(56,522)	**199,196**	8.71%	199,196	8.71%	**223,119**	223,119	**489,215**	21.40%	489,215	21.40%
Correction DEME	**(1,407)**	(1,407)	**2,089**		2,089		**6,546**	6,546				
Contracting	**124**	(613)	**9,732**	1.35%	(34,138)	(3.61%)	**27,644**	37,334	**35,193**	4.90%	10,553	1.12%
Real Estate	**(132)**	(132)	**6,967**	25.63%	6,967	25.63%	**1,142**	1,142	**1,900**	6.99%	1,900	6.99%
PPP-Concessions	**N.A**		**N.A**		1,135		**N.A**	841	**N.A**		2,856	
Holding & non-transferred activities	**(1,111)**	N.A	**(43,004)**		N.A		**17,569**	N.A	**(21,367)**		N.A	
Holding	**N.A**	(374)	**N.A**		(269)		**N.A**	7,038	**N.A**		417	
Eliminations between segments	**(3)**	(3)	**(19)**		(19)				**(16)**		(16)	
Total consolidated	**(59,051)**	**(59,051)**	**174,961**	**5.40%**	**174,961**	**5.40%**	**276,020**	**276,020**	**504,925**	**15.59%**	504,925	**15.59%**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

Revenue

(IN € THOUSANDS)	2016	2015
Belgium	949,078	978,527
Other Europe	1,007,547	910,863
Middle East	66,482	98,657
Asia	310,932	283,382
Asia-Pacific	24,506	108,289
Africa	272,287	773,537
Americas	166,253	86,151
Consolidated total	**2,797,085**	**3,239,406**

The breakdown of revenue by country is based on the countries in which services are provided.

In 2016, no customer accounted for more than 10% of group revenue.

Revenue from the sale of goods amounted to 9,130 thousand euros in 2016 (2015: € 10,491 thousand). These sales were generated by the Voltis and Terryn Timber Products subsidiaries.

Breakdown of revenue in the contracting division(*)

(IN € THOUSANDS)	2016	2015
Construction	548,456	516,857
Multitechnics	159,249	140,537
Rail	62,786	61,502
Contracting	**770,491**	**718,896**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

The CFE group's Contracting revenue includes revenue generated through the Real Estate division.

The elimination of the revenue common to the Contracting division and Real Estate division, is done at inter-segment eliminations level.

Since the construction and selling activities of the Real Estate division do not take place simultaneously, internally generated revenue is accounted for as assets under construction and derecognized at the time of sale.

Breakdown of revenue in the dredging division

(IN € THOUSANDS)	2016	2015
Capital Dredging	668,249	1,130,133
Civil works	61,099	5,604
Environmental contracting	199,639	206,592
Fallpipe and landfalls	146,658	215,835
Maintenance dredging	235,021	261,774
Marine works	667,528	531,083
Elimination of revenue from equity accounted entities	56	(64,897)
Total	**1,978,250**	**2,286,124**

Order book(*)

(IN € MILLIONS)	2016	2015	% OF CHANGE
Contracting	**850.5**	**836.3**	**+1.7%**
Construction	648.7	671.2	(3.3%)
Rail	58.4	49.2	+18.7%
Multitechnics	143.4	115.9	+23.7%
Real Estate	**5.0**	**6.7**	**N.S.**
Dredging and Environment	**3,800.0**	**3,185.0**	**+19.3%**
Holding and non-transferred activities	**101.2**	**132.3**	**(23.5%)**
Total	**4,756.7**	**4,160.3**	**+14.3%**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

Consolidated statement of financial position

31 DECEMBER 2016 (IN € THOUSANDS)	DREDGING AND ENVI-RONMENT	CONTRACT-ING	REAL ESTATE	HOLDING & NON-TRANS-FERRED ACTIVITIES	ELIMINATIONS BETWEEN DIVISIONS	CONSOLI-DATED TOTAL
ASSETS						
Goodwill	155,960	19,209	0	0	0	175,169
Property, plant and equipment	1,648,984	33,409	224	687	0	1,683,304
Non-current loans to consolidated group companies	0	0	0	20,000	(20,000)	0
Other non-current financial assets	98,860	160	32,913	22,043	0	153,976
Other non-current assets	318,519	4,586	44,424	1,266,368	(1,246,129)	387,768
Inventories	25,261	15,855	53,645	1,676	(1,601)	94,836
Cash and cash equivalents	527,733	43,481	5,574	35,367	0	612,155
Internal cash position - cash pooling - assets	0	61,005	0	60,714	(121,719)	0
Other current assets	790,584	253,355	54,552	154,630	(32,110)	1,221,011
Total assets	**3,565,901**	**431,060**	**191,332**	**1,561,485**	**(1,421,559)**	**4,328,219**
EQUITY AND LIABILITIES						
Equity	1,470,050	66,869	42,745	1,204,291	(1,247,478)	1,536,477
Non-current borrowings from consolidated group companies	0	0	20,000	0	(20,000)	0
Bonds	203,578	0	0	99,959	0	303,537
Non-current financial liabilities	327,193	9,916	38	30,000	0	367,147
Other non-current liabilities	214,909	12,472	14,792	28,467	(250)	270,390
Current financial liabilities	151,947	2,575	0	0	0	154,522
Internal cash position - cash pooling - liabilities	0	0	73,185	48,582	(121,767)	0
Other current liabilities	1,198,224	339,228	40,572	150,186	(32,064)	1,696,146
Total equity and liabilities	**3,565,901**	**431,060**	**191,332**	**1,561,485**	**(1,421,559)**	**4,328,219**

Consolidated statement of financial position

31 DECEMBER 2015 - PRO FORMA (*) (IN € THOUSANDS)	DREDGING AND ENVI-RONMENT	CONTRACT-ING	REAL ESTATE	HOLDING & NON-TRANS-FERRED ACTIVITIES	ELIMINATIONS BETWEEN DIVISIONS	CONSOLI-DATED TOTAL
ASSETS						
Goodwill	155,959	19,210	53	0	0	175,222
Property, plant and equipment	1,693,799	31,573	207	2,100	0	1,727,679
Non-current loans to consolidated group companies	0	875	0	40,000	(40,875)	0
Other non-current financial assets	58,058	176	43,986	27,281	0	129,501
Other non-current assets	299,100	7,284	52,430	1,260,637	(1,246,182)	373,269
Inventories	11,259	23,268	44,965	55	(1,601)	77,946
Cash and cash equivalents	378,405	37,116	4,473	71,958	0	491,952
Internal cash position - cash pooling - assets	0	49,798	0	49,751	(99,549)	0
Other current assets	837,265	290,309	16,580	236,663	(54,227)	1,326,590
Total assets	**3,433,845**	**459,609**	**162,694**	**1,688,445**	**(1,442,434)**	**4,302,159**
EQUITY AND LIABILITIES						
Equity	1,381,998	58,899	21,769	1,219,422	(1,247,688)	1,434,400
Non-current borrowings from consolidated group companies	0	0	40,875	0	(40,875)	0
Bonds	205,257	0	0	99,959	0	305,216
Non-current financial liabilities	339,249	9,653	(5)	50,000	0	398,897
Other non-current liabilities	225,416	9,073	18,179	33,797	0	286,465
Current financial liabilities	108,901	1,644	4,732	13	(4,732)	110,558
Internal cash position - cash pooling - liabilities	0	777	48,974	45,113	(94,864)	0
Other current liabilities	1,173,024	379,563	28,170	240,141	(54,275)	1,766,623
Total equity and liabilities	**3,433,845**	**459,609**	**162,694**	**1,688,445**	**(1,442,434)**	**4,302,159**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

Consolidated statement of cash flows

31 DECEMBER 2016 (IN € THOUSANDS)	DREDGING AND ENVIRONMENT	CONTRACTING	REAL ESTATE	HOLDING, NON-TRANSFERRED ACTIVITIES AND ELIMINATIONS	CONSOLIDATED TOTAL
Cash flow from operating activities before change in working capital	*357,777*	*35,414*	*670*	*(17,337)*	***376,524***
Net cash flow from (used in) operating activities	*403,757*	*559*	*21,839*	*(41,769)*	***384,386***
Cash flow from (used in) investing activities	*(224,867)*	*(8,612)*	*1,294*	*17,681*	***(214,504)***
Cash flow from (used in) financing activities	*(28,939)*	*15,162*	*(21,957)*	*(12,733)*	***(48,467)***
Net increase/(decrease) in cash position	***149,951***	***7,109***	***1,176***	***(36,821)***	***121,415***

31 DECEMBER 2015 (IN € THOUSANDS)	DREDGING AND ENVIRONMENT	CONTRACTING	REAL ESTATE	PPP-CONCESSIONS	HOLDING AND ELIMINATIONS	CONSOLIDATED TOTAL
Cash flow from operating activities before change in working capital	*461,325*	*6,634*	*2,029*	*2,204*	*(497)*	***471,695***
Net cash flow from (used in) operating activities	*335,196*	*7,075*	*3,828*	*(3,493)*	*(7,625)*	***334,981***
Cash flow from (used in) investing activities	*(265,213)*	*(8,802)*	*(1,398)*	*(6,348)*	*22,882*	***(258,879)***
Cash flow from (used in) financing activities	*(271,497)*	*(9,812)*	*(2,408)*	*9,169*	*(13,476)*	***(288,024)***
Net increase/(decrease) in cash position	***(201,514)***	***(11,539)***	***22***	***(672)***	***1,781***	***(211,921)***

Cash flows from financing activities include cash pooling loans from other segments. A positive amount means a use of pooled cash. This item is also influenced by external financing, mainly in the Real Estate division, the holding company and the Dredging and Environment division. The Dredging and Environment division is not part of the CFE cash pooling arrangement.

Other information

31 DECEMBER 2016 (IN € THOUSANDS)	DREDGING AND ENVIRON-MENT	CONTRACTING	REAL ESTATE	HOLDING & NON-TRANS-FERRED ACTIV-ITIES	CONSOLIDATED TOTAL
Amortisation	(225,589)	(7,429)	(125)	489	**(232,654)**
Investments	180,326	9,306	354	100	**190,086**
Depreciation	(121)	0	0	0	**(121)**

31 DECEMBER 2015 (*) (IN € THOUSANDS)	DREDGING AND ENVIRON-MENT	CONTRACTING	REAL ESTATE	HOLDING & NON-TRANS-FERRED ACTIV-ITIES	CONSOLIDATED TOTAL
Amortisation	(225,269)	(18,742)	(54)	(7,503)	**(251,568)**
Investments	263,132	11,780	253	1,362	**276,527**
Depreciation	(1,281)	(2,463)	0	0	**(3,744)**

(*) Amounts adjusted in accordance with the internal organisation as of January 1st, 2016 as described here above.

The investments include the acquisitions performed as part of the group's investing activities and the acquisitions performed as part of the operating activities of the Real Estate division. The acquisitions through business combinations are not included in these amounts.

Geographical information

The operations of the CFE group in the Contracting and Real Estate divisions are mainly based in Belgium, Luxemburg and Poland.

Property, plant and equipment in the Contracting and Real Estate divisions are mainly based in Belgium.

Most of DEME's activities are performed by its fleet of vessels, which are owned by various companies, but their legal location does not reflect the economic reality of the business carried out by this fleet for the same companies. As a result, details of property, plant and equipment by company are not presented, since it is not possible to give a presentation that reflects the geographical areas where the activity was performed.

5. Acquisitions and disposals of subsidiaries

Acquisitions for the period ended 31 december 2016

On June 29, 2016 CFE Group, through its subsidiary CFE Contracting SA, increased its stake in Groep Terryn NV from 77.5% to 100%. Groep Terryn NV remains fully integrated.

On July 15 2016, CFE SA increased its stake in Rent-A-Port Energy NV from 45.61% to 50% which remains integrated under the equity method. Moreover, this company changed its name to Green Offshore NV.

Disposals for the period ended 31 december 2016

On June 29, 2016 CFE SA sold its 25% stake in Locorail NV.

On December 22, 2016 CFE SA sold its 18% stake in Coentunnel BV.

The other acquisitions concluded during the period are related to DEME and are described in the preamble.

Acquisitions and disposals of subsidiaries in the Real Estate division are not business combinations. Therefore the consideration paid is allocated to the land and buildings in stock. The main acquisitions and sales which occur in the real estate division are described here above in the preamble.

COMPREHENSIVE INCOME

6. Revenue from auxiliary activities and other operating expenses

Revenue from auxiliary activities totalled € 85,794 thousand (2015: € 109,005 thousand) and included € 3,697 thousand of capital gains on non-current assets (2015: € 19,603 thousand), as well as rental income, compensation and income from the onward invoicing of various expenses totalling € 82,097 thousand (2015: € 89,402 thousand). Revenue from auxiliary activities decreases by 21% relative to 2015.

The revenue from auxiliary activities substantial decrease is mainly due to the decrease of capital gains on disposal of assets in the dredging and environment segment.

Other operating expenses are made of the following elements:

(IN € THOUSANDS)	2016	2015
Miscellaneous goods and services	(371,981)	(453,267)
Impairment of assets		
- Inventories	(2,222)	78
- Trade and other receivables	(1,835)	(4,124)
Net additions to provisions (excluding provisions for retirement benefit obligations)	(5,117)	(22,179)
Other operating expenses	(3,494)	(3,089)
Consolidated total	**(384,649)**	**(482,581)**

7. Remuneration and social security payments

(IN € THOUSANDS)	2016	2015
Remuneration	(386,510)	(401,340)
Mandatory social security contributions	(108,929)	(113,109)
Other wage costs	(25,590)	(26,572)
Service cost related to defined-benefit pension plans	(12,171)	(6,022)
Consolidated total	**(533,200)**	**(547,043)**

The average full-time equivalent number of staff in 2016 was 7,681 (2015: 7,917). Full-time equivalent headcount was 8,160 at 1 January 2016 (2015: 8,206) and 7,752 at 31 December 2016 (2015: 8,160).

8. Net financial income/expense

(IN € THOUSANDS)	2016	2015
Cost of financial debt	**(31,521)**	**(31,720)**
Derivative instruments - fair value adjustments through profit and loss	288	305
Derivative instruments used as hedging instruments	0	0
Assets measured at fair value	0	0
Available-for-sale financial instruments	0	0
Assets and liabilities at amortized cost - interest income	8,245	7,750
Assets and liabilities at amortized cost - interest expense	(40,054)	(39,775)
Other financial income and expense	**7,567**	**(869)**
Realized / unrealized translation gains/(losses)	(4,868)	(7,794)
Dividends received from non-consolidated companies	3,213	3,972
Impairment of financial assets	0	0
Defined benefit plan financial cost	(343)	(868)
Other	9,565	3,821
Net financial income/expense	**(23,954)**	**(32,589)**

The change in realized (unrealized) translation gains/(losses) compared to 2015 is mainly explained by variations in the euro rate compared with functional currencies of DEME subsidiaries. The other financial income are mainly related to the capital gains from the sale of stakes held in Design, Build, Finance and Maintenance projects (DBFM) Coentunnel and Liefkenshoektunnel.

9. Non-controlling interests

In 2016, non-controlling interests in income amounted to (€ 3,841) thousand (2015: € 937 thousand) and related mainly to the group Terryn (€ 289 thousand) and dredging segment ((€ 4,130) thousand).

10. Income tax

Recognized in comprehensive income

(IN € THOUSANDS)	2016	2015
Current tax		
Tax expense for the period	44,842	34,899
Additions to/(releases from) provisions in previous periods	397	52
Total current tax expense	**45,239**	**34,951**
Deferred tax		
Additions to and releases from temporary differences	(18,363)	(4,158)
Use of losses from previous periods	232	27,915
Deferred tax recognized on losses for the period	3,472	343
Deferred tax recognized on definitively taxed revenue	0	0
Total deferred tax expense/(income)	**(14,659)**	**24,100**
Tax income/expense recognized in others elements of the comprehensive income	**7,653**	**2,882**
Total tax expense recognized in comprehensive income	**38,233**	**61,933**

Reconciliation of the effective tax rate

(IN € THOUSANDS)	2016	2015
Pre-tax income for the period	**202,832**	**233,075**
amount related to earnings from associates and joint venture	(784)	36,759
Pre-tax income, excluding associates and joint venture	**203,616**	**196,316**
Income tax at 33.99%	**69,209**	**66,728**
Tax effect of non-deductible expenses	5,453	7,283
Tax effect of non-recurring elements	0	3,116
Non-deductible expenses	5,453	4,167
Tax effect of non-taxable revenue	(3,199)	(47)
Tax credits and impact of notional interest	(23,099)	(9,220)
Other taxable revenue	0	0
Effect of different tax rates applicable to subsidiaries operating in other jurisdictions	(27,244)	(3,986)
Tax impact of using previously unrecognized losses	(356)	(11,616)
Tax impact of adjustments to current and deferred tax relating to previous periods	3,091	1,343
Tax impact of deferred tax assets on unrecognized losses for the period	6,725	8,566
Tax expense	**30,580**	**59,051**
Effective tax rate for the period	**15.02%**	**30.08%**

The tax expense amounts to € 30,580 thousand in 2016, compared with € 59,051 thousand in 2015. The effective tax rate amounts to 15.02% in 2016 compared with 30.08% in 2015.

Recognized deferred tax assets and liabilities

(IN € THOUSANDS)	ASSETS 2016	ASSETS 2015	LIABILITIES 2016	LIABILITIES 2015
Property, plant and equipment and intangible assets	12,287	11,257	(121,715)	(125,800)
Employee benefits	15,662	11,146	0	0
Provisions	87	312	(37,666)	(35,170)
Fair value of derivative instruments	5,978	4,690	0	(88)
Other items	59,885	46,906	(44,801)	(40,621)
Tax losses	167,311	155,933	0	0
Gross deferred tax assets/(liabilities)	**261,210**	**230,244**	**(204,182)**	**(201,679)**
Unrecognized deferred tax assets	(82,054)	(75,273)	0	0
Tax netting	(52,212)	(51,626)	52,212	51,626
Net deferred tax assets/(liabilities)	**126,944**	**103,345**	**(151,970)**	**(150,053)**

Tax loss carry forwards and other temporary differences for which no deferred tax assets are recognized amount to a € 246,114 thousand. As tax losses are mainly recognized by Belgian companies, those do not have an expiration date.

The "tax netting" item reflects the netting of deferred tax assets and liabilities per entity.

Temporary differences or tax losses for which no deferred tax assets are recognized

Deferred tax assets are not recognized where it is not probable that a future taxable profit will be sufficient to allow the subsidiaries to recover their tax losses.

Deferred tax income (expense) recognized in comprehensive income

(IN € THOUSANDS)	2016	2015
Deferred tax on the effective portion of changes in the fair value of cash flow hedges	1,143	1,783
Deferred tax on the revaluation of the defined benefit plans	6,510	1,099
Total	**7,653**	**2,882**

11. Earnings per share

Basic earnings per share are the same as diluted earnings per share due to the absence of any potential dilution in terms of ordinary shares in issue. Earnings per share is calculated as follows:

(IN € THOUSANDS)	2016	2015
Net income attributable to shareholders	168,411	174,961
Comprehensive income attributable to owners of the parent	159,178	166,489
Number of ordinary shares at the balance sheet date	25,314,482	25,314,482
Weighted average number of ordinary shares	25,314,482	25,314,482
Earnings per share, based on the number of ordinary shares at the end of the period:		
Basic (diluted) earnings per share (€)	**6.65**	**6.91**
Comprehensive income attributable to owners of the parent per share (€)	**6.29**	**6.58**

FINANCIAL POSITION

12. Intangible assets other than goodwill

(IN € THOUSANDS)	CONCESSIONS, PATENTS AND LICENCES	DEVELOPMENT COSTS	TOTAL
Acquisition costs			
Balance at the end of the previous period	**131,863**	**2,060**	**133,923**
Effects of changes in foreign exchange rates	153	19	**172**
Acquisitions through business combinations	0	0	**0**
Acquisitions	2,068	1,268	**3,336**
Disposals	(1,671)	0	**(1,671)**
Scope exit	(6,169)	0	**(6,169)**
Transfers between asset items	4	0	**4**
Balance at the end of the period	**126,248**	**3,347**	**129,595**
Amortisation and impairment			
Balance at the end of the previous period	**(33,983)**	**(2,054)**	**(36,037)**
Effects of changes in foreign exchange rates	(187)	(2)	**(189)**
Amortisation during the period	(4,640)	(1,286)	**(5,926)**
Acquisitions through business combinations	0	0	**0**
Disposals	1,639	0	**1,639**
Transfers between asset items	190	0	**190**
Scope exit	6,169	0	**6,169**
Balance at the end of the period	**(30,812)**	**(3,342)**	**(34,154)**
Net carrying amount			
At 1 January 2016	**97,880**	**6**	**97,886**
At 31 December 2016	**95,436**	**5**	**95,441**

Total acquired intangible assets amount to € 3,336 thousand and consist mainly of software licences and concession rights. Amortisation of intangible assets is recognized in under "amortisation" in the statement of comprehensive income and amounts to € 5,926 thousand.

Intangible assets meeting the definition in IAS 38 (Intangible Assets) are only recognized to the extent that future economic benefits are probable.

(IN € THOUSANDS)	CONCESSIONS, PATENTS AND LICENCES	DEVELOPMENT COSTS	TOTAL
Acquisition costs			
Balance at the end of the previous period	**118,543**	**2,039**	**120,582**
Effects of changes in foreign exchange rates	605	19	**624**
Acquisitions through business combinations	12,098	0	**12,098**
Acquisitions	841	2	**843**
Disposals	(266)	0	**(266)**
Scope exit	(9)	0	**(9)**
Transfers between asset items	51	0	**51**
Balance at the end of the period	**131,863**	**2,060**	**133,923**
Amortisation and impairment			
Balance at the end of the previous period	**(21,824)**	**(267)**	**(22,091)**
Effects of changes in foreign exchange rates	(611)	0	**(611)**
Amortisation during the period	(8,084)	(1,787)	**(9,871)**
Acquisitions through business combinations	(3,584)	0	**(3,584)**
Disposals	161	0	**161**
Transfers between asset items	(41)	0	**(41)**
Balance at the end of the period	**(33,983)**	**(2,054)**	**(36,037)**
Net carrying amount			
At 1 January 2015	**96,719**	**1,772**	**98,491**
At 31 December 2015	**97,880**	**6**	**97,886**

13. Goodwill

(IN € THOUSANDS)	2016	2015
Acquisition costs		
Balance at the end of the previous period	**395,977**	**394,721**
Acquisitions through business combinations	0	1,256
Disposals	0	0
Other changes	(53)	0
Balance at the end of the period	**395,924**	**395,977**
Impairment		
Balance at the end of the previous period	**(220,755)**	**(217,639)**
Impairment during the period	0	(3,116)
Balance at the end of the period	**(220,755)**	**(220,755)**
Net carrying amount at 31 December	**175,169**	**175,222**

In accordance with IAS 36 (Impairment of Assets), goodwills were tested for impairment at 31 December 2016.

The following assumptions were used in the impairment tests:

BUSINESS (IN € THOUSANDS)	NET VALUE OF GOODWILL		PARAMETERS OF THE MODEL APPLIED TO CASH FLOW PROJECTIONS				GROSS VALUE OF GOODWILL	IMPAIRMENT LOSSES RECOGNIZED IN THE PERIOD
	2016	2015	GROWTH RATE	GROWTH RATE (TERMINAL VALUE)	DISCOUNT RATE	SENSITIVITY RATE		
DEME	155,959	155,959	0%	0%	8.0%	5%	370,702	–
VMA	11,115	11,115	0%	0%	7.2%	5%	11,115	–
Remacom	2,995	2,995	0%	0%	7.2%	5%	2,995	–
Stevens	2,682	2,682	0%	0%	7.2%	5%	2,682	–
Druart	1,507	1,507	0%	0%	7.2%	5%	3,360	–
Amart	911	911	0%	0%	7.2%	5%	911	–
Other entities	0	53	0%	0%	7.2%	5%	0	–
Total	**175,169**	**175,222**					**391,765**	**–**

Cash-flows figures used in the impairment tests were taken from the 2017 budget presented to the Board of Directors. For the sake of caution, zero growth was assumed for future years and in determining terminal value.

A sensitivity analysis was carried out by varying cash flow and WACC figures by 5%. Since the value of entities is still higher than their carrying amount including goodwill, there was no indication of impairment.

The DEME group is considered as a cash generating unit and no impairment loss is identified in relation to DEME. The DEME group also carries out its own impairment tests.

14. Property, plant and equipment

2016 (IN € THOUSANDS)	LAND AND BUILDINGS	FIXTURES AND EQUIP-MENT	FURNITURE, FITTINGS AND VEHI-CLES	OTHER PROPERTY, PLANT AND EQUIPMENT	UNDER CON-STRUCTION	TOTAL
Acquisition costs						
Balance at the end of the previous period	***113,239***	***3,070,912***	***58,355***	***0***	***90,422***	***3,332,928***
Effects of changes in foreign exchange rates	*(429)*	*2,032*	*(533)*	*0*	*101*	*1,171*
Acquisitions	*6,625*	*108,484*	*4,884*	*0*	*66,756*	*186,749*
Transfers between asset items	*14,996*	*14,173*	*939*	*0*	*(28,151)*	*1,957*
Disposals	*(3,661)*	*(104,849)*	*(2,935)*	*0*	*(13)*	*(111,458)*
Change in consolidation scope	*0*	*(68,281)*	*(437)*	*0*	*0*	*(68,718)*
Balance at the end of the period	***130,770***	***3,022,471***	***60,273***	***0***	***129,115***	***3,342,629***
Depreciation and impairment						
Balance at the end of the previous period	***(54,244)***	***(1,503,845)***	***(47,160)***	***0***	***0***	***(1,605,249)***
Effects of changes in foreign exchange rates	*349*	*(2,737)*	*372*	*0*	*0*	*(2,016)*
Depreciation	*(3,795)*	*(218,270)*	*(4,785)*	*0*	*0*	*(226,850)*
Transfers between asset items	*(3,087)*	*2,036*	*(932)*	*0*	*0*	*(1,983)*
Disposals	*2,562*	*102,657*	*2,837*	*0*	*0*	*108,056*
Change in consolidation scope	*0*	*68,280*	*437*	*0*	*0*	*68,717*
Balance at the end of the period	***(58,215)***	***(1,551,879)***	***(49,231)***	***0***	***0***	***(1,659,325)***
Net carrying amount						
At 1 January 2016	***58,995***	***1,567,067***	***11,195***	***0***	***90,422***	***1,727,679***
At 31 December 2016	***72,555***	***1,470,592***	***11,042***	***0***	***129,115***	***1,683,304***

At 31 December 2016, acquisitions of property, plant and equipment totalled € 186,749 thousand and mainly related to DEME. Investments decreased by € 88,935 thousand in 2016 in comparison with 2015.

The net carrying amount of finance lease assets amounts to € 121,664 thousand (2015: € 123,542 thousand). These finance leases mainly relate to the group DEME, the buildings of the subsidiaries Engema and Louis Stevens & Co NV, the trucks of the subsidiary Benelmat and the equipments of Compagnie Tunisienne d'Entreprise.

Depreciation on property, plant and equipment totalled € 226,850 thousand (2015: € 245,437 thousand).

The net carrying amount of property, plant and equipment used as collateral for certain loans totalled € 152,112 thousand (2015: € 313,244 thousand).

In 2015, DEME had started building six new vessels for a total amount of € 500 million. Furthermore, DEME confirmed in 2017 an order for two additional vessels, Spartacus and Orion, with an overall budget of about € 500 million.

2015 (IN € THOUSANDS)	LAND AND BUILDINGS	FIXTURES AND EQUIPMENT	FURNITURE, FITTINGS AND VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	UNDER CONSTRUC-TION	TOTAL
Acquisition costs						
Balance at the end of the previous period	**123,862**	**2,802,541**	**57,561**	**0**	**2,274**	**2,986,238**
Effects of changes in foreign exchange rates	39	6,819	(11)	0	(107)	6,740
Acquisitions through business combinations	(128)	260,043	(84)	0	0	259,831
Acquisitions	3,687	177,943	7,012	0	87,042	275,684
Transfers between asset items	(4,181)	(13)	(147)	0	1,359	(2,982)
Disposals	(10,040)	(176,421)	(5,976)	0	(146)	(192,583)
Balance at the end of the period	**113,239**	**3,070,912**	**58,355**	**0**	**90,422**	**3,332,928**
Depreciation and impairment						
Balance at the end of the previous period	**(50,613)**	**(1,385,290)**	**(47,060)**	**0**	**0**	**(1,482,963)**
Effects of changes in foreign exchange rates	(188)	(5,775)	(16)	0	0	(5,979)
Acquisitions as part of business combinations	0	(53,908)	29	0	0	(53,879)
Depreciation	(12,474)	(227,647)	(5,316)	0	0	(245,437)
Transfers between asset items	2,965	119	167	0	0	3,251
Disposals	6,066	168,656	5,036	0	0	179,758
Balance at the end of the period	**(54,244)**	**(1,503,845)**	**(47,160)**	**0**	**0**	**(1,605,249)**
Net carrying amount						
At 1 January 2015	**73,249**	**1,417,251**	**10,501**	**0**	**2,274**	**1,503,275**
At 31 December 2015	**58,995**	**1,567,067**	**11,195**	**0**	**90,422**	**1,727,679**

15. Associates and joint arrangements

Changes over the period

Details of interests in companies accounted for under the equity method are set out below:

(IN € THOUSANDS)	2016	2015
Balance at the end of the previous period	***151,377***	***159,290***
Acquisitions through business combinations	*0*	*0*
Acquisitions and transfers	*9,350*	*(25,556)*
CFE group share in net result of associates	*(784)*	*36,759*
Capital increase / (decrease)	*18,252*	*22,111*
Dividends	*(15,221)*	*(1,699)*
Change in consolidation scope	*(20,120)*	*(34,184)*
Other changes	*(1,499)*	*(5,344)*
Balance at the end of the period	***141,355***	***151,377***
Including goodwill in companies accounted for under the equity method	***30,058***	***32,058***

All the entities over which the CFE group has significant influence are accounted for under the equity method. The CFE group does not have an interest in any associates whose shares are traded on a public market.

The scope changes mainly relate to the decrease of the stake held by DEME Concessions Wind BV in the company C-Power Holdco NV from 19.67% to 10%, and by the presentation of Ronndriesch's assets and liabilities as held for sale (real estate project in Luxemburg).

Financial statements of associates and joint arrangements

The list of the most significant associates and joint arrangements is set out in note 35, based on their percentage of interests in the CFE group, the segment in which they operate and the geographical area of their head office.

The condensed financial statements by segment presented below, are based on the IFRS financial statements of the associates and joint arrangements, or, if there is none, on their statutory accounts. Intercompany operations are not eliminated. The reconciliation between the statutory statements and the contribution to the consolidated accounts is presented after the financial indicators.

DECEMBER 2016 (IN € THOUSANDS)	DREDGING AND ENVIRONMENT		REAL ESTATE		HOLDING AND NON-TRANSFERRED ACTIVITIES		TOTAL	
	100%	% SHARE	100%	% SHARE	100%	% SHARE	100%	% SHARE
Income Statement								
Revenue	641,813	260,774	78,405	38,836	8,942	2,779	**729,160**	**302,389**
Net income share of the group	(30,470)	(13,278)	1,848	2,089	5,029	2,164	**(23,593)**	**(9,025)**
Financial Position								
Non-current assets	1,988,992	260,814	40,445	11,193	193,915	58,406	**2,223,352**	**330,413**
Current assets	442,209	143,594	385,106	154,572	47,045	15,081	**874,360**	**313,247**
Net equity	420,230	54,025	22,046	13,520	23,463	14,160	**465,739**	**81,705**
Non-current liabilities	1,256,387	163,416	195,811	72,845	131,455	26,887	**1,583,653**	**263,148**
Current liabilities	754,584	186,967	207,694	79,400	86,042	32,440	**1,048,320**	**298,807**
Net financial debt	**1,129,671**	**114,008**	**(194,450)**	**(69,944)**	**(134,258)**	**(36,026)**	**800,963**	**8,038**

In the Dredging and Environment division, non-current assets mainly consist on 31 December 2016 of assets from the entities C-Power NV (€ 967,182 thousands at 100%) and Merkur offshore GMBH (€ 462,237 thousands at 100%). Contribution of those entities to the condensed net financial debt is respectively (€ 771,122 thousands at 100%) and (€ 160,623 thousands at 100%). Contribution of those entities to 2016 condensed net income is respectively (€ 8,788 thousands at 100%) and (€ 11,142 thousands at 100%).

Concerning the non-transferred activities, the net financial debt is related to the concession projects Eupen's schools (-€ 71,770 thousands at 100%) and to the companies Rent-A-Port and Green Offshore (-€ 35,044 thousands at 100%).

In the Real Estate division, non-current and current assets mainly consist of assets from the entities M1 SA (€ 46,618 thousands at 100%), PEF Kons Investment SA (€ 87,903 thousands at 100%), Immomax Sp z.o.o. (€ 20,066 thousands at 100%), La Réserve Promotions NV (€ 20,675 thousands at 100%), Victor Estate SA (€ 20,260 thousands at 100%), Erasmus Gardens (€ 32,944 thousands at 100%) and Rederij Ishtar BVBA (€ 22,772 thousands at 100%).

DECEMBER 2015 (IN € THOUSANDS)	DREDGING AND ENVIRONMENT		REAL ESTATE AND CONTRACTING		HOLDING AND NON-TRANSFERRED ACTIVITIES		TOTAL	
	100%	% SHARE	100%	% SHARE	100%	% SHARE	100%	% SHARE
Income Statement								
Revenue	1,001,273	403,291	98,048	45,633	37,566	10,986	**1,136,887**	**459,910**
Net income share of the group	165,588	64,213	20,540	9,577	3,444	634	**189,572**	**74,424**
Financial Position								
Non-current assets	1,614,173	300,130	68,784	21,253	1,390,843	318,171	**3,073,800**	**639,554**
Current assets	603,617	237,714	362,215	151,245	86,590	25,464	**1,052,422**	**414,423**
Net equity	466,260	115,302	49,239	24,373	(214,198)	(44,262)	**301,301**	**95,413**
Non-current liabilities	1,151,720	177,700	178,268	69,892	1,582,941	354,438	**2,912,929**	**602,030**
Current liabilities	599,810	244,842	203,492	78,233	108,690	33,459	**911,992**	**356,534**
Net financial debt	**(1,096,507)**	**(160,848)**	**(58,279)**	**(13,873)**	**(1,208,680)**	**(270,086)**	**(2,363,466)**	**(444,807)**

The reconciliation between the CFE Group's share in the statutory net assets of those entities and the carrying amount of the associates and joint arrangements is as follows:

ON 31 DECEMBER 2016 (IN € THOUSANDS, CFE'S % SHARE)	DREDGING AND ENVIRONMENT	REAL ESTATE	HOLDING AND NON-TRANSFERRED ACTIVITIES	TOTAL
Net assets of the associates and joint arrangements before reconciling items	**54,025**	**13,520**	**14,160**	**81,705**
Reconciliation items	31,799	27,302	10,258	69,359
Negative associates and joint arrangements	(8,834)	2,932	(3,807)	(9,709)
CFE group's carrying amount of the investment	**76,990**	**43,754**	**20,611**	**141,355**

ON 31 DECEMBER 2015 (IN € THOUSANDS, CFE'S % SHARE)	DREDGING AND ENVIRONMENT	REAL ESTATE AND CONTRACTING	HOLDING AND NON-TRANSFERRED ACTIVITIES	TOTAL
Net assets of the associates and joint arrangements before reconciling items	**115,302**	**24,373**	**(44,262)**	**95,413**
Reconciliation items	931	29,383	55,838	86,152
Negative associates and joint arrangements	(33,981)	(484)	4,277	(30,188)
CFE group's carrying amount of the investment	**82,252**	**53,272**	**15,853**	**151,377**

In the Dredging and Environment, Real Estate and Contracting divisions, reconciling items are mainly due to the recognition of the income in accordance with the Group accounting policies and the intercompany eliminations.

Negative associates and joint arrangements are entities integrated under equity method for which CFE group considers having an obligation to support the commitments and projects of those entities.

16. Other non-current financial assets

Other non-current financial assets amount to € 153,976 thousand at 31 December 2016 (2015: € 129,501 thousand). They mainly include the Group's subordinated loans granted to entities (€ 147,929 thousand).

(IN € THOUSANDS)	2016	2015
Balance at the end of the previous period	**129,501**	**109,341**
Acquisitions through business combinations	0	0
Acquisitions	79,460	66,469
Disposals and transfers	(55,783)	(46,178)
Impairment / reversals of impairment	0	(12)
Change in consolidation scope	(150)	0
Change in consolidation method	0	0
Effects of changes in foreign exchange rates	948	(119)
Balance at the end of the period	**153,976**	**129,501**

17. Other non-current assets

At 31 December 2016 other non-current assets amounts to € 23,518 thousand and includes the non-current receivables detailed below:

(IN € THOUSANDS)	2016	2015
Non-current receivables - DEME current accounts	22,506	18,148
Other non-current receivables (including bank guarantees)	1,012	1,132
Consolidated total	**23,518**	**19,280**

18. Construction contracts

Costs incurred added to profits less losses, along with progress billing, are determined on a contract-by-contract basis. The net amount due by or to customers is determined on a contract-by-contract basis as the difference between these two items.

As described in paragraphs (M) and (V) of the section relating to material accounting policies, the costs and revenues of construction contracts are recognized in expenses and revenue respectively based on the percentage of completion of the contract activity at the closing date. The percentage of completion is calculated based on the "cost to cost" method. An expected loss on a construction contract is recognized as an expense immediately.

(IN € THOUSANDS)	2016	2015
Balance sheet data		
Advances and payments on account received	(122,170)	(64,342)
Construction contracts in progress – assets	353,236	259,060
Construction contracts in progress – liabilities	(84,776)	(63,507)
Construction contracts in progress – net	**268,460**	**195,553**
Total income and expenses to date recognized on contracts in progress		
Costs incurred plus profits recognized less losses recognized to date	5,320,903	5,903,938
Less invoices issued	(5,052,443)	(5,708,385)
Construction contracts in progress – net	**268,460**	**195,553**

The excess of costs incurred over recognized losses and profits on progress billing include on the one hand, the portion of unbilled contract costs under "Trade receivables and other operating receivables" in the statement of financial position, and on the other hand, the surplus relating to construction work in progress is included in "other current assets".

The excess of progress billing over incurred costs and recognized profits and losses include on the one hand, the unbilled portion of contract costs under "Trade payables and other operating liabilities" in the statement of financial position, and on the other hand, the surplus relating to construction work in progress included in "other current liabilities".

Advances are amounts received by the contractor before the related work is performed.

The amount of customer retention payments is € 4,216 thousand, and is included in "Trade and other operating receivables".

19. Inventories

At 31 December 2016, inventories amounted to € 94,836 thousand (2015: € 77,946 thousand) and broke down as follows:

(IN € THOUSANDS)	2016	2015
Raw materials and auxiliary products	57,038	31,543
Impairment on inventories of raw materials and auxiliary products	(141)	(91)
Finished products and properties held for sale	40,655	47,873
Impairment on inventories of finished products	(2,716)	(1,379)
Inventories	**94,836**	**77,946**

The change in "raw materials and auxiliary products" resulted mainly from an increase in inventories relating to the dredging and real estate activities.

20. Change in trade receivables and payables and other operating receivables and payables

(IN € THOUSANDS)	2016	2015
Trade receivables	958,235	968,093
Less: provision for impairment of receivables	(27,034)	(23,144)
Net trade receivables	931,201	944,949
Other current receivables	229,105	248,028
Consolidated total	**1,160,306**	**1,192,977**
Other current assets	**38,430**	**125,029**
Trade and other operating payables	1,138,288	1,184,886
Other current liabilities	393,828	393,556
Consolidated total	**1,532,116**	**1,578,442**
Commercial and operating liabilities net of receivables	**(333,380)**	**(260,436)**

We refer to note 27.7 for an analysis of credit risk. Trade receivables related to entities included in note 18 Construction contracts amount to € 906,348 thousand (2015: € 929,639 thousand).

21. Cash and cash equivalents

(IN € THOUSANDS)	2016	2015
Short-term bank deposits	*10,409*	*13,863*
Cash in hand and at bank	*601,746*	*478,089*
Cash and cash equivalents	***612,155***	***491,952***

Short-term bank deposits consist of money placed with financial institutions with an original maturity of less than three months. These deposits pay interest at a floating rate, usually linked to Euribor or Eonia.

22. Grants

The CFE group did not receive any grants in 2016.

23. Employee benefits

The CFE group contributes to pension and early retirement plans in several of the countries in which it operates. These benefits are recognized in accordance with IAS 19 and are regarded as "post-employment" and "long-term benefit plans".

At 31 December 2016, the CFE group's net liability relating to obligations under pension and early-retirement post-employment benefits amounted to € 51,215 thousand (2015: € 41,054 thousand). These amounts are included in "Retirement benefit obligations and employee benefits". This item also includes provisions for other employee benefits for € 1,663 thousand (2015: € 1,336 thousand), mainly relating to the DEME group.

Main characteristics of the CFE group's post-employment benefit plans

Post-employment benefit plans are classified either as defined-contribution or defined-benefit plans.

Defined-contribution plans

Defined-contribution pension plans are those under which the company makes certain contributions to an entity or separate fund in accordance with the plan arrangements. Where contributions have been made, the company has no additional obligation.

Defined-benefit plans

All plans that are not defined-benefit plans are presumed to be defined-benefit plans. These plans are either funded externally through pension funds or insurance companies ("funded plans") or funded within the CFE group ("unfunded plans"). For the main plans, an actuarial valuation is carried out every year by independent actuaries.

Post-employment benefit plans in which the CFE group takes part confer benefits to staff on retirement and death. All plans are funded externally through an insurance company (98.7% of obligations) or a self-administered pension fund (1.3% of obligations) unrelated to the CFE group. Obligations under defined-benefit plans break down geographically as follows: 78% in Belgium and 22% in the Netherlands.

Insured Belgian post-employment benefit plans are "Class 21" type plans, which means that the insurer guarantees a minimum return on contributions paid.

All plans comply with local regulations and minimum funding requirements.

Most of the CFE group's post-employment benefit plans are defined-benefit.

Main characteristics of defined-benefit plans

Belgian retirement plans "Class 21" type

A number of staff members are covered by a "Class 21" type insurance-funded defined-contribution plan. Belgian law requires the employer to guarantee for defined-contribution plans a minimum return of 3.25% on employer contributions and a minimum return of 3.75% on employee contributions until year-end 2015, and a minimum return of 1.75% on contributions made after that date. As a result from the modification of this law at year-end 2015, these pension plans have been accounted for as defined benefit plans.

Construction workers are covered by the defined-contribution pension plan funded by the "fbz-fse Constructiv" multi-employer pension fund. This pension plan is also subjected to the Belgian law requiring a minimum return as mentioned here above.

Risks relating to defined-benefit plans

Defined-benefit plans generally expose the employer to actuarial risks such as changes in interest rates, wages and inflation. The potential impact of these risks is illustrated by a sensitivity analysis, details of which are set out below.

The risk arising from benefits being spread over time is limited, since most plans involve a lump-sum payment. However, there is an option to pay annuities. If this option is used, the payment of annuities is handled through an insurance policy that converts the lump sum into an annuity. The risk of death in service is entirely covered through insurance. The risk of insurance companies becoming insolvent can be regarded as negligible.

Governance of defined-benefit plans

The administration and governance of insured plans are handled by the insurance company. CFE ensures that insurance companies comply with all retirement laws.

Defined-benefit plan assets

Plan assets invested with an insurance are not subject to market fluctuations. The fair value of the insurance policies is either the present value of guaranteed future benefits (Netherlands) or the capitalized value of contributions paid, taking into account the return contractually agreed with the insurance company (Belgium).

Plan assets do not include the CFE group's own financial instruments or any building used by the CFE group.

Changes to defined-benefit plans

Several defined-benefit pension plans in Belgium and in the Netherlands have been closed during 2016. This led to a curtailment effect with, as consequence, a decrease in the accrued rights and a release of provisions for defined benefit plan obligations. This generated the recognition of a profit of € 8,779 thousands in the income statement.

Information relating to defined-benefit and early retirement plans

(IN € THOUSANDS)	2016	2015
Provisions taken for defined-benefit and early retirement plan obligations	***(49,552)***	***(39,718)***
Accrued rights, partly or fully funded	*(240,281)*	*(162,794)*
Fair value of plan assets	*190,729*	*123,076*
Provisions taken for obligations on the balance sheet	***(49,552)***	***(39,718)***
Bonds	*(49,552)*	*(39,718)*
Assets	*0*	*0*

Changes in provisions taken for defined-benefit and early retirement plan obligations

(IN € THOUSANDS)	2016	2015
At 1 January	***(39,718)***	***(40,240)***
Charges recognized in income	*(4,201)*	*(6,778)*
Charges recognized in the other elements of the comprehensive income	*(18,890)*	*(320)*
Contributions to plan assets	*13,257*	*7,034*
Effect of business combinations	*0*	*0*
Other movements	*0*	*586*
At 31 December	***(49,552)***	***(39,718)***

Charges recognized in income in respect of defined-benefit and early retirement plans

(IN € THOUSANDS)	2016	2015
Charges recognized in income	***(4,201)***	***(6,778)***
Service cost	*(12,171)*	*(6,022)*
Discounting effects	*(3,808)*	*(3,542)*
Return on plan assets (-)	*2,999*	*2,674*
Unrecognized past service cost	*8,779*	*112*

The cost of pension plans in the period is included under “Remuneration and social security payments” and under net financial items.

In 2016, the caption ‘Unrecognized past service cost’ includes the impact of the curtailment effect which is a consequence from the closing of several defined-benefits plans in Belgium and the Netherlands.

Charges recognized in the other elements of the comprehensive income in respect of defined-benefit and early retirement plans

(IN € THOUSANDS)	2016	2015
Charges recognized in the other elements of the comprehensive income	***(18,890)***	***(320)***
Actuarial gains and losses	*(42,796)*	*(4,488)*
Return on plan assets (excluding amounts recognized in income)	*23,906*	*4,168*

Changes in provisions taken for defined-benefit and early retirement plan obligations

(IN € THOUSANDS)	2016	2015
At 1 January	**(206,189)**	**(157,786)**
Service cost	(12,171)	(6,022)
Discounting effects	(3,808)	(3,542)
Contributions to plan assets	(1,095)	(1,033)
Benefits paid to beneficiaries	13,173	7,317
Remeasurement of liabilities (assets)	(42,861)	(4,600)
Actuarial gains and losses resulting from changes to demographic assumptions	(14,161)	0
Actuarial gains and losses resulting from changes to financial assumptions	(27,133)	(4,846)
Actuarial gains and losses resulting from experience adjustments	(1,567)	246
Unrecognized past service cost	11,156	(24)
Effect of business combinations	0	0
Effect of business disposals	0	1,805
Effect of exchange-rate changes	0	0
Reclassification of Belgian retirement plans subjected to a minimum return	0	(43,396)
Other movements	1,514	1,091
At 31 December	**(240,281)**	**(206,189)**

According to the change in the Belgian law at year end 2015, the defined contribution plans financed by insurance companies under 'Class 21' were accounted as of December 31, 2015 as defined-benefits plans. This induced an increase of 'Service cost' in 2016.

The caption 'Actuarial gains and losses resulting from changes to demographic assumptions' shows in 2016 the consequences of the increase in life's expectancies and the increase of the average age of retirement.

The caption 'Actuarial gains and losses resulting from changes to financial assumptions' shows in 2016 the consequences of the decrease in the discount rate and the increase of the expected growth rate of salary increase.

The "effect of business disposals" item reflects in 2015 the impact on provisioned obligations of the disposal of Aannemingen Van Wellen NV on February 25th 2015.

Changes in defined-benefit and early retirement plan assets

(IN € THOUSANDS)	2016	2015
At 1 January	**166,471**	**117,546**
Return on plan assets (excluding amounts recognized in income)	23,906	4,168
Return on plan assets	2,999	2,674
Contributions to plan assets	13,722	7,300
Benefits paid to beneficiaries	(13,011)	(6,991)
Effect of business combinations	0	0
Effect of business disposals	0	(1,220)
Effect of exchange-rate changes	0	0
Reclassification of Belgian retirement plans subjected to a minimum return	0	43,396
Other movements	(3,358)	(401)
At 31 December	**190,729**	**166,471**

The caption 'Return on plan assets (excluding amounts recognized in income)' increases in 2016 as a consequence of the decrease in the actualization rate.

The caption "effect of business disposals" item reflects in 2015 the impact on provisioned obligations of the disposal of Aannemingen Van Wellen NV on February 25th 2015.

Main actuarial assumptions at the end of the period (expressed as weighted averages)

	2016	2015
Discount rate at 31 December	1.30%	2.10%
Expected rate of salary increases	2.97%	2.80% < 60 YEARS AND 1.80% > 60 YEARS
Inflation rate	1.80%	1.80%
Mortality tables	MR/FR	MR/FR

Other characteristics of defined-benefit plans

	2016	2015
Duration (in years)	15.24	13.54
Average real return on plan assets	16.3%	5.8%
Contributions expected to be made to the plan in the next financial year	12,492	6,999

Sensitivity analysis (impact on the amount of obligations)

	2016	2015
Discount rate		
25bp increase	−3.7%	−3.7%
25bp decrease	+3.9%	+3.4%
Growth rate		
25bp increase	+2.2%	+2.0%
25bp decrease	−1.9%	−2.2%

24. Provisions other than those relating to retirement benefit obligations and non-current employee benefits

At 31 December 2016, these provisions amounted to € 108,198 thousand, a decrease of € 1,476 thousand relative to end 2015 (€ 109,674 thousand).

(IN € THOUSANDS)		AFTER-SALES SERVICE	OTHER CURRENT LIABILITIES	PROVISIONS FOR EQUITY METHOD	OTHER NON-CURRENT LIABILITIES	TOTAL
Balance at the end of the previous period		***14,012***	***50,808***	***30,258***	***14,596***	***109,674***
Effects of changes in exchange rates		*(62)*	*(128)*	*0*	*0*	*(190)*
Transfers between items		*18*	*(2,428)*	*(5,814)*	*1,820*	*(6,404)*
Additions to provisions		*3,108*	*24,458*	*0*	*12,835*	*40,401*
Used provisions		*(1,612)*	*(22,229)*	*0*	*(3,036)*	*(26,877)*
Provisions reversed unused		*0*	*(832)*	*0*	*(7,574)*	*(8,406)*
Balance at the end of the period		***15,464***	***49,649***	***24,444***	***18,641***	***108,198***
of which	current:					*65,113*
	non-current:					*43,085*

Provisions for after-sales service increased by € 1,452 thousand to € 15,464 thousand at year end 2016. The change in 2016 was the result of additions to and/or reversals of provisions recognized in relation to 10-year warranties.

Provisions for other current liabilities decreased by € 1,159 thousand to € 49,649 thousand at year end 2016.

These provisions include:

- provisions for current litigation (€ 13,511 thousand), provisions for work still to be performed (€ 142 thousand), provisions for social security liabilities (€ 1,127 thousand) and provisions for other current liabilities (€ 7,514 thousand). As regard to other current liabilities, given that negotiations with customers are ongoing, we cannot provide more information on the assumptions made or on when the outflow of funds is likely to happen.
- provisions for losses on completion (€ 27,355 thousand) are recognized when the expected economic benefits of certain contracts are lower than the inevitable costs attendant on compliance with obligations under those contracts. Provisions for losses on completion are utilized when the related contracts are performed.

When the CFE Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. The amount of those commitments is accounted for in the non-current provisions, as the Group considers having the obligation to support those entities and their projects.

Provisions for other non-current liabilities include provisions for liabilities not directly related to site operations in progress.

25. 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.

26. Net financial debt

26.1. Net financial debt, as defined by the group, breaks down as follows:

(IN € THOUSANDS)	31/12/2016			31/12/2015		
	NON CURRENT	CURRENT	TOTAL	NON CURRENT	CURRENT	TOTAL
Bank loans and other financial debt	(286,181)	(102,529)	(388,710)	(253,749)	(95,406)	(349,155)
Bonds	(303,537)	0	(303,537)	(305,216)		(305,216)
Drawings on credit facilities	(30,000)	0	(30,000)	(50,000)		(50,000)
Borrowings under finance leases	(50,966)	(48,108)	(99,074)	(95,148)	(15,136)	(110,284)
Total long-term financial debt	**(670,684)**	**(150,637)**	**(821,321)**	**(704,113)**	**(110,542)**	**(814,655)**
Short-term financial debt		(3,885)	(3,885)		(16)	(16)
Cash equivalents		10,409	10,409		13,863	13,863
Cash		601,746	601,746		478,089	478,089
Net short-term financial debt/(cash)		**608,270**	**608,270**		**491,936**	**491,936**
Total net financial debt	**(670,684)**	**457,633**	**(213,051)**	**(704,113)**	**381,394**	**(322,719)**
Derivative instruments used as interest-rate hedges	(8,539)	(4,917)	(13,456)	(8,517)	(7,611)	(16,128)

26.2. Debt maturity schedule

(IN € THOUSANDS)	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	MORE THAN 10 YEARS	TOTAL 31/12/2016
Bank loans and other financial debt	(102,529)	(75,197)	(61,350)	(90,340)	(59,294)	0	(388,710)
Bonds	(1,752)	(101,711)	(199,853)	(221)	0	0	(303,537)
Drawings on credit facilities	0	(30,000)	0	0	0	0	(30,000)
Borrowings under finance leases	(48,108)	(7,617)	(7,722)	(13,852)	(18,823)	(2,952)	(99,074)
Total long-term financial debt	**(152,389)**	**(214,525)**	**(268,925)**	**(104,413)**	**(78,117)**	**(2,952)**	**(821,321)**
Short-term financial debt	(3,885)	0	0	0	0	0	(3,885)
Cash equivalents	10,409	0	0	0	0	0	10,409
Cash	601,746	0	0	0	0	0	601,746
Net short-term financial debt	**608,270**	**0**	**0**	**0**	**0**	**0**	**608,270**
Change in net financial debt	**455,881**	**(214,525)**	**(268,925)**	**(104,413)**	**(78,117)**	**(2,952)**	**(213,051)**

The present value of finance lease obligations amounted to € 48,108 thousand (2015: € 15,137 thousand). These finance leases mainly relate to DEME, and the buildings of the subsidiaries Louis Stevens & Co NV and Engema NV.

26.3. Credit facilities and bank term loans

At 31 December 2016, the CFE group has confirmed long-term bank credit facilities of € 115 million, of which € 30 million were drawn at year end 2016.

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

On 21 June 2012, CFE issued € 100 million of bonds maturing on 21 June 2018 and paying a coupon of 4.75%. On 14 February 2013, DEME issued € 200 million of bonds maturing on 14 February 2019 and paying a coupon of 4,145%.

Bank loans and other financial debts mainly concern DEME and loans relating to real-estate projects, and are without recourse against CFE.

26.4. Financial covenants

Bilateral loans are subject to specific covenants that take into account factors such as financial debt and the ratio of debt to equity or non-current assets, as well as cash flow. CFE Group complies with all these covenants at 31 December 2016.

27. Financial risk management

27.1. Capital management

At year-end 2016, capital structure of the CFE Group is made of a net debt of € 213,051 thousand (note 26) and of a net equity of € 1,536,477 thousand. Moreover, the CFE group has confirmed bank credit facilities (note 26) and dredging activities have been provided with the opportunity to issue commercial papers. The equity of the group CFE includes share capital, share premium, consolidated reserves and non-controlling interests. The group CFE does not own any of its own shares or convertible bonds. The entire equity is used to finance the operations described in the corporate purposes of the subsidiaries.

27.2. Interest rate risk

The interest rate risk is managed is insured within each of the divisions of the group.

As far as the concessions are concerned, the interest rate risk management is performed considering two horizons.

On the one hand, a long-term horizon to secure and optimize the economic balance of the concession, and on the other hand, a short term horizon to optimize the average cost of debt. Derivative products are used such as interest rate swaps in order to hedge the interest rate risk. These hedging instruments equal at maximum the same notional amounts and the same due dates as the hedged debts. From an accounting point of view, these products are qualified as hedging operations.

As far as dredging is concerned, the group CFE, through its subsidiary DEME, has to face important financings in the context of the dredges investments. The objective is to reach an optimal balance between the financing cost and the volatility of the financial results. DEME uses derivative instruments as interest rate swaps (IRS) in order to hedge the interest rate risk. These hedging instruments equal generally the same notional amounts and generally have the same due dates as the hedged debts. From an accounting point of view, these products will not always be qualified as hedging operations.

The contracting activities are characterized by an excess of cash which partially compensate the property commitments. Cash management is mainly centralized through the cash pooling.

Effective average interest rate before considering derivative products

(IN € THOUSANDS)	FIXED RATE			FLOATING RATE			TOTAL		
TYPE OF DEBTS	AMOUNTS	QUOTA	RATE	AMOUNTS	QUOTA	RATE	AMOUNTS	QUOTA	RATE
Bank loans and other financial debts	1,343	0.33%	1.41%	387,367	92.42%	0.75%	388,710	47.33%	0.76%
Bonds	303,537	75.47%	4.34%	0	0.00%	0.00%	303,537	36.96%	4.34%
Credit line used	0	0.00%	0.00%	30,000	7.16%	1.40%	30,000	3.65%	1.40%
Loans related to finance lease	97,316	24.20%	1.02%	1,758	0.42%	3.96%	99,074	12.06%	1.08%
Total	**402,196**	**100%**	**3.53%**	**419,125**	**100%**	**0.81%**	**821,321**	**100%**	**2.14%**

Effective average interest rate after considering floating derivative products

(IN € THOUSANDS)	FIXED RATE			FLOATING RATE			FLOATING RATE COPPED + INFLATION			TOTAL		
TYPE OF DEBTS	AMOUNTS	QUOTA	RATE	AMOUNTS	QUOTA	RATE	AMOUNTS	QUOTA	RATE	AMOUNTS	QUOTA	RATE
Bank loans and other financial debts	388,409	49.21%	1.00%	301	0.94%	1.02%	0	0.00%	0.00%	388,710	47.33%	1.00%
Bonds	303,537	38.46%	4.34%	0	0.00%	0.00%	0	0.00%	0.00%	303,537	36.96%	4.34%
Credit line used	0	0.00%	0.00%	30,000	93.58%	1.40%	0	0.00%	0.00%	30,000	3.65%	1.40%
Loans related to finance lease	97,316	12.33%	1.02%	1,758	5.48%	3.96%	0	0.00%	0.00%	99,074	12.06%	1.08%
Total	**789,262**	**100%**	**2.29%**	**32,059**	**100%**	**1.54%**	**0**	**0.00%**	**0.00%**	**821,321**	**100%**	**2.26%**

27.3. Sensitivity to the interest rate risk

The group CFE is subject to the risk of interest rates fluctuation on its result considering:

- cash flows relative to financial instruments at floating rate after hedging;
- financial instruments at fixed rate, recognized at fair value in the statement of financial position through the result;
- derivative instruments non-qualified as hedge.

Nevertheless, the variation in the value of derivatives qualified as cash flow hedges does not impact directly the net result and is accounted for in the others elements of the comprehensive income.

The following analysis is performed by supposing that the amount of financial debts and derivatives as per December 31, 2016 is constant over the year.

A variation of 50 basis points in interest rate at the closing date would have had as consequence an increase or a decrease of the equity and result for the amounts indicated here below. For the needs of the analysis, the other parameters have been supposed constant.

(IN € THOUSANDS)	31/12/2016			
	RESULT		EQUITY	
	IMPACT OF THE SENSITIVITY CALCULATION +50BP	IMPACT OF THE SENSITIVITY CALCULATION -50BP	IMPACT OF THE SENSITIVITY CALCULATION +50BP	IMPACT OF THE SENSITIVITY CALCULATION -50BP
Non-current debts (+portion due within the year) with variable rate after accounting hedge	4,107	(4,107)		
Net short term Financial debt (*)	19	(19)		
Derivatives not qualified as hedge	0	0		
Derivatives qualified as highly potential or certain cash flow			1,233	(1,851)

(*) excluding cash at bank and in hand

27.4. Description of cash flow hedge operations

Instruments qualified as cash flow hedges at the closing date have the following characteristics:

For contracting, real estate and holding activities:

(IN € THOUSANDS)	31/12/2016						
	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 3 AND 5 YEARS	> 5 YEARS	NOTION-AL	FAIR VALUE ASSET	FAIR VALUE LIABILITY
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives hedge of highly probable: estimated cash flow							**0**
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives: hedge of certain cash flow							**0**

(IN € THOUSANDS)	31/12/2015						
	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 3 AND 5 YEARS	> 5 YEARS	NOTION-AL	FAIR VALUE ASSET	FAIR VALUE LIABILITY
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives hedge of highly probable: estimated cash flow							**0**
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives: hedge of certain cash flow							**0**

For dredging activities

(IN € THOUSANDS)	31/12/2016						
	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 3 AND 5 YEARS	> 5 YEARS	NOTIONAL	FAIR VALUE ASSET	FAIR VALUE LIABILITY
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives hedge of highly probable: estimated cash flow					**0**	**0**	**0**
Swap of interest rate receive floating rate and pay fixed rate	118,111	124,643	351,972	198,875	793,601	58	(13,514)
Interest rate options (cap, collar)							
Interest rate derivatives: hedge of certain cash flow	**118,111**	**124,643**	**351,972**	**198,875**	**793,601**	**58**	**(13,514)**

(IN € THOUSANDS)	31/12/2015						
	<1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 3 AND 5 YEARS	> 5 YEARS	NOTIONAL	FAIR VALUE ASSET	FAIR VALUE LIABILITY
Swap of interest rate receive floating rate and pay fixed rate							
Interest rate options (cap, collar)							
Interest rate derivatives hedge of highly probable: estimated cash flow					**0**	**0**	**0**
Swap of interest rate receive floating rate and pay fixed rate	155,048	157,171	186,139		498,358		(15,840)
Interest rate options (cap, collar)							
Interest rate derivatives: hedge of certain cash flow	**155,048**	**157,171**	**186,139**		**498,358**	**0**	**(15,840)**

27.5. Exchange rate risks

Nature of the risks at which the group is exposed

The group CFE and its subsidiaries does not practice a hedge on foreign exchange rates for its contracting and property activities as their markets are mainly situated within the euro zone. DEME practices exchange rate hedges taking into account the international character of the activity and the execution of markets in foreign currency. Changes in fair value are recorded as cost of contract if it occurs in the scope of a construction contract. Currencies subjected to exchange risk are listed in note 2.

When exchange rate risk related to a risk exposure at operational level would occur, the group policy consists in limiting the exposure to the fluctuation of foreign currencies.

Distribution of the long term financial debts by currency

The outstanding debts (without considering finance lease debts which are mainly in Euro) by currency are:

(IN € THOUSANDS)	2016	2015
Euro	821,321	814,655
US Dollar	0	0
Other currencies	0	0
Total long term debts	**821,321**	**814,655**

The following table discloses the fair value and the notional amount of exchange rate instrument issued (forward sales/purchase agreements) (+ : asset / - liability):

(IN € THOUSANDS)	NOTIONAL					
	USD US DOLLAR	SGD SINGAPORE DOLLAR	GBP POUND	BRL BRAZILIAN RIAL	OTHER	TOTAL
Forward purchase	41,213	9,476	6,713	0	6,175	63,577
Forward sale	125,394	143,404	7,188	20,544	19,511	316,041

(IN € THOUSANDS)	FAIR VALUE					
	USD US DOLLAR	SGD SINGAPORE DOLLAR	GBP POUND	BRL BRAZILIAN RIAL	OTHER	TOTAL
Forward purchase	1,111	0	3	0	34	1,148
Forward sale	(4,619)	(921)	594	(4,980)	(152)	(10,078)

The fair value variation of exchange rate instruments is considered as a construction costs. This variation is presented as an operational result.

The group CFE, in particular through its subsidiary DEME, is exposed to exchange rate fluctuation risk on its result.

The following analysis is performed supposing that the amount of financial assets/liabilities and derivatives as per December, 31 2016 is constant over the year.

A variation of 5% of exchange rate (appreciation of the EUR) at closing date would have as a consequence an increase or a decrease of the equity and the result for the amounts disclosed here below. For the needs of the analysis, the other parameters have been supposed constant.

(IN € THOUSANDS)	31/12/2016 – RESULT	
	IMPACT OF SENSITIVITY CALCULATION DEPRECIATION OF 5% OF THE EUR	IMPACT OF SENSITIVITY CALCULATION APPRECIATION OF 5% OF THE EUR
Non-current debts (+portion due within the year) with variable rate after accounting hedge	1,715	(1,552)
Net short term Financial debt	(803)	727
Working Capital	(991)	896

27.6. Risk related to raw materials

Raw materials and furniture incorporated into the works constitute an essential element of the cost price.

Although some markets include price revisions clauses or revision formulas and that the group CFE sets up, in some cases, hedges of furniture prices (gas-oil), the risk of price fluctuation of raw materials cannot be completely excluded.

DEME is hedged against gas-oil fluctuations through the purchase of options or forward agreement on fuel. The fair value variation of these instruments is considered as construction costs. This variation is presented as an operating result.

The fair value of these instruments amounts to € -16,783 thousand at the end of 2016 (in comparison with € -47,237 thousand in 2015).

27.7. Credit and counterparty risk

The group CFE is exposed to credit risk in case of insolvency of its clients. It is exposed to the counterparty risk in the context of cash deposits, subscription of negotiable share receivables, financial receivables and derivative products.

In addition, the group CFE set up procedures in order to avoid and limit the concentration of credit risk.

For large-scale export, if the country is eligible and the risk covered by credit insurance, DEME and CFE cover themselves regularly through competent bodies in this matter (Office National du Ducroire).

Financial instruments

The group has defined a system of investment limits in order to monitor the counterparty risk. This system determines maximum amounts eligible for investment by counterparty defined according to their credit notations published by Standard & Poor's and Moody's.

These limits are regularly monitored and updated.

Customers

Regarding the risk on trade receivables, the group defined procedures in order to limit the risk. It should be noted that a large part of the consolidated sales is realized with public or semi-public clients.

In addition, CFE considers that the concentration of the counterparty risk for clients is limited due to the large number of clients.

In order to reduce the current risk, the group CFE monitors regularly its outstanding clients and adapts its position towards them. Regarding this matter, it should be noted that CFE executes two projects in Chad: the construction of The Grand Hotel and the building of the Ministry of Finance. During 2016, The Grand Hotel has been delivered to the satisfaction of the client. Meanwhile, negotiations are continuing with the Chadian authorities to find a solution to refinance the remaining outstanding debts. Progress has been made, but to date nothing tangible has been acquired.

CFE's net exposure to that country amounts to € 60 million.

The analysis of the delay of payment at year-end 2016 and 2015 is as follows:

AS PER DECEMBER, 31 2016 (IN € THOUSANDS)	CLOSING	NOT PAST DUE	< 3 MONTHS	< 1 YEAR	> 1 YEAR
Trade and other receivables	*1,150,401*	*772,755*	*105,356*	*37,288*	*235,002*
Gross total	***1,150,401***	***772,755***	***105,356***	***37,288***	***235,002***
Prov. Trade and other receivables	*(30,268)*	*(4,543)*	*0*	*(1,225)*	*(24,500)*
Total provisions	***(30,268)***	***(4,543)***	***0***	***(1,225)***	***(24,500)***
Total net amounts	***1,120,133***	***768,212***	***105,356***	***36,063***	***210,502***

AS PER DECEMBER, 31 2016 (IN € THOUSANDS)	CLOSING	NOT PAST DUE	< 3 MONTHS	< 1 YEAR	> 1 YEAR
Trade and other receivables	*1,150,941*	*663,859*	*170,911*	*168,474*	*147,697*
Gross total	***1,150,941***	***663,859***	***170,911***	***168,474***	***147,697***
Prov. Trade and other receivables	*(30,701)*	*(3,317)*	*(4,687)*	*(76)*	*(22,621)*
Total provisions	***(30,701)***	***(3,317)***	***(4,687)***	***(76)***	***(22,621)***
Total net amounts	***1,120,240***	***660,542***	***166,224***	***168,398***	***125,076***

The overdue amounts mainly relate to additional works and subsequent contract modifications accepted by the customers, but that are still subject to inclusion in the budget or that are part of a broader negotiation process.

The following table discloses the evolution of the provisions on trade and other receivables:

(IN € THOUSANDS)	2016	2015
Cumulated provisions – balance at the end of the previous period	***(30,701)***	***(22,846)***
Change in consolidation scope	*(216)*	*18*
Impairment losses (reversal)/write-off during the period	*(1,835)*	*(4,124)*
Effects of changes and transfer to other items	*2,484*	*(3,749)*
Cumulated provisions – balance at the end of the period	***(30,268)***	***(30,701)***

27.8. Liquidity risk

CFE could negotiate new bilateral credit lines under favourable conditions allowing the group to decrease the liquidity risk.

27.9. Carrying amounts and fair value by accounting category

31 DECEMBER 2016 (IN € THOUSANDS)	FINANCIAL INSTRU-MENTS NOT DESIG-NATED AS HEDGING INSTRU-MENTS	DERIV-ATIVES DESIG-NATED AS HEDGING INSTRU-MENTS	FINANCIAL INSTRU-MENTS AVAILABLE FOR SALES	LOANS AND TRADE RE-CEIVABLES AT AM-ORTIZED COSTS	TOTAL OF CARRYING AMOUNT	FAIR VALUE MEASURE-MENTS OF FINANCIAL ASSETS BY LEVEL	FAIR VALUE OF THE CLASS
Non-current financial assets	**510**		**6,046**	**147,930**	**154,486**		**154,486**
Investments (1)			6,046		6,046	NIVEAU 2	6,046
Financial loans and receivables (1)				147,930	147,930	NIVEAU 2	147,930
Interest rate derivatives – cash flow hedges	510				510	NIVEAU 2	510
Current financial assets	**2,311**			**1,722,461**	**1,774,772**		**1,774,772**
Interest rate derivatives – non hedge							
Trade and other receivables				1,160,306	1,160,306	NIVEAU 2	1,160,306
Cash management financial assets	2,311				2,311	NIVEAU 2	2,311
Cash equivalents (2)				10,409	10,409	NIVEAU 2	10,409
Cash at bank and in hand (2)				601,746	601,746	NIVEAU 2	601,746
Total assets	**2,821**		**6,046**	**1,920,391**	**1,929,258**		**1,929,258**
Non-current financial debts		**18,475**		**670,684**	**689,159**		**712,121**
Bonds				303,537	303,537	NIVEAU 1	314,777
Financial debts				367,147	367,147	NIVEAU 2	378,869
Interest rate derivatives – cash flow hedges		18,475			18,475	NIVEAU 2	18,475
Current financial liabilities	**18,585**	**4,930**		**1,292,810**	**1,316,325**		**1,317,431**
Interest rate derivatives – highly probable projected cash flow hedges		14			14	NIVEAU 2	14
Interest rate derivatives – cash flow hedges		4,916			4,916	NIVEAU 2	4,916
Exchange rate derivatives – non cash flow hedges	10,313				10,313	NIVEAU 2	10,313
Other derivatives instruments – non hedge	8,272				8,272	NIVEAU 2	8,272
Trade payables and other operating debts Bonds				1,138,288	1,138,288	NIVEAU 2	1,138,288
Financial debts				154,522	154,522	NIVEAU 2	155,628
Total liabilities	**18,585**	**23,405**		**1,963,494**	**2,005,484**		**2,029,552**

(1) Included in items “Other non-current financial assets” and “Other non-current assets”.
(2) Included in item “Cash and cash equivalents”.

31 DECEMBER 2015 (IN € THOUSANDS)	FINANCIAL INSTRUMENTS NOT DESIGNATED AS HEDGING INSTRUMENTS	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS	FINANCIAL INSTRUMENTS AVAILABLE FOR SALES	LOANS AND TRADE RECEIVABLES AT AMORTIZED COSTS	TOTAL OF CARRYING AMOUNT	FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS BY LEVEL	FAIR VALUE OF THE CLASS
Non-current financial assets	***1,381***		***2,811***	***126,690***	***130,882***		***130,882***
Investments (1)			*2,811*		*2,811*	*NIVEAU 2*	*2,811*
Financial loans and receivables (1)				*126,690*	*126,690*	*NIVEAU 2*	*126,690*
Interest rate derivatives – cash flow hedges	*1,381*				*1,381*	*NIVEAU 2*	*1,381*
Current financial assets	***8,514***			***1,684,929***	***1,693,443***		***1,693,443***
Interest rate derivatives – non hedge							
Trade and other receivables				*1,192,977*	*1,192,977*	*NIVEAU 2*	*1,192,977*
Cash management financial assets	*8,514*				*8,514*	*NIVEAU 2*	*8,514*
Cash equivalents (2)				*13,863*	*13,863*	*NIVEAU 2*	*13,863*
Cash at bank and in hand (2)				*478,089*	*478,089*	*NIVEAU 2*	*478,089*
Total assets	***9,895***		***2,811***	***1,811,619***	***1,824,325***		***1,824,325***
Non-current financial debts		***33,359***		***704,113***	***737,472***		***762,424***
Bonds				*305,216*	*305,216*	*NIVEAU 1*	*315,824*
Financial debts				*398,897*	*398,897*	*NIVEAU 2*	*413,241*
Interest rate derivatives – cash flow hedges		*33,359*			*33,359*	*NIVEAU 2*	*33,359*
Current financial liabilities	***27,535***	***7,611***		***1,295,444***	***1,330,590***		***1,346,326***
Interest rate derivatives – highly probable projected cash flow hedges		*288*			*288*	*NIVEAU 2*	*288*
Interest rate derivatives – cash flow hedges		*7,323*			*7,323*	*NIVEAU 2*	*7,323*
Exchange rate derivatives – non cash flow hedges	*4,795*				*4,795*	*NIVEAU 2*	*4,795*
Other derivatives instruments – non hedge	*22,740*				*22,740*	*NIVEAU 2*	*22,740*
Trade payables and other operating debts Bonds				*1,184,886*	*1,184,886*	*NIVEAU 2*	*1,184,886*
Financial debts				*110,558*	*110,558*	*NIVEAU 2*	*126,294*
Total liabilities	***27,535***	***40,970***		***1,999,557***	***2,068,062***		***2,108,750***

(1) Included in items "Other non-current financial assets" and "Other non-current assets".

(2) Included in item "Cash and cash equivalents".

The fair value of financial instruments can be classified into three levels based on the degree to which the inputs to the fair value measurements are observable:

- Fair value measurements of level 1 are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair value measurements of level 2 are based on inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (through prices) or indirectly (through input derived from prices);
- Fair value measurements of level 3 are based on valuation techniques comprising inputs which are unobservable for the asset or liability.
- The fair value of financial instruments have been determined using the following methods:
- For short-term financial instrument, such as trade receivables and payables, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;

- For floating rate liabilities, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;
- For derivative financial instruments (foreign currency, interest rate or forecasted cash flows), the fair value is determined using valuation models discounting future cash flows based on futures interest rate curves, foreign currency curves or other forward prices;
- For the other derivative instruments, the fair value is determined by discounting future estimated cash flows;
- For the quoted bonds issued by CFE and DEME, the fair value is based on the quoted price at reporting date;
- For fixed rate liabilities; the fair value is determined by discounted cash flows, based on the market interest's rates at reporting date.

28. Operating leases

The CFE group's obligations relating to non-cancellable operating leases are as follows:

(IN € THOUSANDS)	2016	2015
Expiring in less than 1 year	14,035	14,011
Expiring in more than 1 year and up to 5 years	17,434	18,346
Expiring in more than 5 years	10,603	11,182
Total	**42,072**	**43,539**

29. Other commitments given

Total commitments given by the CFE group at 31 December 2016, other than real security interests, totalled € 1,119,534 thousand (2015: € 1,268,387 thousand). These commitments break down as follows:

(IN € THOUSANDS)	2016	2015
Performance guarantees and performance bonds (a)	856,445	905,798
Bid bonds (b)	36,175	11,292
Repayment of advance payments (c)	16,812	21,241
Retentions (d)	16,782	41,985
Deferred payments to subcontractors and suppliers (e)	82,451	77,405
Other commitments given - including € 61,823 thousands of corporate guarantees at DEME	110,869	210,666
Total	**1,119,534**	**1,268,387**

a) Guarantees given in relation to the performance of works contracts. If the construction entity fails to perform, the bank (or insurance company) undertakes to compensate the customer to the extent of the guarantee.

b) Guarantees provided as part of tenders relating to works contracts.

c) Guarantees provided by a bank to a customer guaranteeing the repayment of advance payments in relation to contracts (mainly at DEME).

d) Security provided by a bank to a client to replace the use of retention money.

e) Guarantee covering the settlement of a liability to a supplier or subcontractor.

30. Other commitments received

Total commitments received by the CFE group at 31 December 2016 totalled € 147,937 thousand (2015: € 104,830 thousand). These commitments break down as follows:

(IN € THOUSANDS)	2016	2015
Performance guarantees and performance bonds	*145,112*	*102,720*
Other commitments received	*2,825*	*2,110*
Total	***147,937***	***104,830***

31. Litigation

The CFE group is exposed to a number of claims that may be regarded as normal in the dredging and contracting industries. In most cases, the CFE group seeks to settle with the other party, and this substantially reduced the number of legal proceedings.

The CFE group tries to recover amounts receivable from its customers. However, it is not possible to estimate these potential assets.

32. Related parties

- Ackermans & van Haaren (AvH) owns 15,289,521 CFE shares at end December 2016 and is the main shareholder of the CFE group with a stake of 60.40%.
- Key personnel consists of CFE's steering committee and the two Managing Directors. The amount recognized as an expense relating to salaries and other benefits for key personnel amounted to € 5,604.4 thousand for 2016 (2015: € 5,254.3 thousand). This amount includes fixed remuneration (€ 2,815.2 thousand, 2015: € 2,475.0 thousand), variable remuneration (€ 2,324.6 thousand, 2015: € 2,075.6 thousand), various insurance payments (supplementary pension plan, hospitalization, workplace accidents, accidents outside work, home-based nursing care (€ 382.6 thousand, 2015: € 585.0 thousand) and company car expenses (€ 82.0 thousand, 2015: € 118.6 thousand).
- Dredging Environmental and Marine Engineering NV and CFE SA concluded a service contract with Ackermans en van Haaren NV on 26 December 2001. The amounts due by Dredging Environmental and Marine Engineering NV, 100% subsidiary of CFE SA, and CFE SA in accordance with this contract amounts respectively to 1,146 thousand euro and 150 thousand euro. These amounts are fully paid for 2016.
- There were no transactions with the Managing Directors other than relating to remuneration. There are no transactions with the companies Trorema SPRL, Frédéric Claes SA, 8822 SPRL, D2C Partners or Artist Valley SA, without prejudice to the remuneration of executives representing these companies. Loans were granted to some members of the steering committee of CFE Contracting SA in the frame of the stock options granted to these members.
- At 31 December 2016, the CFE group had joint control over Rent-A-Port NV and its subsidiaries. Please see note 35 for a full list. These entities are consolidated under the equity method.
- Transactions with related parties concerned mainly transactions with companies in which CFE has a joint control or a significant influence. These transactions are concluded at arm's length.
- During 2016, there were no major changes in the nature of transactions with related parties compared to December 31, 2015. Commercial and financing transactions between the group and associates or joint ventures consolidated under the equity method are as follows:

(IN € THOUSANDS)	2016	2015
Assets with related parties	***429,373***	***333,963***
Non-current financial assets	*152,629*	*129,966*
Trade and other receivables	*249,703*	*195,383*
Other current assets	*27,041*	*8,614*
Liabilities with related parties	***83,187***	***121,433***
Other noncurrent liabilities	*4,905*	*11,461*
Trade and other liabilities	*78,282*	*109,972*

(IN € THOUSANDS)	2016	2015
Revenues and expenses with related parties	***219,391***	***96,383***
Revenue and revenue from auxiliary activities	*229,925*	*129,240*
Purchases and other operating expenses	*(15,569)*	*(35,672)*
Net financial income/expense	*5,035*	*2,815*

33. Statutory auditors' fees

The remuneration paid to statutory auditors in respect of the whole group in 2016, including CFE SA, amounted to:

(IN € THOUSANDS)	DELOITTE		OTHER	
	AMOUNT	%	AMOUNT	%
Audit				
Statutory audit certification and examination of individual company and consolidated accounts	*1,700.0*	*60.07%*	*840.6*	*53.68%*
Related work and other audits	*94.7*	*3.35%*	*44.6*	*2.85%*
Subtotal, audit	***1,794.7***	***63.42%***	***885.2***	***56.53%***
Other services				
Legal, tax and employment	*250.9*	*8.86%*	*436.3*	*27.86%*
Other	*784.3*	*27.72%*	*244.4*	*15.61%*
Subtotal, other services	***1,035.2***	***36.58%***	***680.7***	***43.47%***
Total statutory auditors' fees:	***2,829.9***	***100%***	***1,565.9***	***100%***

34. Material post-balance sheet events

None.

35. Companies owned by the CFE group

List of the fully consolidated subsidiaries

Name	Head Office	Group Interest (%) (Economic Interest)	
EUROPE			
Germany			
GEOSEA INFRA SOLUTIONS GMBH	Bremen	Dredging	100%
INFRASEA SOLUTIONS Gmbh & co KG	Bremen	Dredging	100%
INFRASEA SOLUTIONS VERWALTUNGSGESELLSCHAFT MBH	Bremen	Dredging	100%
NORDSEE NASSBAGGER UND TIEFBAU GMBH	Bremen	Dredging	100%
OAM-DEME MINERALIEN GMBH	Hamburg	Dredging	70%
Belgium			
ABEB NV	Antwerp	Contracting	100%
CFE BATIMENT BRABANT WALLONIE SA	Brussels	Contracting	100%
BPC DESIGN & ENGINEERING SA	Brussels	Contracting	100%
BE.MAINTENANCE SA	Brussels	Contracting	100%
BENELMAT SA	Gembloux	Contracting	100%
BRANTEGEM NV	Alost	Contracting	100%
CFE BOUW VLAANDEREN NV	Wilrijk	Contracting	100%
CFE CONTRACTING SA	Brussels	Contracting	100%
ENGEMA SA	Brussels	Contracting	100%
ETABLISSEMENTS DRUART SA	Péronne-lez-Binche	Contracting	100%
ETEC SA	Manage	Contracting	100%
GROEP TERRYN NV	Moorslede	Contracting	100%
LOUIS STEVENS NV	Halen	Contracting	100%
NIZET ENTREPRISES SA	Louvain-la-Neuve	Contracting	100%
PROCOOL SA	Péronne-lez-Binche	Contracting	100%
REMACOM NV	Lochristi	Contracting	100%
VANDERHOYDONCKS NV	Alken	Contracting	100%
VMA FOOD & PHARMA NV	Sint-Martens-Latem	Contracting	100%
VMA NV	Sint-Martens-Latem	Contracting	100%
VMA WEST NV	Waregem	Contracting	100%
VOLTIS SA	Louvain-la-Neuve	Contracting	100%
AGROVIRO NV	Zwijndrecht	Dredging	74.90%
BAGGERWERKEN DECLOEDT EN ZOON NV	Ostend	Dredging	100%
CEBRUVAL BRUCEVAL SA	Gosselies	Dredging	74.90%
COMBINED MARINE TERMINAL OPERATIONS WORLDWIDE NV	Zwijndrecht	Dredging	54.38%
D.E.M.E. BLUE ENERGY NV	Zwijndrecht	Dredging	69.99%
D.E.M.E. BUILDING MATERIALS NV	Zwijndrecht	Dredging	100%
D.E.M.E. ENVIRONMENTAL CONTRACTORS NV	Zwijndrecht	Dredging	74.90%
D.E.M.E. NV	Zwijndrecht	Dredging	100%
D.E.M.E. COORDINATION CENTER NV	Zwijndrecht	Dredging	100%
DEME CONCESSIONS NV	Zwijndrecht	Dredging	100%
DEME CONCESSIONS WIND NV	Zwijndrecht	Dredging	100%
DEME CONCESSIONS INFRASTRUCTURE NV	Zwijndrecht	Dredging	100%
DEME INFRASEA SOLUTIONS NV (DISS)	Zwijndrecht	Dredging	100%
DEME INFRA MARINE CONTRACTORS NV (DIMCO)	Zwijndrecht	Dredging	100%
DREDGING INTERNATIONAL NV	Zwijndrecht	Dredging	100%
ECOTERRES SA	Gosselies	Dredging	74.90%
ECOTERRES HOLDING S.A.	Gosselies	Dredging	74.90%
EVERSEA NV	Zwijndrecht	Dredging	100%
FILTERRES S.A.	Gosselies	Dredging	56.10%
GEOSEA NV	Zwijndrecht	Dredging	100%
GEOSEA MAINTENANCE NV	Zwijndrecht	Dredging	100%
GLOBAL SEA MINERAL RESOURCES NV	Ostend	Dredging	100%
GROND RECYCLAGE CENTRUM KALLO NV	Kallo	Dredging	52.43%
GROND RECYCLAGE CENTRUM ZOLDER NV	Heusden-Zolder	Dredging	36.70%
LOGIMARINE SA	Antwerp	Dredging	100%
M.D.C.C. INSURANCE BROKER NV	Brussels	Dredging	100%
PURAZUR N.V.	Zwijndrecht	Dredging	74.90%
SCALDIS SALVAGE & MARINE CONTRACTORS NV	Anvers	Dredging	54.38%
HDP CHARLEROI SA	Brussels	Holding	100%
BATIPONT IMMOBILIER SA	Brussels	Real Estate	100%
BRUSILIA BUILDING NV	Brussels	Real Estate	100%
BPI SAMAYA SA	Brussels	Real Estate	100%
DEVELOPPEMENT D'HABITATIONS BRUXELLOISES SA	Brussels	Real Estate	75.33%
FONCIERE STERPENICH SA	Brussels	Real Estate	100%
PROJECTONTWIKKELING VAN WELLEN NV	Kapellen	Real Estate	100%
SOGESMAINT SA	Brussels	Real Estate	100%
VAN MAERLANT SA	Brussels	Real Estate	100%
Cyprus			
BELLSEA LTD	Nicosia	Dredging	100%
DREDGING INTERNATIONAL CYPRUS LTD	Nicosia	Dredging	100%
DREDGING INTERNATIONAL SERVICES CYPRUS LTD	Nicosia	Dredging	100%
NOVADEAL LTD	Nicosia	Dredging	100%
DEME CYPRUS LTD	Cyprus	Dredging	100%
CONTRACTORS OVERSEAS LTD	Oraklini	Holding	100%

Name	Head Office	Group Interest (%) (Economic Interest)	
France			
FRANCO-BELGE DE CONSTRUCTIONS INTERNATIONALES SAS	Paris	Holding	100%
ENERGIES DU NORD SAS	Lambersart	Dredging	100%
EUROP AGREGATS SARL	Lambersart	Dredging	100%
SOCIETE DE DRAGAGE INTERNATIONAL SA	Lambersart	Dredging	100%
United Kingdom			
V.M.A. Midlands LTD	Yorkshire	Contracting	100%
DEME BUILDING MATERIALS LTD	West Sussex	Dredging	100%
DEME ENVIRONMENTAL CONTRACTORS UK LTD	Weybridge, Surrey	Dredging	74.90%
NEW WAVES SOLUTIONS	London	Dredging	100%
Luxemburg			
COMPAGNIE LUXEMBOURGEOISE D'ENTREPRISES CLE SA	Strassen	Contracting	100%
DREDGING INTERNATIONAL LUXEMBOURG SA	Windhof	Dredging	100%
GEOSEA LUXEMBOURG SA	Windhof	Dredging	100%
GEOSEA PROCUREMENT & SHIPPING Luxemburg SA	Windhof	Dredging	100%
MARITIME SERVICES AND SOLUTIONS SA	Windhof	Dredging	100%
SAFINDI SA	Windhof	Dredging	100%
SOCIETE DE DRAGAGE LUXEMBOURG SA	Windhof	Dredging	100%
SOCIETE FINANCIERE D'ENTREPRISES SFE SA	Strassen	Holding	100%
BPI LUXEMBOURG SA	Strassen	Real Estate	100%
RONNDRIESCH 123 SA	Luxemburg	Real Estate	100%
Hungary			
CFE HUNGARY EPITOIPARI KFT	Budapest	Contracting	100%
VMA HUNGARY LLC	Budapest	Holding	100%
Netherlands			
D.E.M.E. BUILDING MATERIALS BV	Vlissingen	Dredging	100%
DEME CONCESSIONS MERKUR BV	Breda	Dredging	100%
DEME CONCESSIONS WIND BV	Breda	Dredging	100%
DE VRIES & VAN DE WIEL BEHEER BV	Amsterdam	Dredging	74.90%
DE VRIES & VAN DE WIEL KUST EN OEVERWERKEN BV	Amsterdam	Dredging	87.45%
DIMCO BV	Dordrecht	Dredging	100%
INNOVATION HOLDING B.V.	Breda	Dredging	100%
INNOVATION SHIPOWNER B.V.	Breda	Dredging	100%
INNOVATION SHIPPING B.V.	Breda	Dredging	100%
TIDEWAY BV	Breda	Dredging	100%
Poland			
CFE POLSKA SP. Z.O.O.	Warsaw	Contracting	100%
VMA POLSKA SP. Z.O.O.	Warsaw	Contracting	100%
BPI BARSKA SP. Z.O.O.	Warsaw	Real Estate	100%
BPI POLSKA DEVELOPMENT SP. Z.O.O.	Warsaw	Real Estate	100%
BPI WROCLAW SP. Z.O.O.	Warsaw	Real Estate	100%
IMMO WOLA SP. Z.O.O.	Warsaw	Real Estate	100%
Romania			
CFE CONTRACTING AND ENGINEERING SRL	Bucharest	Holding	100%
Slovakia			
CFE SLOVAKIA SRO	Bratislava	Holding	100%
VMA SLOVAKIA SRO	Trencin	Contracting	100%
Other European countries			
VMA ELEKTRIK TESISATI VE INSAAT TICARET LIMITED SIRKETI	Istanbul, Turkey	Contracting	100%
BAGGERWERKEN DECLOEDT EN ZOON ESPANA SA	Madrid, Spain	Dredging	100%
BERIN ENGENHARIA DRAGAGENS E AMBIENTE S.A.	Lisbon, Portugal	Dredging	100%
DREDGING INTERNATIONAL BULGARIA SERVICES EOOD	Sofia, Bulgaria	Dredging	100%
DREDGING INTERNATIONAL ESPANA SA	Madrid, Spain	Dredging	100%
DREDGING INTERNATIONAL UKRAINE LLC	Odessa, Ukraine	Dredging	100%
DRAGMORSTROY LLC	Saint-Petersburg, Russia	Dredging	100%
SOCIETA ITALIANA DRAGAGGI SPA	Rome, Italy	Dredging	100%
AFRICA			
Angola			
DRAGAGEM ANGOLA SERVICOS LTDA	Luanda	Dredging	100%
SOYO DRAGAGEM LTDA	Luanda	Dredging	100%
Nigeria			
DREDGING INTERNATIONAL SERVICES NIGERIA LTD	Lagos	Dredging	100%
COMBINED MARINE TERMINAL OPERATORS NIGERIA LTD	Lagos	Dredging	54.43%
Chad			
CFE TCHAD SA	Ndjamena	Holding	100%
Tunisia			
COMPAGNIE TUNISIENNE D'ENTREPRISES SA	Tunis	Contracting	100%
CONSTRUCTION MANAGEMENT TUNISIE SA	Tunis	Holding	99.96%
Other African countries			
DRAGAMOZ LIMITADA	Maputo, Mozambique	Dredging	100%

Name	Head Office	Group Interest (%) (Economic Interest)	
ASIA			
India			
DREDGING INTERNATIONAL INDIA PVT LTD	New Dehli	Dredging	99.78%
INTERNATIONAL SEAPORT DREDGING PTY LTD	Chennai	Dredging	86%
Other Asian countries			
DREDGING INTERNATIONAL MALAYSIA SDN BHD	Kuala Lumpur, Malaysia	Dredging	100%
DREDGING INTERNATIONAL ASIA PACIFIC PTE LTD	Singapore	Dredging	100%
DREDGING INTERNATIONAL MANAGEMENT CONSULTING SHANGHAI LTD	Shanghai, China	Dredging	100%
FAR EAST DREDGING LTD	Hong Kong	Dredging	100%
MASCARENES DREDGING & MANAGEMENT LTD	Ebene, Mauritius	Dredging	100%
OFFSHORE MANPOWER SINGAPORE PTE LTD	Singapore	Dredging	100%
AMERICAS			
Brazil			
DEC DO BRASIL ENGENHARIA AMBIENTAL LTDA	Rio de Janeiro	Dredging	74.90%
DRAGABRAS SERVICOS DE DRAGAGEM LTDA	Rio de Janeiro	Dredging	100%
Canada			
TIDEWAY CANADA LTD	Halifax	Dredging	100%
Other American countries			
DREDGING INTERNATIONAL MEXICO SA	Mexico	Dredging	100%
DREDGING INTERNATIONAL DE PANAMA SA	Panama	Dredging	100%
LOGIMARINE SA DE CV	Mexico	Dredging	100%
OFFSHORE MANPOWER SUPPLY PANAMA LTD	Panama	Dredging	100%
SERVIMAR SA	Caracas, Venezuela	Dredging	100%
PACIFIC			
Australia			
DREDGING INTERNATIONAL AUSTRALIA PTY LTD	Brisbane	Dredging	100%
GEOSEA AUSTRALIA PTY LTD	Brisbane	Dredging	100%

All subsidiaries have a 31 December year end.

List of the entities accounted for under the equity method

Name	Head Office	Group Interest (%) (Economic Interest)	
EUROPE			
Belgium			
BLUEPOWER NV	Zwijndrecht	Dredging	35.00%
BLUE OPEN NV	Zwijndrecht	Dredging	49.94%
BLUE GATE ANTWERP DEVELOPMENT NV	Zwijndrecht	Dredging	25.46%
C-POWER NV	Ostend	Dredging	6.46%
C-POWER HOLDCO NV	Zwijndrecht	Dredging	10.00%
HIGH WIND NV	Zwijndrecht	Dredging	50.40%
LA VELORIE SA	Froyennes	Dredging	12.48%
OTARY RS NV	Ostend	Dredging	18.89%
POWER@SEA NV	Zwijndrecht	Dredging	51.10%
RENEWABLE ENERGY BASE OSTEND NV	Ostend	Dredging	25.50%
RENTEL NV	Ostend	Dredging	18.89%
SEDISOL SA	Farciennes	Dredging	37.45%
SEASTAR NV	Ostend	Dredging	20.04%
SILVAMO NV	Roeselare	Dredging	37.45%
TERRANOVA NV	Zwijndrecht	Dredging	43.73%
TOP WALLONIE SA	Mouscron	Dredging	37.45%
PPP BETRIEB SCHULEN EUPEN	Eupen	Holding	25%
PPP SCHULEN EUPEN SA	Eupen	Holding	19%
GREEN OFFSHORE NV	Antwerp	Holding	50%
RENT-A-PORT NV and subsidiaries	Antwerp	Holding	45%
BARBARAHOF NV	Leuven	Real Estate	40%
FONCIERE DE BAVIERE SA	Liège	Real Estate	30%
BAVIERE DEVELOPPEMENT SA	Liège	Real Estate	30%
BATAVES 1521 SA	Brussels	Real Estate	50%
ERASMUS GARDENS SA	Brussels	Real Estate	50%
ESPACE ROLIN SA	Brussels	Real Estate	33.33%
EUROPEA HOUSING SA	Brussels	Real Estate	33%
FONCIERE DE BAVIERE A SA	Liège	Real Estate	30%
FONCIERE DE BAVIERE C SA	Liège	Real Estate	30%
GOODWAYS SA	Antwerp	Real Estate	31.20%
GRAND POSTE SA	Liège	Real Estate	24.97%

Name	Head Office	Group Interest (%) (Economic Interest)	
IMMOANGE SA	Brussels	Real Estate	50%
IMMO KEYENVELD I SA	Brussels	Real Estate	50%
IMMO KEYENVELD II SA	Brussels	Real Estate	50%
IMMO PA 33 1 SA	Brussels	Real Estate	50%
IMMO PA 44 1 SA	Brussels	Real Estate	50%
IMMO PA 44 2 SA	Brussels	Real Estate	50%
IMMOBILIERE DU BERREVELD SA	Brussels	Real Estate	50%
LA RESERVE PROMOTION NV	Kapellen	Real Estate	33%
LES JARDINS DE OISQUERCQ SPRL	Brussels	Real Estate	50%
LES 2 PRINCES DEVELOPMENT SA	Brussels	Real Estate	50%
LRP DEVELOPMENT BVBA	Gent	Real Estate	33%
OOSTEROEVER NV	Ostend	Real Estate	50%
PRE DE LA PERCHE CONSTRUCTION SA	Brussels	Real Estate	50%
PROMOTION LEOPOLD SA	Brussels	Real Estate	30.44%
REDERIJ ISHTAR BVBA	Ostend	Real Estate	50%
REDERIJ MARLEEN BVBA	Ostend	Real Estate	50%
VAN MAERLANT RESIDENTIAL SA	Brussels	Real Estate	40%
VICTOR ESTATE SA	Brussels	Real Estate	50%
VICTOR PROPERTIES SA	Brussels	Real Estate	50%
VM PROPERTY I SA	Brussels	Real Estate	40%
VM PROPERTY II SPRL	Brussels	Real Estate	40%
Luxemburg			
NORMALUX MARITIME SA	Windhof	Dredging	37.50%
BAYSIDE FINANCE SRL	Luxemburg	Real Estate	40%
BEDFORD FINANCE SRL	Luxemburg	Real Estate	40%
CHATEAU DE BEGGEN SA	Strassen	Real Estate	50%
ELINVEST SA	Strassen	Real Estate	50%
M1 SA	Strassen	Real Estate	33.33%
M7 SA	Strassen	Real Estate	33.33%
PEF KONS INVESTMENT SA	Luxemburg	Real Estate	33.33%
United Kingdom			
FAIR HEAD TIDAL ENERGY PARK LTD	North Ireland	Dredging	17.50%
WEST ISLAY TIDAL ENERGY PARK LTD	Scotland	Dredging	17.50%
Poland			
B-WIND POLSKA SP z.o.o.	Gdynia	Dredging	51.10%
C-WIND POLSKA SP z.o.o.	Gdynia	Dredging	51.10%
IMMOMAX S.P. z.o.o.	Warsaw	Real Estate	47%
Other European countries			
LIVEWAY LTD	Larnaca, Cyprus	Holding	50%
LOCKSIDE LTD	Larnaca, Cyprus	Holding	50%
CBD SAS	Ferques, France	Dredging	50%
EXTRACT ECOTERRES SA	Villeneuve-le-Roi, France	Dredging	37.45%
MERKUR OFFSHORE Gmbh	Hamburg, Germany	Dredging	12.50%
MORDRAGA LLC	Saint-Petersburg, Russia	Dredging	40%
OCEANFLORE BV	Kinderdijck, Netherlands	Dredging	50%
AFRICA			
Nigeria			
COBEL CONTRACTING NIGERIA LTD	Lagos	Holding	50%
Tunisia			
BIZERTE CAP 3000 SA and its subsidiary	Tunis	Holding	20%
AMERICAS			
Brazil			
DEME BRASIL SERVICOS DE DRAGAGEM LTDA	Rio de Janeiro	Dredging	50%
MINERACOES SUSTENTAVEIS DO BRASIL SA	Sao Paulo	Dredging	51%
ASIA			
COSCOCS DEME NEW ENERGY ENIGNEERING CO LTD	Guangzhou,China	Dredging	50%
DIAP DAELIM JOINT VENTURE PTE LTD	Singapore	Dredging	51%
DIAP SHAP JOINT VENTURE PTE LTD	Singapore	Dredging	51%
DREDGING INTERNATIONAL SAUDI ARABIA LTD	South Arabia	Dredging	49%
MIDDLE EAST DREDGING COMPANY QSC	Abu Dhabi	Dredging	44.10%
DRAGAFI ASIAN PACIFIC PTE LTD	Singapore	Dredging	40%

CFE Group also works with partnerships in temporary associations set-up in Belgium or in foreign countries for the execution of projects. Temporary associations, commonly used as special purpose vehicle in the construction sector, are not mentioned here above.

Statement of the true and fair nature of the financial statements and the true and fair nature of the presentation in the management report

(Article 12(2) and 12(3) of Belgium's royal decree of 14/11/2007 relating to the obligations of issuers of financial instruments listed for trading on a regulated market)

We attest, in the name and on behalf of Compagnie d'Entreprises CFE SA and under that company's responsibility, that, to our knowledge,

1. the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, financial position and results of Compagnie d'Entreprises CFE SA and of the companies included in its scope of consolidation;
2. the management report contains a true and fair presentation of the business, results and position of Compagnie d'Entreprises CFE SA and of the companies included in its scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Signatures

Name:	Fabien De Jonge	Renaud Bentégeat	Piet Dejonghe
Function:	Administrative and Financial Director	Managing Director	Managing Director

Date: 23 February 2017

General information about the company and its capital

Company	Compagnie d'Entreprises CFE
Head office	avenue Herrmann-Debroux 40-42, 1160 Brussels
Telephone	+32 2 661 12 11
Legal form	public limited company (société anonyme)
Incorporated under Belgian law	
Date of incorporation	21 June 1880
Duration	indefinite
Accounting period	from 1 January to 31 December
Commercial register entry	RPM Brussels 0400 464 795 – VAT 400,464,795
Place where legal documentation can be consulted	head office.

Corporate purpose (article 2 of the articles of association)

"The purpose of the company is to study and execute any work or construction within each and every of its specialist areas, in particular electricity and the environment, in Belgium or abroad, singly or jointly with other natural or legal persons, for its own account or on behalf of third parties belonging to the public or private sector.

It may also perform services related to these activities, directly or indirectly operate them or license them out or carry out any purchase, sale, rent or lease operation whatsoever in respect of such undertakings.

It may directly or indirectly acquire, hold or sell equity interests in any company or undertaking existing now or in the future by way of acquisition, merger, spin-off or any other means.

It may carry out any commercial, industrial, administrative or financial operations or operations involving movable or immovable property that are directly or indirectly related to its purpose, even partially, or that could facilitate or develop that purpose, either for itself or for its subsidiaries.

The shareholders' meeting may change the corporate purpose subject to the conditions specified in Article five hundred and fifty-nine of the Belgian Companies Code".

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 december 2016 to the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Compagnie d'Entreprises CFE SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 4,328,219 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 168,411 (000) EUR.

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

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

Statutory auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements of Compagnie d'Entreprises CFE SA give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matter

Without modifying the unqualified opinion expressed above, we draw your attention to the Note 27.7 of the financial statements which describes the uncertainties regarding the amount due by the State of Chad and the undertaken actions in order to facilitate its payment.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 24 February 2017

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Rik Neckebroeck - Michel Denayer

Statutory financial statements

Parent-company statements of financial position and comprehensive income

FOR THE PERIOD ENDED 31 DECEMBER (IN THOUSAND EURO)	2016	2015
Non-current assets	**1,323,520**	**1,332,944**
Start-up costs	0	0
Intangible assets	46	353
Property, plant and equipment	693	1,330
Financial assets	1,322,781	1,331,261
- Related parties	1,322,749	1,330,939
- Other	32	322
Current assets	**236,408**	**327,577**
Receivables at more than 1 year	0	0
Inventories and work in progress	8,097	61,267
Receivables at up to 1 year	196,447	193,570
- Trade receivables	53,033	66,110
- Other receivables	143,414	127,460
Cash investments	6	1,255
Cash equivalents	30,956	68,246
Prepaid expenses	902	3,239
Total assets	**1,559,928**	**1,660,521**
Equity	**1,197,582**	**1,193,150**
Share capital	41,330	41,330
Share premium	592,651	592,651
Revaluation surplus	487,399	487,399
Reserves	8,654	8,654
Retained earnings/(losses)	67,548	63,116
Provisions and deferred tax	**57,272**	**58,923**
Liabilities	**305,074**	**408,448**
Liabilities at more than 1 year	132,580	152,580
Liabilities at up to 1 year	172,494	254,898
- Financial debt	0	0
- Trade payables	37,211	73,870
- Tax liabilities and down payments on orders	11,925	51,783
- Other payables	122,694	129,245
Prepaid income	664	970
Total equity and liabilities	**1,559,928**	**1,660,521**

FOR THE PERIOD ENDED 31 DECEMBER (IN THOUSAND EURO)	2016	2015
INCOME		
Sales of goods and services	48,296	273,031
Cost of goods sold and services provided	(56,336)	(282,476)
- Merchandise	(26,800)	(182,245)
- Services and other goods	(17,763)	(65,923)
- Remuneration and social security payments	(12,538)	(29,267)
- Depreciation, amortisation, impairment and provisions	1,214	(3,750)
- Other	(449)	(1,291)
Operating income	(8,040)	(9,445)
Financial income	75,396	182,849
Financial expense	(8,481)	(49,016)
Pre-tax income	58,875	124,388
Tax (current and adjustments)	(17)	(374)
Net income	58,858	124,014
APPROPRIATION OF INCOME		
Net income	58,858	124,014
Retained earnings	63,116	0
Dividend	(54,426)	(60,755)
Available reserves	0	0
Legal reserve	0	(143)
Retained earnings carried forward	67,548	63,116

Analysis of statements of financial position and comprehensive income

There was a substantial decline in the revenue of CFE SA. This is explained by the transfer of the 'Buildings Flanders' segment on 1 July 2015 and by the shrinking international activity and the decrease in civil engineering and building activity in the Brussels Region.

The operating result was adversely affected by the losses on civil engineering projects in Brussels and Flanders.

The financial result primarily consists of:

- the dividend paid by DEME in respect of the 2015 financial year, and
- the capital gains on the disposals of Locorail NV and Coentunnel Company BV.

In 2015, the income statement was favourably influenced by the internal capital gains resulting from the legal reorganization of the group.