

2019

# Step by step Naturally Smals

Step by step

# Moving forward responsibly

Despite having been founded some 135 years ago, our company is still characterised by a youthful curiosity. We are constantly looking for new ways to help our customers, our employees and society – striving to be more considered, smarter and better. Royal Smals is also keen to continue its responsible growth, moving forward step by step and, where necessary, treading unfamiliar paths. That is precisely what we did again in 2019. As a company we enjoy embarking on journeys of discovery, albeit without playing the adventurer and taking excessive risks. Ready to explore a new path? Okay! To take some risks? In moderation! And to reinvent the wheel? If necessary, but we should take a good look first at what is possible from the point of view of raw materials, equipment, production capabilities, processes, manpower and society. Only then should we make a decision, and in some cases that will mean sticking with the original choice. At Royal Smals we like the feeling of being one of the leaders in our field.

## Sustainable

In 2019 social developments once again influenced the course taken by Royal Smals. As a company we attach great importance to sustainability. That means preventing any waste of raw materials, using energy efficiently, reusing raw and other materials, and thinking and acting in an environmentally friendly way. This is reflected in the way we purchase and manage our equipment, in the approach taken by our sales team, in the way we work at our production sites, in the projects we take on, in the way we deploy our staff and in our choice of partners.



## Committed

I started the year by signing the Civil and Hydraulic Engineering Projects Green Deal on behalf of Royal Smals in January 2019. Midway through the year our efforts in the area of sustainable working culminated in Royal Smals becoming the first building materials supplier in the Netherlands to be awarded the Gold Certificate by the concrete industry's sustainability organisation, the CSC. Our new website also clearly exudes Royal Smals' commitment to society and we have added a splash of green to our logo. In addition, a new payoff now features in numerous communications: Naturally Smals!

## Working together

Cooperation was a keyword once again in 2019. This takes various forms: thinking with public authorities about the environmental impact during and after construction sand extraction, while also making clear that the prompt granting of permits avoids social and economic waste; coordinating effectively with customers to ensure all the sand extracted is immediately usable and does not have to be thrown back overboard; serving the market together with other producers to encourage the reuse of raw materials; working with customers to make sure projects are carried out in a way that is as environmentally friendly as possible; and working with our employees, to whom all this and the other values espoused by Royal Smals come as second nature.



Resie Reijnders, Chairman of the Board

*Royal Smals would like to thank public authorities, contracting authorities, customers, advisors, suppliers, employees, citizens and other stakeholders for the confidence they have placed in us over the course of 2019. Over the coming period we hope to demonstrate that we are worthy of this trust and to further increase the confidence in our organisation. Together with our stakeholders, Royal Smals is ready to invest in a good future.*



# Facts & figures

 work locations

  
**45**  
projects

  
**5.278.857**  
m<sup>3</sup> dredged

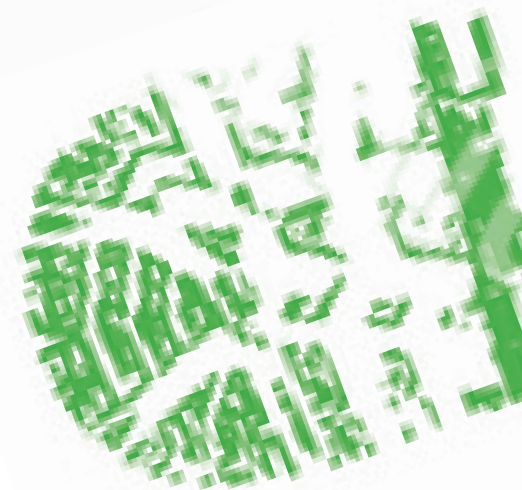
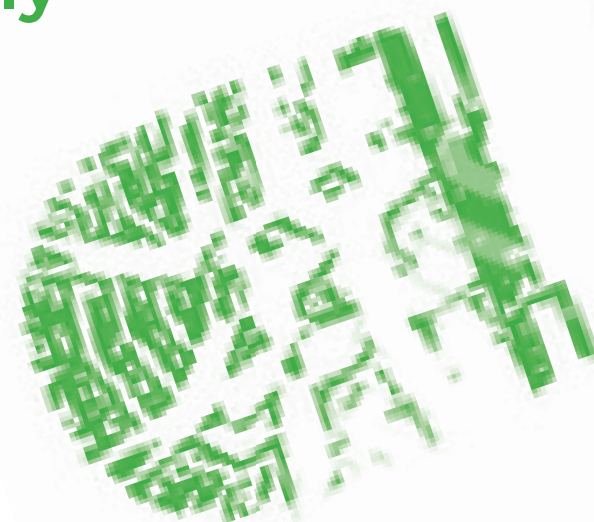
  
**9.1**  
customer  
satisfaction

  
**2.371.795**  
tonnes of sand





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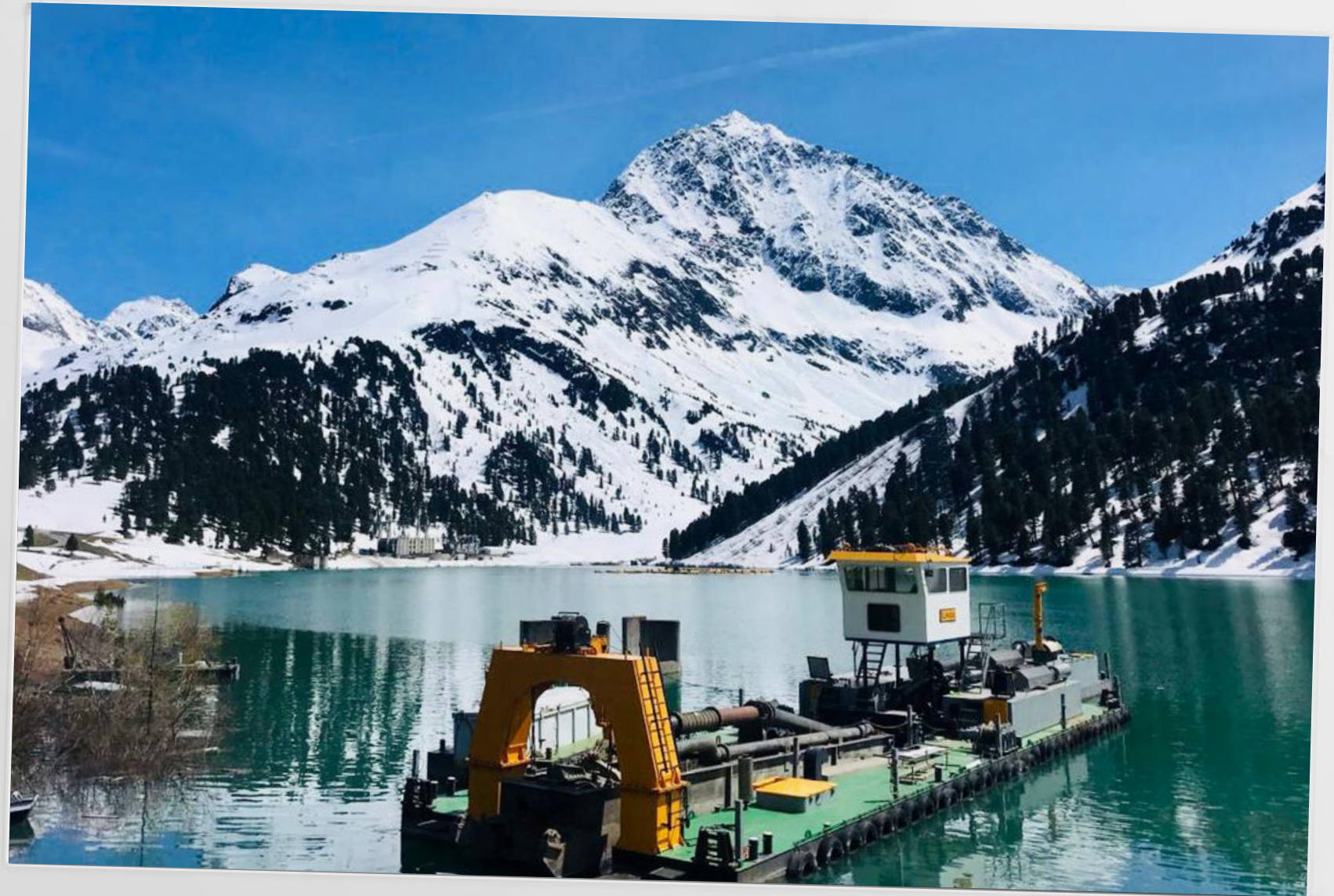




In Kufstein, Austria, Royal Smals is carrying out dredging work to keep the hydroelectric power plant operating without disruption. The local area depends on this for its electricity supply. However, this job requires us to work in a reservoir tens of kilometres away from the plant at an altitude of at least 2,000 metres – an exciting challenge in a spectacular setting.

To reach this location, we had to dismantle and load up the suction dredger, together with the necessary pipes and auxiliary vessels. A convoy of seventeen trucks, each weighing 50 tonnes, then headed up the mountain, encountering gradients of up to 10 per cent. The route took us through tunnels and close to houses. Once the job is complete we will have to perform the whole operation again in the opposite direction. Royal Smals has provided the equipment and expertise, and has also managed this project, which has proven to be a real high point for our company – literally and figuratively.

*Kühtai*



## Organisation

# A trusted partner

It is now a number of years since Smals became Royal Smals. This 'Royal' designation reflects the fact that, besides supplying necessary building materials, our company has also helped to shape large parts of the Netherlands.

Area development has consistently played a role in our activities over the course of our 135-year history and has gained in importance over time. There has been a constant call from society to make the environment better and safer. For six generations we have therefore worked to further develop our service and deliver what public authorities and citizens see as desirable and important. Dredging for building materials, improving waterways, reducing water-related risks and restoring the natural environment are at the heart of our organisation. Sustainability and environmental friendliness are key considerations for us, along with quality monitoring and the pursuit of innovation.

## Mission

Royal Smals supports its customers in the roadbuilding, hydraulic engineering and concrete industries with building materials and water-based transport. We are also keen to play our part in creating a better and safer environment for them, as well as for public authorities and citizens.

## Vision

Royal Smals believes it can create a safer and better environment by providing contracting authorities and customers with the best methods, innovative solutions, the right equipment and expert personnel. We are also happy to make our insights, experience and knowledge available to the people and parties responsible for area development.

## Cornerstone

*Royal Smals – an organisation you can rely on. **Commitment** to our customers and to society is the cornerstone of our business. As a **reliable** partner we build strong bonds. We are an **open** organisation and deliver guaranteed **quality**.*

*Royal Smals underscores the above with a number of promises relating to our approach and working method:*

- *Promise 1: **straight to the point***
- *Promise 2: **clear language***
- *Promise 3: **a deal is a deal***



## Düsseldorf



We carried out maintenance work in a relatively small, but busy pond in inner-city Düsseldorf – busy on account of the large number of geese, ducks and other birds in and around the water. The work was commissioned as the water was giving off a very unpleasant smell and becoming a nuisance for people in the local area.

In consultation with Royal Smals the decision was taken to remove the excess sediment (highly organic silt) using our eco- and nature-friendly, and extremely precise, cutter-suction dredger. Work undertaken in the city centre is subject to strict requirements.

The work we carried out was characterised by:

- a favourable CO<sub>2</sub> balance; few emissions
- low noise emissions
- minimal overall disruption in the city centre; no HGV movements
- a circular approach: the silt could be reused and mixed with other waste flows to produce mulch



## Companies

# Healthy growth



Royal Smals is aiming to achieve healthy growth across the board: at Smals Building Materials, Smals Dredging and Smals Rental. Seeking out new locations for the extraction of construction sand is a constant area of focus. This involves carrying out exploratory studies ourselves, making suitable acquisitions or entering into partnerships.

Good consultation with competent authorities is needed to ensure permits are closely aligned with the production process. If operations come to a standstill, this impacts on profitability.

### Planning ahead

Besides good consultation, there is also a logistical challenge. When a permit is coming to an end, Royal Smals works to ensure that the area is delivered as agreed. On expiry of the permit a new one must be ready elsewhere so the entire production facility can be relocated.

### Coordination

Systematically ensuring that all the sand extracted can be put to use also helps the company to generate good revenues. In 2019 we managed to achieve a historically high level of profitability. The starting point is finding the right customers for the specific composition of sand being extracted by the dredgers. As a rule, Royal Smals does not throw dredged-up sand back overboard in the hope that the market will improve or demand will change. In other words, no raw materials go to waste. This also means no energy is wasted, as we do not need to extract the same sand twice. Thanks to this approach, Royal Smals is able to achieve a high site yield.

### Stronger

In 2019 Royal Smals acquired a stake in Zandexploitatie maatschappij VOF Echten. This will enable us to provide a faster and better service to existing and future customers in the North and East Netherlands, as well as in the neighbouring region across the border in Germany. From this location we can offer an extensive range of sands and short supply lines and will be able to continue to do so for a period of fifteen years. This will consolidate our market position in this region. The environment in Drenthe also stands to benefit, thanks to the additional impetus that will be given to nature development, the improvements that will be made to waterways and the reduction in traffic through urban areas due to the use of special freight routes.



## Versatile

Smals Dredging has set its sights on European expansion. As a company it receives good customer satisfaction ratings. Its cutter-suction dredgers that can be transported by road are proving to be a major asset, thanks to their versatility. They have proven their worth in environments ranging from silted-up ponds in Antwerp and a wooded nature reserve in the Netherlands through to a harbour mouth in Wales and an Austrian reservoir. In Germany they have even been used to clean up a pond in the heart of a city, situated above a metro station. Smals Dredging supports its activities by acquiring cutter-suction dredgers or building new ones. Since September 2019 the deep cutter-suction dredger 'Hetty' has been part of the Royal Smals fleet, for example. This vessel, along with the associated auxiliary equipment and pipes, was acquired from Zandzuigbedrijf Jurjens+Haveman, together with the existing customers. A good example of how the company is growing through acquisitions.

## Moving with the times

In 2019 Smals Rental managed to keep its activities at a sustained level. It is also working hard on a revamp operation to enhance its offering and make it more contemporary and more market-focused. As part of this process it has added a new electric suction dredger and two barges to its fleet, carried out maintenance that it had been putting off for a little too long, parted company with outdated or underused equipment and ensured that all its equipment has passed the government inspection with flying colours. An Inspection Certificate has been issued for all its floating stock.

## Good year

In 2019 Royal Smals' activities resulted in a net profit of € 1.7 million. The PFAS problem is having a limited negative impact. This is leading to a decline in purchases of fill sand, as construction projects across the country are coming to a standstill. External equipment rentals are also falling as a result. At the German sand mines in Kalle and Wipplingen production has continued without disruption and they can therefore look back on a positive year. An adapted production process and energy-efficient shovel loaders have allowed savings to be made in an environmentally friendly way.





## Connection

*Royal Smals is an organisation that likes to cooperate and does so in various areas: within the industry and the supply chain, as well as with suppliers, contracting authorities, policymakers and customers. In mid-2019 this approach was brought into sharp focus through the organisation of a meeting of Royal Smals' partners based around the theme of 'Connection'. This was an inspiring get-together in a special location: the former Radio Kootwijk transmitter station – a spectacular building set amidst beautiful, green surroundings. On the day the themes of connection and sustainability converged almost as a matter of course. Naturally Smals.*





Six connected pontoons, the oldest and smallest of which dates from 1947 and the newest from 2000. Above these a tangle of pipes, conveyor belts, sieves and hoppers. This is not a factory, but an installation capable of sucking up sand and gravel from depths of up to 42 metres and depositing it in a ship's hold within fifteen minutes – clean and with the right composition. Having passed an inspection in 2019, Vierlingsbeek can continue to supply sand to the Dutch construction industry for many years to come.

- 130 metres long, 32 metres wide
- weight of 6.264 million kg
- 1.5 km of conveyor belts
- installation rising 13 metres above deck
- crane 21 metres high
- more than 50 types of sand
- quality measurement every 30 seconds
- loading capacity of up to 1,400 tonnes/hour
- 10 employees

## *Vierlingsbeek sand processing plant working on Over de Maas project*





## Sustainable A green perspective

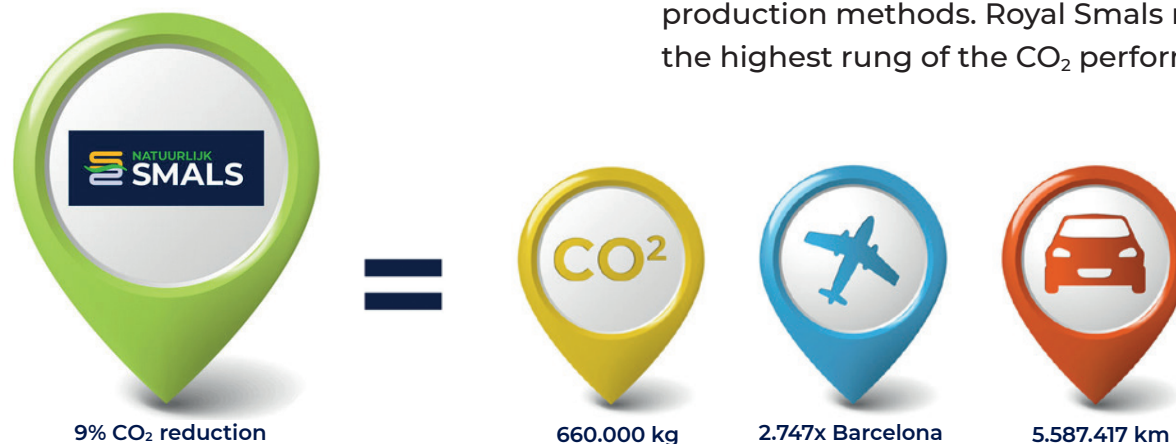
The construction industry need not despair – good-quality raw materials and sustainability can go hand in hand. Royal Smals is helping to make this possible on a number of different fronts. We look at our work and the world around us through a green lens and explore the possibilities.

At Royal Smals we want to work in a way that is as environmentally friendly as possible – not because we have to, but because we can. Our management and employees are constantly looking for opportunities to reduce the impact on nature and the environment. In this way we aim to limit our ecological footprint as much as possible. That means minimising the CO<sub>2</sub> emissions from our building materials and dredging activities. Against this background our whole organisation has been upgraded to level 3 of the CO<sub>2</sub> performance ladder.

### Aware

In 2019 Royal Smals placed energy awareness at the top of the agenda – because society is demanding this, because it gives our customers a competitive edge, because causing unnecessary damage is never good, because our employees are thinking about their children and grandchildren, because economy and diligence go hand in hand, because it encourages creativity, and for many other reasons besides. There are all kinds of possibilities: reducing fuel consumption, using transport efficiently, developing sophisticated work processes, making use of alternative energy sources and reusing raw materials.

In 2019 we achieved savings by purchasing an electric forklift truck, using biodiesel, recovering residual heat from engines, travelling less, supplying secondary raw materials and adapting production methods. Royal Smals made good progress in 2019 and is in good shape to reach the highest rung of the CO<sub>2</sub> performance ladder next year.



On 1 January 2020 our German activities will switch over entirely to green electricity. That means CO<sub>2</sub> emissions will be reduced by 660,000 kg, a drop of 9 per cent and a saving equivalent to 2,747 flights to Barcelona or 5,587,417 kilometres by car.

## Recognition

Royal Smals' efforts in the area of sustainable working have not gone unnoticed. In the first few weeks of 2019 Resie Reijnders, Chairman of the Board, signed the Civil and Hydraulic Engineering Projects Green Deal 2.0. Through this Green Deal companies in the civil and hydraulic engineering sectors have agreed to make sustainability an integral part of all projects undertaken in 2020 – from planning and tendering through to implementation and management. Royal Smals also received an industry award for the Brightlingsea project and in June the large sand processing plant Vierlingsbeek achieved gold accreditation. The Concrete Sustainability Council has awarded the plant this certification on account of its proven contribution to a sustainable concrete supply chain. This quality mark is an indicator that strict requirements are being met in the areas of sustainability, reliability, expertise and operational safety, and Royal Smals is very proud to have received it.

Alongside the Civil and Hydraulic Engineering Projects Green Deal, in 2019 Royal Smals also signed the Concrete Agreement. This is an agreement to work right across the sector and along

the whole supply chain to make concrete more sustainable. That means focusing on reducing CO<sub>2</sub> emissions, reusing raw materials, innovating and educating. In this way the signatories hope to play their part in boosting competitiveness, jobs and exports.

## Bypass

Construction sand needs to have the right composition, which can vary from coarse to very fine grains. An elaborate system of washing, sieving, crushing and sorting ensures customers get what they have ordered – in other words, a custom product! In Germany the sand being extracted appears to have roughly the right composition already. That means that large parts of the installation can be taken out of service and all manner of production processes can be skipped – a kind of bypass that saves costs and reduces the environmental impact.





## Getting even smarter with silt

*When it comes to dredging silt, Royal Smals often proposes the use of a modern technology: the Baleen Rapid Dewatering System, which helps reduce transport and storage costs. It also saves space and in many cases results in a reusable building material that can be used for dams and dykes. In short, it is more convenient and more sustainable than the traditional silt dewatering process involving extensive evaporation lagoons. The system works using large, water-permeable textile bags in which the silt is combined with a flocculant. The water flows away through the pores in the textile, leaving the thick silt mass behind in the giant bags. This is then ready to be placed into landfill or reused.*

*In 2019 Royal Smals came up with an inventive solution when dredging a drainage channel in Karlsruhe. The material we were extracting contained a large quantity of sand. Sieving this out first meant that there was less silt to thicken. In Karlsruhe we dredged up countless cubic metres of material and many tonnes of the valuable sand removed from this were quickly put to good use.*



### Stronger together

Royal Smals, a company with a wealth of experience when it comes to supplying sand and gravel, is entering a new field of work, carried on a wave of sustainability. Reusing building materials is currently a hot topic. This cuts costs, results in bonus points from public authorities and contracting authorities, and is a development viewed positively by society. The national ambitions are clear: by 2030 the entire construction chain must reduce its CO<sub>2</sub> emissions by thirty per cent.

Faced with this challenge, Royal Smals decided to enter into a partnership with demolition firm Laarakkers in 2019 and in this way combine Laarakkers' knowledge of concrete rubble with our own expertise in the area of sand. Smals Building Materials is looking into possible ways to reuse crushed, cleaned and sieved concrete. Laarakkers is contributing materials and the experience it has acquired over hundreds of demolition projects based on its ambitions in the area of reuse.





*Zandexploitatiemaatschappij VOF Echten for customers  
in the North Netherlands and the neighbouring region of Germany*



Royal Smals' customers in the North Netherlands and the neighbouring region across the border in Germany can be confident of having access to sufficient high-quality raw materials over the coming years.

Since November Smals Building Materials has been a partner in Zandexploitatiemaatschappij VOF Echten. Roelofs is the other partner. Sand extraction in the area around Veeningen/Echten in the province of Drenthe is a good fit with Royal Smals' current position in the area of building materials and ties in with our ambition to achieve strategic growth in this market.





## Organisation

# Strong team

People make our organisation what it is. Their talents, experience, commitment, collegiality and urge to innovate are key to our success. Royal Smals therefore maintains a flat organisation with short lines of communication. As far as possible, responsibilities are placed with the people who actually do the work. With their practical expertise and problem-solving ability they make a strong team.

Royal Smals wants to work in a way that is as environmentally friendly as possible – not because we have to, but because we can. A company that grows step by step based on an explorative approach needs employees who grow with it, professionally and personally. That is why Royal Smals continues to invest in its people, through job-specific training covering themes such as working conditions, professional expertise, health and safety, but also coaching, management and communication. This is good for employees, but is important for our customers and partners too. They must be able to rely on Royal Smals' employees having the skills they need to do their jobs.



## Core values

Every bit as important as personal development are our shared core values, which we determined based on the views of employees themselves. The top four are: **reliability, commitment, openness and quality**. Royal Smals systematically promotes discussion of these core values right across our organisation. What importance do we attach to them? How does everyone put them into practice? What do our customers and colleagues notice? This sharpens our thinking, mutual respect and team spirit.

## Colourful

Green, yellow, blue and red. Each of these colours represents a type of employee: stable, communicative, meticulous and dominant. Royal Smals has been working with this tool for some time to analyse the composition of its team and, if necessary, to encourage employees to add a little of another colour to their behaviour. After all, a good team creates a colourful picture.

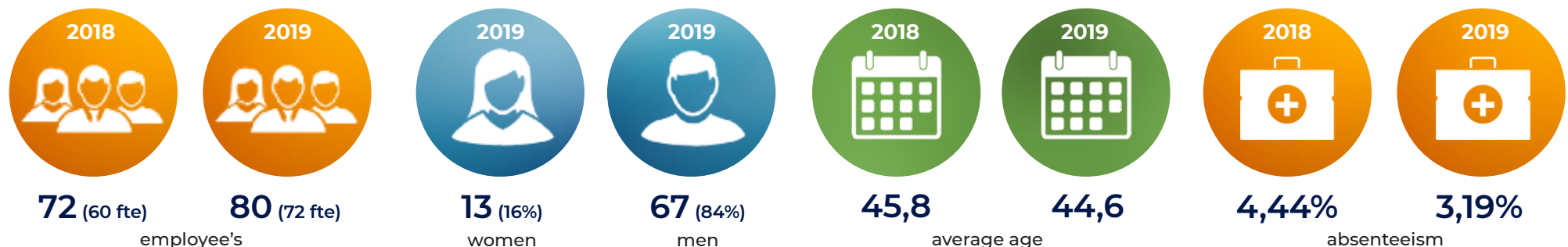
## Healthy

Royal Smals is fortunate to have an impressively low absenteeism percentage. In 2019 this stood at 3.19 per cent, 1.25 percentage points lower than the previous year. Furthermore, in many cases an employee's illness is not connected to his or her work or working conditions, and is completely unrelated to these aspects in cases of long-term incapacity for work. In all cases Royal Smals tries to create suitable conditions so that the person concerned can return to work in full or in part.

## Valuable

*Young people are often on the lookout for possibilities and opportunities, trying to find a future that is right for them. For many years Royal Smals has provided practical training to support them in this area. Students on various vocational courses benefit from this training, as does the company itself. This is an approach that clearly demonstrates our corporate social responsibility. It helps our colleagues stay sharp and encourages their coaching ability. It also allows potential new insights to be incorporated into our existing practice and helps us move forward with a high level of expertise.*

*The efforts we make to hire people with limited opportunities elsewhere are another aspect of our socially responsible personnel policy. For Royal Smals it is no obstacle if someone has been labelled as 'detached from the labour market'. Experience shows that behind this label you often find people who are valuable additions to the company.*







## Kieldrecht



Grote Geulle is a drainage channel that was dredged for the first time in 20 years to help keep the surrounding villages dry. During the hot summers of recent years the area had been affected by high fish mortality, unpleasant odours and algal growth.

The layer of silt contained all manner of nutrients originating from agriculture. This silt was transferred to meadow storage sites and could be reused in the local environment. By spreading it on adjacent fields, it was possible to enrich the land and make it more fertile.





2020

# Forging ahead



As you sow, you will reap. Trusting in this old proverb, Royal Smals is continuing to build on the efforts it has made and the contacts it has cultivated over the past few years. Unexpected developments can, of course, arise and there has certainly been a change of emphasis in some areas too. The coronavirus crisis, for example, is currently casting a long shadow, while the environment and nature have gained a firm foothold as important areas of attention.

Smals Building Materials is continuing to develop the product/customer mix that is the best fit with Royal Smals' sand extraction locations. Adding concrete granulate as a product will help us safeguard our offering over the long term.

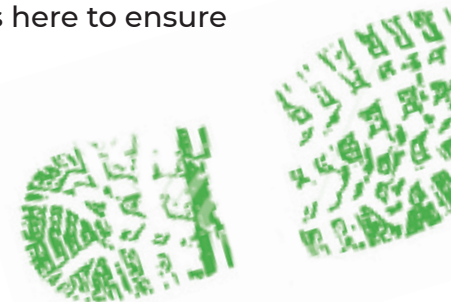
## Shift

As far as the extraction of building materials is concerned, the emphasis is shifting increasingly from quantity to quality and to building support for our activities. That means linking our sand dredging activities to social functions, such as nature management, recreation and enhanced quality of life. To do this, we need to find common ground with industry, landowners, nature managers, local authorities, provinces, local residents and interest groups. Royal Smals supports this development and invests in it.

## Locations

The large Vierlingsbeek sand processing plant is close to completing its work at Alphen aan de Maas. It will be relocated from the 'Over de Maas' project to the 'Geertjesgolf' sand, nature and recreation project in Beuningen and Druten.

For the German sand mines in Kalle and Wipplingen Royal Smals is anticipating a stable market. There appear to be opportunities to step up our efforts here and in this way guarantee continuity for years to come. In the North Netherlands too Royal Smals is aiming to further consolidate its position on the sand market. We also have expansion ambitions here to ensure we can remain active over the long term.





## IJsselmeer

The IJsselmeer is a story all of its own. Over a period of many years Royal Smals pulled out all the stops to try to safeguard the supply of construction sand by applying for a permit to extract it from this large body of water. In 2019, at the last minute, local protests threw a spanner in the works. The local authority in De Fryske Marren refused the necessary permit. Royal Smals has appealed to the Council of State and is expecting its ruling in 2020.

In the meantime various parties have come forward with new visions for the future of the IJsselmeer area. Royal Smals is keen to align with these, from both a technical and ecological perspective. We can adjust the choices we have made and add value to the plans of the parties concerned. During talks they have indicated that they want to consult on the content of the plans. Against this background Royal Smals would like to engage in a broad debate on the best possible way of extracting construction sand from the IJsselmeer – one that is sustainable and good for both people and nature.

## Dredging

For Smals Dredging the prospects for 2020 are good. The course set in Western Europe has seen the year start with a strong order book inside and outside the Netherlands. Enquiries have also been made that could lead to promising projects.

Smals Rental is investing in the rejuvenation and sustainability of its fleet and supporting equipment. A new electric suction dredger has been added to its range, for example. Two existing suction dredgers are also being converted to full electrification.





## *West Bay, Dorset*

In late spring the harbour at West Bay had once again become silted up. This is a time when harbour activities, such as tourism and pleasure cruising, are starting to get into full swing.

Deep dredging of the harbour at West Bay is crucial for the area as a whole, as West Bay is a port of refuge for vessels in distress. Work carried out in harbours is also subject to strict rules. The maintenance contract was awarded to Smals as:

- the harbour could continue to operate as normal
- thanks to the reach of the cutter-suction dredger's swivel ladder, less accessible spots and areas beneath floating pontoons could also be dredged effectively
- the activities would cause minimal disruption: no HGV movements and little noise pollution





Preliminary report

# Supervisory Board

We hereby present to you the annual report 2019 of Koninklijke Smals NV.

The main targets formulated in the strategic plan were achieved in 2019. Growth in many different areas was the overarching theme, specifically:

- *Adding new sand extraction areas to the existing sand extraction volume.*
- *Achieving synergy effects between our own divisions.*
- *Substantially increasing the turnover of Smals Dredging.*
- *Expanding dredging projects in the United Kingdom, Germany, Austria and France.*
- *Improving the deployability of equipment through modernisation, replacement and renovation, with a focus on increasing sustainability.*
- *Modernising the fleet to allow economical and more environmentally friendly operation.*
- *Achieving an appropriate financing plan that meets our long-term investment ambitions.*
- *Developing an HRM policy within which motivating and retaining employees is a key theme.*

The overrun of the inspection work on the Vierlingsbeek sand processing plant, combined with the relatively harsh winter in the first quarter of 2019 and the emergence of the PFAS and PAS problem, placed the results of Smals Building Materials and Smals Dredging under pressure.

Despite the result for 2019 falling below the budgeted figure, 2019 can be regarded as a successful year, partly thanks to the fact that the targets listed above were largely achieved. We can also conclude that the results achieved in 2019 are consistent with the targets set for the radical change of course undertaken in 2017 at the management's initiative.



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



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



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

The decision taken in February 2019 by the local authority in De Fryske Marren not to adopt the zoning plan for the IJsselmeer sand and nature project has resulted in proceedings before the Council of State. A ruling on this matter is expected in the course of this year.

In 2019, in addition to the regular meetings, the Supervisory Board also held additional meetings with and without the management to deal with specific issues, such as the company's financing, the intended investment programme and the management's remuneration system. The combined regular meetings that the Supervisory Board held with the Board of Directors and shareholders were constructive and transparent.

In the second quarter of 2020 the current members of the Supervisory Board will be replaced by Mr L. Verheijen and Mr R. van Dongen. We wish our successors every success in the performance of their duties for this wonderful company. We are also keen to express our thanks to all customers, the Board of Directors, the shareholders and every employee for the excellent collaboration over the past year.

Lastly, we would like to say that, as members of the Supervisory Board, we can look back on a number of interesting, fascinating and exciting years at Koninklijke Smals NV. We are therefore grateful to the shareholders of Koninklijke Smals NV for the confidence they have placed in us. We wish this outstanding family company a successful future.

Cuijk, 7 mei 2020

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





## *Kalle en Wipplingen*



The German sand mines produce half a million tonnes of special sand and construction sand every year, with a composition tailored to customers' requirements. This is delivered by truck from two separate locations to concrete and asphalt plants, road-building projects and sports pitches.

The two current production sites have been in operation since 2006. One of these is in Wipplingen, 20 km across the border and 40 km to the northeast of Emmen. The other is situated in Kalle, east of the Dutch town of Hardenberg and 10 km into Germany.

In both locations the material is extracted by unmanned suction dredgers. These are winched into place on a gradually expanding lake and carry out their work fully automatically. They can reach down to depths of up to 25 metres and operate in a way that leaves the banks undamaged. Following initial separation using a sand wheel, various techniques are used to achieve the right composition. As always, our activities include measures to protect the natural environment and give it a helping hand. The working method has been certified and is monitored by the Dutch and German authorities.

## Key figures

# Financial statements

The following factors had a significant influence on the result for 2019:

- Smals Building Materials maximised its site yield and benefited from favourable market developments, the maintenance of volumes and cost monitoring. The PFAS problem, which is pushing down the volume of fill sand purchased, had a negative impact.
- Smals Dredging saw its turnover rise, although margins on projects contracted.
- Smals Rental stabilised its turnover. Its maintenance and personnel costs were high, as work to catch up with the maintenance backlog was carried out in-house.

| <i>x € 1,000</i>   | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Turnover   | 22,592      | 23,753      |
| Operating result   | 1,768       | 3,108       |
| Result before corporation tax                                  | 1,776       | 3,126       |
| Net profit   | 1,667       | 2,432       |
| Equity   | 21,473      | 19,806      |
| Non-current liabilities  | 5,866       | 4,945       |
| Operating cash flow (= Net profit + amortisation + impairment) | 2,472       | 3,461       |
| Equity / Total assets  | 75%         | 76%         |
| Net profit / Equity  | 8%          | 12%         |





## Summary

# Accounting policies

The consolidated balance sheet as at 31 December 2019 and the consolidated income statement for 2019 have been derived from the 2019 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 majority stake 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 amortised cost.

### 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 as soon as 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 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.

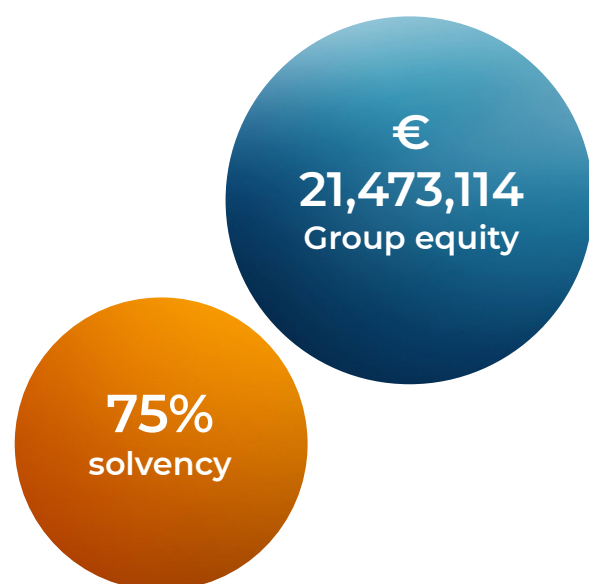
Extraction rights (land for which licences have been issued) are stated at acquisition cost. For the purpose of impairment testing, the land is allocated to the (group of) cash-generating units. If there is cause to do so, a test is performed to determine whether impairment is necessary. This involves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





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# Consolidated balance



| €                          | 31-12-2019        | 31-12-2018        |
|----------------------------|-------------------|-------------------|
| <b>Assets</b>              |                   |                   |
| <b>Fixed assets</b>        |                   |                   |
| Intangible fixed assets    | 109,233           | 136,541           |
| Tangible fixed assets      | 12,653,740        | 11,821,013        |
| Financial fixed assets     | 6,817,153         | 5,992,671         |
|                            | <b>19,580,126</b> | <b>17,950,225</b> |
| <b>Current assets</b>      |                   |                   |
| Stocks                     | 2,178,136         | 2,021,530         |
| Projects in progress       | 91,351            | 0                 |
| Receivables                | 6,602,990         | 4,374,442         |
| Liquid assets              | 0                 | 1,561,244         |
|                            | <b>8,872,477</b>  | <b>7,957,216</b>  |
| <b>Total assets</b>        | <b>28,452,603</b> | <b>25,907,441</b> |
| <b>Liabilities</b>         |                   |                   |
| Group equity               | 21,473,114        | 19,805,765        |
| Third-party interests      | - 21,370          | 379               |
|                            | <b>21,451,744</b> | <b>19,806,144</b> |
| <b>Provisions</b>          | <b>1,135,295</b>  | <b>1,155,424</b>  |
| <b>Current liabilities</b> | <b>5,865,564</b>  | <b>4,945,873</b>  |
| <b>Total liabilities</b>   | <b>28,452,603</b> | <b>25,907,441</b> |

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# Consolidated profit and loss



| €  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Net turnover</b>  | <b>22,616,275</b> | <b>23,738,877</b> |
| Movement in stocks of finished products and work in progress | - 23,798          | 14,045            |
| <b>Total operating income</b>                                | <b>22,592,477</b> | <b>23,752,922</b> |
| Costs of raw materials and consumables                       | 3,069,727         | 4,634,693         |
| Costs of subcontracted work and other external costs         | 4,265,425         | 2,546,015         |
| Wages and salaries   | 5,480,829         | 4,499,477         |
| Social security contributions                                | 1,117,052         | 805,159           |
| Depreciation of tangible fixed assets                        | 777,427           | 1,002,824         |
| Amortisation of intangible fixed assets                      | 27,308            | 27,308            |
| Other operating expenses                                     | 6,086,847         | 7,130,033         |
| <b>Total operating expenses</b>                              | <b>20,824,615</b> | <b>20,645,508</b> |
| <b>Operating result</b>                                      | <b>1,767,862</b>  | <b>3,107,414</b>  |
| Interest income and similar revenues                         | 54,633            | 64,980            |
| Interest expenses and similar costs                          | - 46,897          | - 46,611          |
| <b>Result from ordinary operations before taxes</b>          | <b>1,775,598</b>  | <b>3,125,783</b>  |
| Taxes on result from ordinary operations                     | - 321,059         | - 693,504         |
| <b>Result from ordinary operations after taxes</b>           | <b>1,454,539</b>  | <b>2,432,279</b>  |
| Third-party interests in result                              | 21,749            | - 1,386           |
| Share in result of unconsolidated participations             | 191,061           | 0                 |
| <b>Net profit</b>  | <b>1,667,349</b>  | <b>2,430,893</b>  |



Controleverklaring

# Onafhankelijk accountant

To: board of directors of Koninklijke Smals N.V.

## Our opinion

The summary financial statements 2019 (hereafter: 'the summary financial statements') of Koninklijke Smals N.V., based in Herten is derived from the audited financial statements 2019 of Koninklijke Smals N.V.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2019 of Koninklijke Smals N.V.

The summary financial statements comprise:

1. the consolidated balance sheet at 31 December 2019
2. the consolidated income statement over 2019
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 N.V. 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 7 May 2020.

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

We expressed an unmodified audit opinion on the audited financial statements 2019 of Koninklijke Smals N.V. in our auditor's report of 7 May 2020.

That report also includes an emphasis of matter relating to uncertainty about Corona.

## Responsibilities of board of directors for summary financial statements

Management is responsible for the preparation of the summary financial statements accordance with the accounting policies set out in the summary of the 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, 7 May 2020

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





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