

A scenic landscape photograph showing a large, leafy tree in the foreground on the right, leaning over a body of water. The water is blue and reflects the sky. In the background, there's a sandy area and more trees under a clear blue sky. The foreground is a grassy bank.

**Building a sustainable future!**  
**Koninklijke Smals NV, Annual Report 2018.**





## Foreword.

Following on from our reorganisation in 2017, over the course of 2018 we laid the foundations to secure a sustainable future for Royal Smals in many ways.

Once we had set a clear strategic course for the company at the beginning of 2018, the entire Royal Smals team across all divisions worked to improve our visibility on the market – by visiting existing and potential customers, water boards and public authorities, (re)joining industry organisations, participating in trade fairs, holding presentations at conferences and giving guest lectures, etc.

This active market approach was well received in many ways and this has given us confidence that, supported by our values of commitment, cooperation, focus on solutions and reliability, we are a good partner to work with.

This ties in with our ambition of developing sustainable, long-term relationships with our customers and being ranked as one of the top 5 most reliable partners in the sector. We like to remain in constant dialogue with customers to find ways to meet their needs even more effectively and achieve high levels of customer satisfaction.

To help us realise this ambition, we invest in our existing employees and our team (a process underpinned by our core values) and also aim to attract high-quality experts to join our organisation.

The Building Materials division experienced a dynamic year, partly due to the compulsory inspection of the Vierlingsbeek sand processing plant and the initial preparations for its full electrification. In Germany a considerable effort was invested in expanding the scope of permits. Unfortunately, the permit application for the IJsselmeer project was partially rejected in February 2019 due to the decision by the local authority in De Fryske Marren not to adopt the change to the zoning plan.

In 2018 the Dredging division developed into a profitable and dynamic division. By maintaining a strong focus on customers/markets and projects, it managed to achieve a higher number of enquiries, as well as increasing the diversity of its customers and projects in various countries. This is an extremely positive development that was further supported by rigorous project monitoring.

The Rental division was faced with a huge challenge in 2018, due to the large number of technical inspections and maintenance activities that had to be performed, combined with a high level of equipment utilisation. It ended the year positively.

We would like to express our thanks to our customers, suppliers, partners and employees for the confidence they showed in us once again in 2018.

2019 is certain to be another challenging year! Realising our growth ambitions, ensuring good alignment between production and the granting of permits and generally improving the sustainability of our activities will be key focus areas in the year ahead.

We are looking forward to making 2019 a successful year together with you!

On behalf of the entire Royal Smals team  
Resie Reijnders, Chairman of the Board  
René van der Zweep, Director Dredging



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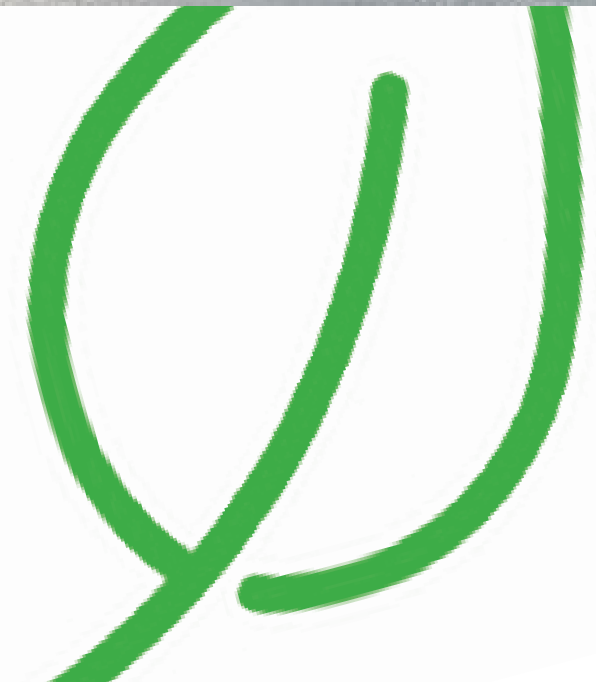


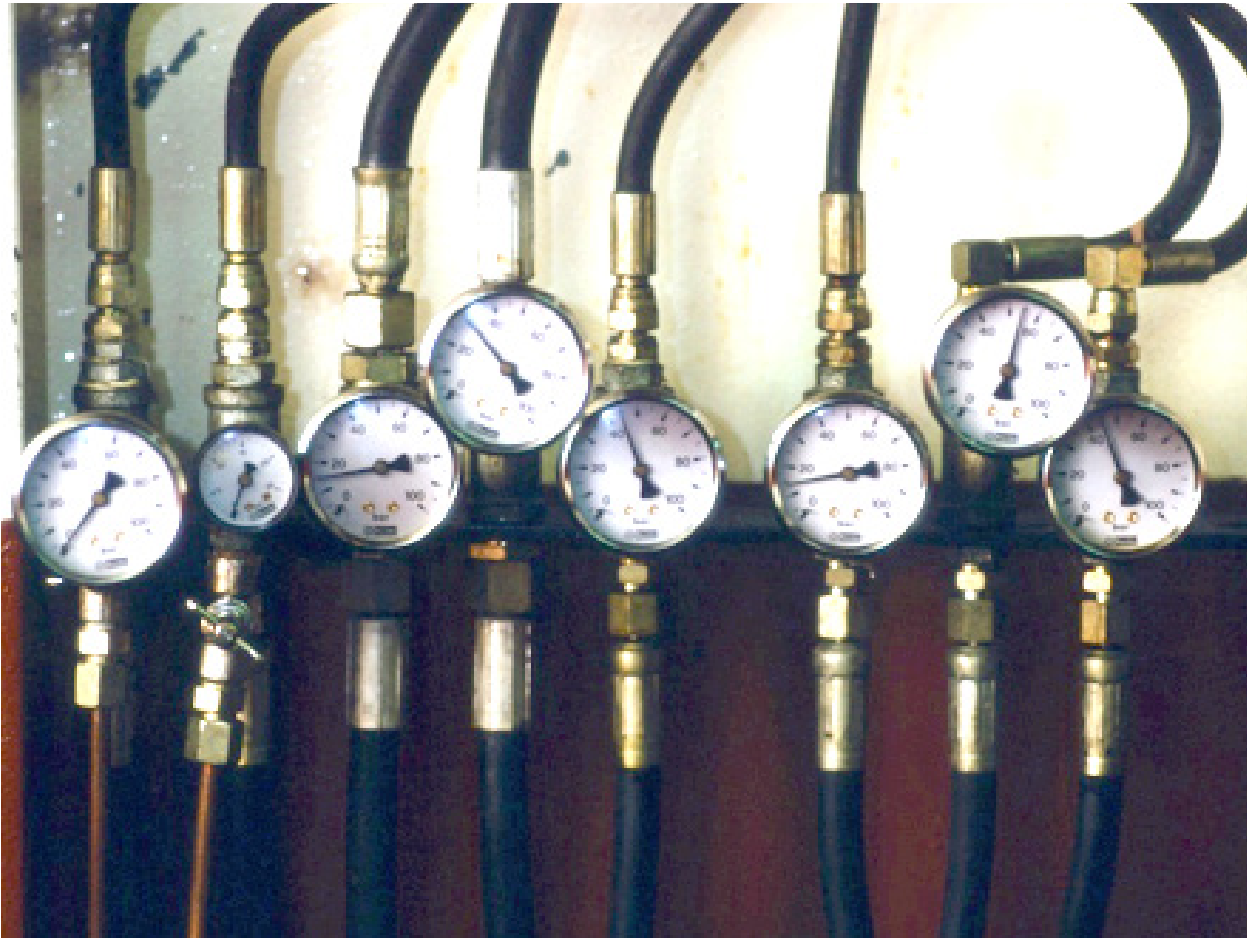
## Profile.

For over 125 years the family business Royal Smals has been realising its ideals in the field of area development and creating a better and safer environment for the benefit of society.

From dredging, developing, performing studies and dewatering through to supplying raw materials for land and area development and the construction industry, Royal Smals feels responsible for every link in the chain.

Over the years we have developed into a highly regarded Dutch company and have been granted the right to use the designation 'Royal' in our name.





## Key figures.

The operating result (before extraordinary income and expenses, impairment and one-off items) has increased by € 2,786,000.

- An improvement in the results of the Building Materials division. This can be attributed to positive market developments, volume optimisation, cost monitoring, savings resulting from investments in sustainability and the maximisation of site yields by ensuring that a larger proportion of the natural raw materials present is processed into an end product.
- The Dredging division managed to achieve a significant increase in its operating result, as a result of growth in the United Kingdom and Germany, a focus on the right contracting projects in Western Europe and rigorous risk management. Savings were also made in the area of operating costs.
- Stable equipment utilisation at our Rental division and better management of maintenance costs.



x € 1,000	2018	2017
Turnover	23,753	25,293
Operating result	3,107	6,072
Operating result before impairment and one-off items	3,107	321
Result before corporation tax	3,126	6,015
Net profit	2,431	4,771
Equity	19,806	17,377
Operating cash flow (= net profit + amortisation + impairment)	3,461	5,960
Equity / Total assets	77%	58%
Net profit / Equity	12%	27%

# Naturally Smals! Our values.



Commitment.



Cooperation.



Focus on solutions.



Reliability.



## Mission.

Royal Smals supports its customers in the roadbuilding, hydraulic engineering and concrete industries through the building materials it supplies, its considerate approach to nature and its water-based transport, and in this way contributes to a better and safer environment.

## Vision.

Royal Smals believes it can create a safer and better environment by offering its customers the best methods, innovative solutions, the right equipment and expert personnel.







**P.M.J. Thissen**  
Chairman of the Supervisory Board



**P.M.J. Op Heij RA**



**J. van 't Hoff MSc. Eng.**

## Royal Smals Supervisory Board.

We are pleased once again to present the 2018 financial statements of Koninklijke Smals NV, as prepared by the management. These financial statements have been audited by EY Accountants, which has issued an unqualified audit opinion. We discussed them with the auditor and the company's Board of Directors on 9 May 2019. We propose that the shareholders adopt these financial statements and the proposal on the appropriation of profit. We also propose that the Board of Directors be discharged from liability in respect of the management it has conducted and that the Supervisory Board be discharged from liability in respect of its supervision.

The dominant theme over the past year was the achievement of the targets presented in the strategic plan, which the management had introduced in the third quarter of 2017. This largely involves optimising the internal processes at all divisions, adopting a new market orientation with a clear focus on profitability for the Dredging division and implementing a general cost-cutting operation.

The Dredging division increased its operating result materially. Although its turnover declined, the quality of the turnover generated was in line with the target. This division introduced a clear focus on the Western European market, while also increasing its external presence at relevant trade fairs and network meetings. A rigorous bid/no-bid procedure and a focus on risk management helped it achieve a significant increase in its operating result.

The turnover of the Building Materials division was largely in line with the budget and the net result comfortably exceeded the budgeted figure.

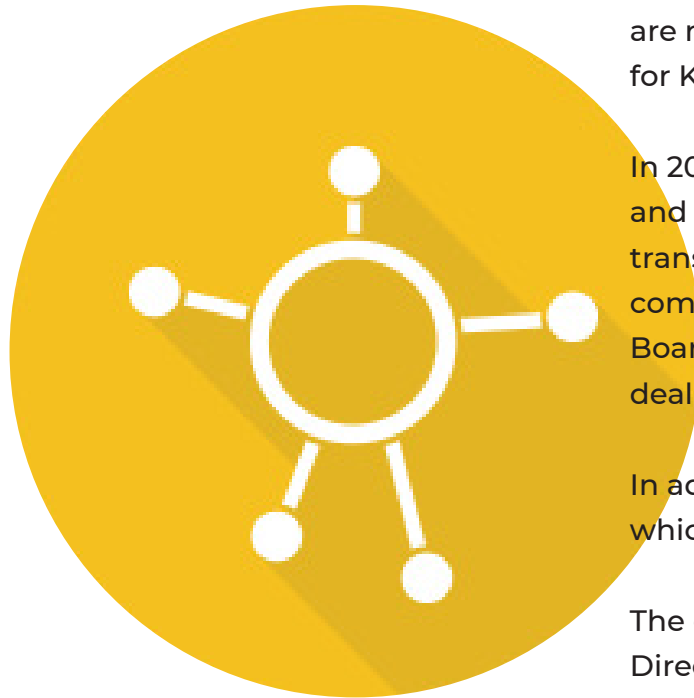
Within the Rental division, turnover fell short of the budgeted level, while the result was fractionally above the target set.

The consolidated figures reveal a 6% drop in turnover. We maintained our gross margin at a level of 35% of this turnover and the substantial drop in indirect costs of € 1.3 million saw our operating result before impairment and one-off items improve by € 2.8 million. The company's operating result before impairment and one-off items as a percentage of turnover has therefore increased from 1% in 2017 to 13% in 2018.



Over the past year we reaped the rewards of the development of the strategic plan and the company is on course to achieve its strategic targets.

During the year we launched a process involving all employees with the aim of defining the “core values” of Koninklijke Smals NV. Core values represent the most important values within an organisation. These are values that we collectively regard as right and proper, that we are keen to embody and to which we all aspire. The core values defined by Koninklijke Smals NV are reliability, commitment, openness and quality. We have also come up with a new slogan for Koninklijke Smals NV: “Naturally Smals”.



In 2018 the Supervisory Board held seven meetings, during which the Board of Directors and shareholders were also present. These meetings were conducted in a constructive and transparent manner. Each one was based around a theme, with a specialist from within the company or an external party providing an explanation on each specific topic. The Supervisory Board also held additional meetings, with and without members of the Board of Directors, to deal with specific issues arising from the strategy.

In addition, a delegation of the Supervisory Board attended a meeting of the Works Council, which was also informative and constructive in nature.

The course the company has set, based on the strategic plan drawn up by the Board of Directors, has proven to be a solid basis for safeguarding the continuity of the business.

We would like to express our thanks to our customers and partners for the confidence they have shown in Koninklijke Smals NV, the Works Council for its cooperative and critical approach, as well as the Board of Directors and our employees and shareholders for their dedication, loyalty and solidarity throughout 2018.

The results achieved over the past year confirm that we have decided on the right course to guarantee the independence of Koninklijke Smals NV as a family business as we move into the future.

Cuijk, 9 May 2019

J. van 't Hoff M.Sc.Eng    P.M.J. Op Heij RA    P.M.J. Thissen







Naturally Smals! Commitment.



We are committed during every link in the process, from beginning to end.



## Accounting policies.

The consolidated balance sheet as at 31 December 2018 and the consolidated income statement for 2018 have been derived from the 2018 financial statements, a copy of which is available for inspection at our head office in Cuijk.

The full financial statements were prepared with due consideration for Title 9, Book 2, of the Dutch Civil Code and Dutch annual reporting guidelines. The consolidated balance sheet and income statement included in this annual report form part of the full financial statements. Below you will find details of the group's main accounting policies. Please refer to the financial statements for the complete accounting policies.

### Principles of consolidation.

Koninklijke Smals NV and all companies in which Koninklijke Smals NV has a controlling interest are included in the scope of consolidation. The full consolidation method is applied. The third-party share in the assets of consolidated participations, calculated on the basis of the percentage stake held in the company concerned, is reported separately in the balance sheet. Results are consolidated accordingly.

### General.

Unless otherwise indicated, assets and liabilities are stated at amortized cost price.

### Financial fixed assets.

The participations in which a significant influence is exercised over the company's commercial and financial policy are stated at net asset value. The result recognised reflects the share of Koninklijke Smals NV in the result of these participations.

Other minority participations that are held on a long-term basis and in which no significant influence can be exercised over commercial and financial policy are stated at acquisition cost, less provisions due to impairment.



Receivables from participations are stated at nominal value, less any provisions considered necessary.

The group owns land, directly and indirectly (via participations), that it intends to use for sand and gravel extraction once it has obtained an earth-removal licence. If the land is held by minority participations, it is normally financed by the group and the finance provided (capital, loans) is recognised under financial fixed assets.

### **Stocks.**

Stocks are stated at the lower of cost and net realisable value. The cost is the acquisition or production cost. This includes direct costs, taking the stage of processing into account. Provisions are formed for obsolete stocks. Profits and losses on intercompany transactions are eliminated during consolidation.

Extraction rights (land for which licences have been issued) are stated at acquisition cost. For the purpose of impairment testing, the land is allocated to the (group of) cash-generating units. If there is cause to do so, a test is performed to determine whether impairment is necessary. This involves comparing the carrying amount with the recoverable amount. The latter is the higher of the direct and indirect realisable value.







Naturally Smals! Cooperation.

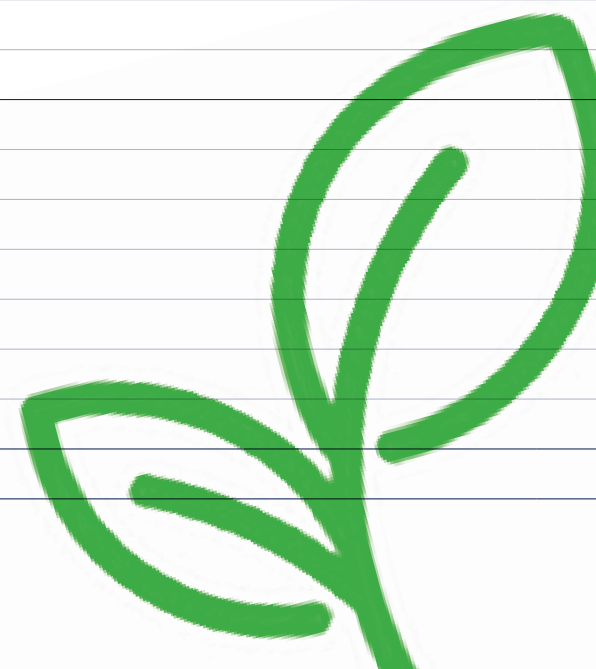


We treat all our customers equally. We support them and think along with them.



## Consolidated balance sheet as at 31 December 2018.

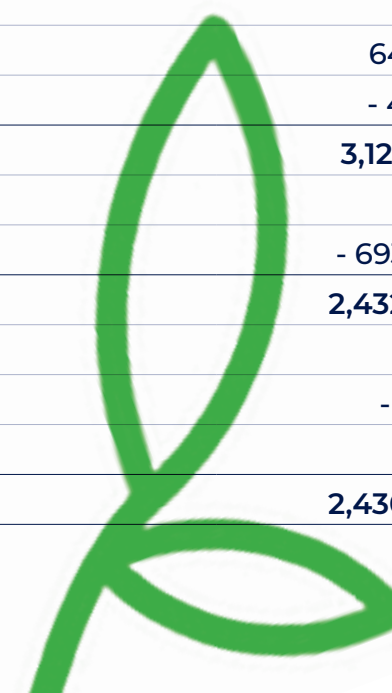
€	31-12-2018	31-12-2017
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible fixed assets	136,541	163,849
Tangible fixed assets	11,821,013	11,958,177
Financial fixed assets	5,992,671	6,035,293
	<b>17,950,225</b>	<b>18,157,319</b>
<b>Current assets</b>		
Stocks	2,021,530	2,776,324
Projects in progress	0	12,727
Receivables	4,374,443	4,961,758
Liquid assets	1,561,244	4,237,899
	<b>7,957,216</b>	<b>11,988,708</b>
<b>Total assets</b>	<b>25,907,441</b>	<b>30,146,026</b>
<b>Liabilities</b>		
Group equity	19,805,765	17,376,599
Third-party interests	379	- 1,007
	<b>19,806,144</b>	<b>17,375,592</b>
<b>Provisions</b>	<b>1,155,424</b>	<b>1,870,431</b>
<b>Long-term liabilities</b>	<b>0</b>	<b>247,715</b>
<b>Current liabilities</b>	<b>4,945,873</b>	<b>10,652,289</b>
<b>Total liabilities</b>	<b>25,907,441</b>	<b>30,146,026</b>





## Consolidated income statement for 2018.

€	2018	2017
<b>Net turnover</b>	<b>23,738,877</b>	<b>24,412,662</b>
Movement in stocks of finished products and work in progress	14,045	879,700
<b>Total operating income</b>	<b>23,752,922</b>	<b>25,292,362</b>
Costs of raw materials and consumables	4,634,693	3,778,358
Costs of subcontracted work and other external costs	2,546,015	5,369,167
Wages and salaries	4,499,477	5,125,997
Social security contributions	805,159	982,653
Depreciation of tangible fixed assets	1,002,824	1,161,065
Amortisation of intangible fixed assets	27,308	27,308
Impairment of tangible fixed assets	0	347,689
Other operating expenses	7,130,033	6,431,874
One-off income and expenses	0	- 4,004,668
<b>Total operating expenses</b>	<b>20,645,508</b>	<b>19,219,443</b>
<b>Operating result</b>	<b>3,107,414</b>	<b>6,072,919</b>
Interest income and similar revenues	64,980	46,795
Interest expenses and similar costs	- 46,611	- 105,120
<b>Result from ordinary operations before taxes</b>	<b>3,125,783</b>	<b>6,014,594</b>
Taxes on result from ordinary operations	- 693,504	- 1,220,119
<b>Result from ordinary operations after taxes</b>	<b>2,432,280</b>	<b>4,794,475</b>
Third-party interests in result	- 1,386	- 19,759
Share in result of unconsolidated participations	0	- 3,545
<b>Net profit</b>	<b>2,430,893</b>	<b>4,771,171</b>







## Review of 2018.

We ended 2018 with a net profit of just over € 2 million.

The Building Materials division enjoyed a good year in the Netherlands. A good volume and optimised site yield were achieved in the Over de Maas project. At the end of 2018 the entire Vierlingsbeek sand processing plant underwent the compulsory inspection. Further modifications were also made to the plant with sustainability in mind, partly to prepare it for full electrification.







The Vierlingsbeek plant is expected to remain in production in the Over the Maas project until the spring of 2020. Sand extraction will then be relocated to the Geertjesgolf project, for which the necessary permit has been granted. These two projects combined will guarantee the continuity of production for around 10 years.

The files required as part of the IJsselmeer project permit application were submitted for inspection in the spring of 2018. Despite these being approved by a number of the competent authorities concerned, in February 2019 the local authority in De Fryske Marren decided not to adopt the amended zoning plan. We are currently considering our next steps in this permit application process, which is expected to take some time to reach a conclusion. Production at the sand extraction sites in Germany (Kalle and Wippingen) was also in line with expectations and these sites can look back on a very positive year.

In 2018 the Dredging division clearly reaped the rewards of the revision of its strategy. By focusing on the right projects in Western Europe, achieving healthy growth in Germany and the United Kingdom, rigorously managing risks during project implementation and, above all, 'doing what we are good at', the division managed to achieve a significant increase in its operating result.

In 2018 the Rental division was able to maintain the level of turnover generated from its activities. This division has access to an extensive fleet of dredging and transport equipment (including spray barges, split barges, hopper barges, cutter suction dredgers, pontoons, etc.) for the international dredging and rentals market. In 2018 it expanded its customer base and increased equipment utilisation. A large portion of the fleet was also inspected in 2018 and is therefore in good shape for the next years. As a result of these inspections two barges were replaced with newer barges to ensure continuity into the future.







Naturally Smals! Focus on solutions.



We have up-to-date knowledge and are aware of the latest developments and changes within the sector.





## Sustainability.

Royal Smals aims to increase the sustainability of its activities wherever possible. The CO<sub>2</sub> emissions of the Royal Smals Group have been reduced substantially relative to the figure of last year by means of the following measures:

- Significantly reducing the fuel consumption of the Vierlingsbeek sand processing plant by investing in sustainability.
- Meeting half of our energy needs through the renewable energy we generate ourselves (solar panels).
- Clearly cutting back on our use of air travel.



On 15 January 2019 Royal Smals signed the Green Deal 2.0 'DuurzaamGWW' during the Infratech event at AHOY Rotterdam.

This Green Deal, which focuses on sustainability in the civil and hydraulic engineering sectors, aims to embed sustainability throughout the whole tendering procedure and to develop a sustainable approach based on projects and practical experience. In this way the parties involved hope to achieve solutions that are effective and feasible for the entire sector.

In 2019 preparations were made for the further electrification of the Vierlingsbeek sand processing plant. The aim is to achieve the full electrification of the plant by the end of 2020, allowing it to be connected to shore power.

Royal Smals is participating in the new Geertjesgolf project. Our ambition is to fully electrify all our activities as part of this project, using the renewable energy generated on the project where possible.







Naturally Smals! Reliability.



We are a reliable partner that delivers on its promises.





# Our people.

## Culture.

For over 125 years we have positioned ourselves as a stable player within the roadbuilding, hydraulic engineering and concrete industries. We have an open, transparent and no-nonsense culture within which every employee has the space he or she needs to develop and within which employees share their ideas and motivate each other.

## Workforce.

2018 was an extremely dynamic year in the area of personnel. As a result of our change in course (initiated in 2017) and the targeted growth of the group, various changes were made to our workforce and we were able to welcome numerous new colleagues to our organisation. These changes mean that the workforce is currently well aligned, in terms of its size and composition, with the ambitions of Royal Smals.

## Teambuilding and core values.

In 2018 we organised a number of teambuilding sessions (partly based on the DISC method) with the aim of strengthening the organisation and supporting our employees. The entire Royal Smals team also contributed in 2018 to the process of determining our core values: commitment, openness, quality and reliability.

Both the teambuilding activities and the determination of these core values have made a positive contribution to the sustained employability of our staff and the joint promotion and implementation of our strategy.



**81** (69.23 fte)  
employees



**72** (60.68 fte)  
employees



**86.25%**  
male



**13.75%**  
female

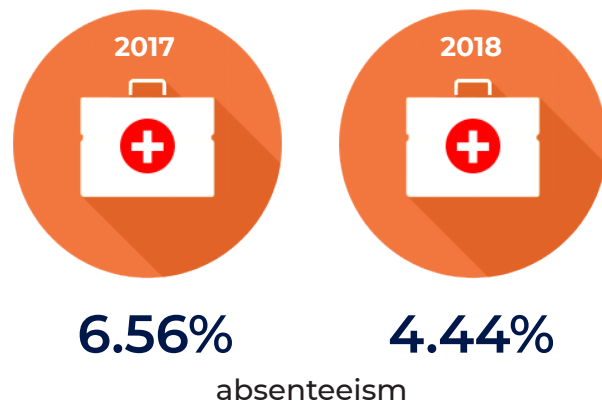


**48.6**  
average age



**45.8**  
average age





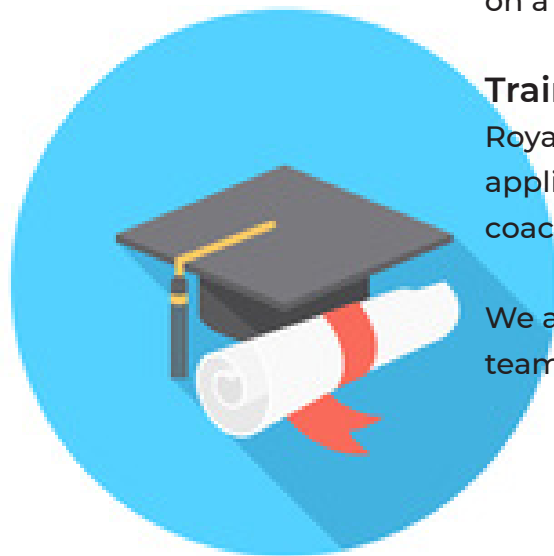
### Absenteeism.

Royal Smals is keen to create a safe and healthy working environment for all its employees. A significant number of employees within the group perform physically demanding work. The age of this group is increasing, which means that, statistically, they are more likely to suffer from physical complaints and impairments, with an associated risk of absenteeism and even permanent incapacity for work. In 2018 we introduced preventive measures to ensure the sustained employability of this group.

In 2018 the absenteeism figure was 4.44% (2017: 6.56%), a drop of over 30% on the previous year. As was the case in 2017, absenteeism in 2018 was largely (66%) due to a number of cases of long-term sickness, which were unrelated to work.

Royal Smals is also aiming to broaden and rejuvenate its workforce to guarantee the continuity of the business.

In 2018 there were four incidents, without permanent injury. The QHSE department investigated the accidents and where possible changes were made and/or additional attention was focused on a particular issue during a toolbox meeting



### Training and development.

Royal Smals continued to invest in its people in 2018. Within this context we organised directly applicable job-specific training, training in the area of health and safety, as well as personal coaching, management training and language courses.

We also placed an emphasis on personal development, by organising DISC analyses and two teambuilding days.



## Outlook.

In 2019 the market is expected to develop positively for the Building Materials division. The production volume for the Vierlingsbeek plant has been adjusted slightly with the aim of optimising the site yield by focusing on the production of finer grades of sand.

The plant will remain in production in the Over the Maas project until the spring of 2020. Sand extraction will then be relocated to the Geertjesgolf project, for which the necessary permit has already been granted.

In Germany the development is expected to remain stable. In 2019 we will once again be making every effort to ensure the long-term continuity of our positions.

As part of its long-term strategy Royal Smals is focusing on projects including a sand extraction project on the IJsselmeer. Due to the delay in the granting of the permit, this project is no longer expected to start in 2019.

The Dredging division is starting the year with a strong order book and is receiving an excellent number of enquiries that could lead to promising projects in Western European countries. It is continuing to focus on growth in Germany and the United Kingdom and will also be expanding its activities in the Netherlands. Gradually modernising and increasing the sustainability of its fleet will be another key area of attention. As far as the more complex tendering procedures in the Netherlands are concerned, the division's policy will continue to be geared towards collaborating with external parties.

Equipment utilisation as a result of internal rentals is expected to improve in 2019. We anticipate that external rental activities will remain stable compared with 2018 and we will focus more actively on the external rental of unmanned cutter-suction dredgers and the modernisation of the fleet.

We expect the company to post a profit in 2019.





## Report of the independent auditor.

To the Board of Directors of Koninklijke Smals NV.

### Our opinion.

The summary financial statements 2018 (hereafter: 'the summary financial statements') of Koninklijke Smals NV, based in Herten is derived from the audited financial statements 2018 of Koninklijke Smals NV.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2018 of Koninklijke Smals NV.

The summary financial statements comprise:

1. the consolidated balance sheet at 31 December 2018
2. the consolidated income statement over 2018
3. accounting policies

### Summary financial statements.

The summary financial statements do not contain all the disclosures required by Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of Koninklijke Smals NV and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements of 9 May 2019.

### The audited financial statements and our auditor's report thereon.

We expressed an unmodified audit opinion on the audited financial statements 2018 of Koninklijke Smals NV in our auditor's report of 9 May 2019.

### Responsibilities of Board of directors for summary financial statements.

Management is responsible for the preparation of the summary financial statements in accordance with the accounting policies set out in the summary of the audited financial statements. The supervisory board is responsible for overseeing the company's financial reporting process.



### **Our responsibilities.**

Our responsibility is to express an opinion on whether summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Venlo, 9 May 2019

Ernst & Young Accountants LLP  
sgd W.J.C.A. Weijers RA





## Client testimonials.

Why would you (not) recommend us:

WE WOULD BE HAPPY TO RECOMMEND SMALS BASED ON ALL ASPECTS DESCRIBED ABOVE

What should we keep doing as Smals Dredging UK Ltd. :

KEEP OFFERING THE SERVICE AND EFFICIENCIES THAT YOU CURRENTLY DO

What could we better not do as Smals Dredging UK Ltd. (or improve this):

DIFFICULT TO FAULT AS ALL PARTIES ARE SATISFIED WITH THE EFFORT MADE

Wat maakt het dat u ons aanbeveelt:

Bevredigend Materiaal  
Duidelijke afspraken. Goed.

Wat moeten wij als Smals Dredging BV vooral blijven doen:

zo blijven

Wat moeten we als Smals Dredging BV vooral NIET doen (of beter doen): ?

Opmerkingen: goed werk.

Wat is uw algemeen oordeel over Smals Dredging BV op een schaal van 1-10: vul cijfer in 9½  
(1 = zeer slecht; 10 = uitmuntend)

What is your general appreciation of Smals Dredging UK Ltd. on a scale from 1-10:

(1 = very bad; 10 = excellent)

9 - NO ONE GETS A 10....  
Excellent work - Highly Recommend  
Hope to see you back in the future  
Kind regards.

Wat maakt het dat u ons aanbeveelt:

jullie maken goed werk.

Wat moeten wij als Smals Dredging BV vooral blijven doen:

Blijven zoals jullie nu zijn.

Wat moeten we als Smals Dredging BV vooral NIET doen (of beter doen): ← (kan altijd beter)

Veranderen in negatieve zin.

average customer  
satisfaction score 8.8



Wat maakt het dat u ons aanbeveelt:

DESKUNDIG / VAKMANSCHAP / STIPT IN AFSPRAKEN

Wat moeten wij als Smals Dredging BV vooral blijven doen:

COMMUNICATIE MET OPDRACHTGEVER

